

Standard Chartered Position Statement

Forestry

Our approach

Standard Chartered is a leading financial institution focused on banking the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. For us, sustainability is about creating long-term value for our shareholders, working in partnership with our clients to make a positive economic and social contribution in the markets where we operate. We recognise that our success as a bank is linked intrinsically to the health and prosperity of these markets.

The biggest impact we have is through the businesses we finance. By providing finance efficiently and responsibly, we can generate value for our shareholders while creating value more broadly for society.

Our approach is to engage proactively with clients, governments, non-governmental organisations and communities to manage the impact that stems from our financing decisions. Our Position Statements assist in this approach by outlining the standards we encourage or expect our clients to align to. The Position Statements are applied through our internal Policies and Procedures and reference appropriate industry wide benchmarks such as the IFC Performance Standards and Equator Principles.

We want to be a force for good by working with our clients to improve their sustainability performance. We believe this approach will further strengthen and develop our long-term relationships with our clients, contributing to their competitive advantage and promoting sustainable economic growth in our communities.

While the Group voluntarily adheres to these non-legally binding Position Statements, they reflect our aspiration to apply these principles consistently and to conduct our business with the highest standard of ethics and integrity. All staff are required to adhere to the Position Statements and endeavour to achieve these goals in line with our Group Code of Conduct and to live up to our brand promise of Here for good.

Scope

The Bank is organised to service the following four client segment groups:

- Corporate and Institutional Banking;
- Commercial Banking;
- Private Banking; and,
- Retail Banking.

This Position Statement applies to all debt, equity and advisory services provided by the Bank for new and existing Corporate and Institutional Banking clients.

This Position Statement also applies to all lending provided to Commercial Banking clients, and Business Banking clients in our Retail Banking segment. The capacity and capability of such clients to meet international standards may be limited, but as a minimum standard, we will apply our restrictions (see 'Our commitment' below), and promote sustainable practices where appropriate.

We recognise that our level of influence and assessment is dependent on the nature of the services we provide.

Application to the Sector

For the purposes of this Position Statement, forestry refers to all businesses that cultivate and fell trees, and downstream users involved in milling of timber for pulp, paper, sawn timber and veneer, and operations which process, distribute and support products from forests.

Our concern

Forests cover 31 percent of the Earth's land surface¹. They fulfil economic functions, help maintain the fertility of agricultural land, protect water sources, and reduce the risks of natural disasters such as landslides and flooding. The world's forests are home to at least 80 percent of remaining terrestrial biodiversity² and act as a carbon sink that mitigates climate change. Communities, especially indigenous peoples, depend to varying degrees on forests for their livelihoods.

Standard Chartered recognises the forestry sector faces potential environmental and social challenges, some of which may include biodiversity degradation through clearance of forests and other habitats, water pollution from sediment run-off from forest cover removal, poor labour and working conditions and conflict associated with land use and customary rights of local and indigenous communities.

Our commitment

Where forestry operations have potential adverse environmental and social impacts and are located in countries which are not High Income OECD members, we use the following standards to assess the capability of our clients to manage these impacts:

- The most recent IFC Performance Standards³
- The IFC General Environmental, Health and Safety Guidelines⁴
- The IFC Industry Sector Guidelines on Forest Harvesting Operations, Sawmilling and Wood Based Product, Board and Particle Based Product, and Pulp and Paper Mills

Where applicable, we will also look to the following industry best practices, guidelines and bodies to determine effective responses to risks faced by clients:

- The Forest Disclosure Project⁵
- The Forest Stewardship Council (FSC)⁶ Principles and Criteria⁷

Standard Chartered is aware that in some circumstances environmental and or social risks and impacts cannot be successfully mitigated. In the forestry sector we will therefore restrict the provision of financial services to Corporate and Institutional Banking, Commercial Banking, and Business Banking clients who:

- Do not significantly impact upon, or have operations located within:
 - UNESCO⁸ World Heritage Sites
 - RAMSAR⁹ Wetlands, unless operations would result in 'no net loss' of biodiversity
- Follow IFC Performance Standard 6 where operations impact upon Protected Areas or Critical Habitats
- Do not use fire in their forestry or plantation operations, including in the clearance and preparation of land for planting
- Do not convert natural forests to wood plantations
- Do not adversely impact High Conservation Value Forests (HCVF) or primary tropical moist forest
- In the absence of FSC or equivalent certification, follow IFC Performance Standard 7 where operations impact on indigenous peoples, including customary rights
- Follow an appropriate scheme to provide reliable evidence of the legality of the origin of the timber they supply, trade or process

And to Corporate and Institutional Banking clients who:

¹ According to the FAO <http://www.fao.org/docrep/013/i1757e/i1757e.pdf>

² According to the World Bank

<http://siteresources.worldbank.org/EXTFORSOUBOOK/Resources/completestorebookapril2008.pdf>

³ <http://www.ifc.org/performancestandards>

⁴ <http://www.ifc.org/ehsguidelines>

⁵ <https://www.cdproject.net/en-US/Programmes/Pages/forests.aspx>

⁶ <https://ic.fsc.org/>

⁷ <https://ic.fsc.org/principles-and-criteria.34.htm>

⁸ <http://whc.unesco.org/en/list>

⁹ http://www.ramsar.org/cda/en/ramsar-documents-list/main/ramsar/1-31-218_4000_0__

- Have implemented, or are in the process of implementing, an environmental and social management system which controls their specific risk exposure
- Support the application of the Equator Principles¹⁰

Feedback

We welcome feedback on our Position Statements. Please contact us at our.environment@sc.com.

¹⁰ <http://www.equator-principles.com/>