

Know Your Supplier

We believe it is important to work with suppliers that take their responsibilities to the environment and to communities as seriously as we do. As such, social and environmental considerations are becoming an integral part of how we evaluate and select our suppliers.

Procurement Policy

Standard Chartered spends around US\$1 billion annually on the procurement of goods and services. This includes spending on technology, property, travel, professional, human resource and banking services. We recognise we need to manage this expenditure from a social, ethical and environmental perspective by ensuring that our suppliers meet our high standards of responsible behaviour.

In the past year we have introduced “**Know Your Supplier**”, a scheme that is being rolled out in our biggest markets to identify potential suppliers who represent the greatest risk. Our approach is to target those markets where we know we have the right resources to make a real difference. We will tackle other markets once the scheme is working effectively and has been tested through proof of concept exercises in each launch country.

There are three key areas of focus for our procurement activity:

Human Rights

We expect our suppliers to have adopted and be able to demonstrate human rights policies and records that reflect international legislation, such as the Universal Declaration of Human Rights, and which are consistent with our own standards. In our procurement processes, we aim to screen for abuses. Suppliers who perform poorly in relation to Human Rights will be excluded from doing business with us.

Ethics

We are a highly ethical company. We expect our suppliers to be ethical too. Our procurement processes aim to bring ethical issues to the surface. Where serious ethical issues are identified suppliers will be excluded from doing business with us.

Environment

Our procurement process will help us assess the potential risk of suppliers who may unnecessarily damaging the environment in the way they produce, consume and dispose of materials. Whenever practicable, we will favour suppliers who recycle and re-use products and we will encourage priority suppliers to improve their environmental performance.

We try to ensure that proper attention is paid to each of these issues whenever we manage the procurement of products and services. This will be achieved by taking account of each issue during the sourcing process.

Supply Chain Management

Implementing a global system for sourcing is a tough task. We are introducing our Know Your Supplier (KYS) scheme in phases. This will allow us to focus on one region at a time, learn lessons and make improvements as the programme proceeds.

	Phase 1	Phase 2	Phase 3
EAST:	Hong Kong, Singapore	India	Malaysia
WEST:	UK	US	UAE

Rollout of the Know Your Supplier (KYS) scheme was completed in 2005.

How we consider suppliers

Typically, in each country, the number of suppliers engaged on a business as usual basis is high. It is not practical for us to proactively monitor all of our suppliers for compliance with our standards. We have chosen initially to assess all suppliers entering into a business relationship with the Bank in the above countries. Typically suppliers are appointed on anything between a one and three-year contract hence we anticipate that after a period of three years we will have a supply base that has been fully assessed.

On assessment suppliers are categorised into one of two types - high social, ethical or environmental (SEE) risk and low SEE risk. If the supplier’s product or services involves two or more of the risk elements identified in the table below then they are deemed “high risk”. If they only exhibit one or less then they are deemed “low risk”.

We want to focus our resource on suppliers that are of the greatest potential risk to us, to the environment and to the communities they operate amongst. The relative scale of social and environmental impact of the supplier will also be taken into account in the assessment of whether a supplier is deemed high risk or low risk.

The eight risk elements are:

Risk Elements	Considerations
Natural resources	Whether natural resources are consumed or heavily involved in the production process
Chemicals	Whether significant amounts of chemicals are consumed or generated during the production process
Energy consumption	Whether the production process consumes significant amount of energy such as electricity
Waste generation	Whether the production process produces a lot of chemical or hazardous waste or by-products
Low skilled labour	Whether the production process is labour intensive and/or only requires low-skilled labour
Supply chain	Whether the products are manufactured by other suppliers further down the supply chain, which means the social/environmental risk potential increases as the suppliers become remote
Imported goods	Whether the products are manufactured by suppliers in overseas countries especially low cost countries where cost advantage might be greatest for suppliers but where SEE risk is often higher
Scale of suppliers	Whether the suppliers involved are smaller or less formalized which in most cases may have a lower level of CR awareness

Managing Low Risk Suppliers

For all low risk suppliers, the KYS approach will be primarily based on the CR questionnaire responses (PDF format, 96KB) Supplier responses are reviewed to ascertain their performance from three perspectives:

Perspectives	Things to look for in CR questionnaire responses
Policy Perspective	Whether there are any obvious differences between the supplier stated social, ethical and environmental policies (if any) and the Banks policies
Control Perspective	Whether the supplier is taking steps to manage or mitigate any associated SEE risk during the provision of services/products to Standard Chartered
Historical Perspective	Whether the supplier has any previous records of CR prosecution and whether/how it was rectified

Managing High Risk Suppliers

For suppliers that, during the selection process, are deemed to be of significant enough risk, the KYS approach will be more vigorous. This list is not an explicit checklist and, as can be expected a variety of methods, including further requests for information, will be used as part of due diligence undertaken in the tender process.

[A]	On Human Rights Checklist Items	Method	Things to look at
A1	Use of child labour	Onsite visit/Request for further information	Visual impression of staff employed onsite Review of HR record of staff concerned
A2	Discrimination in employment	Document review	HR policy document
A3	Unreasonable terms of employment	Document review	HR employment terms and remuneration (in the context of the average remuneration locally)
A4	Safe and satisfactory work environment	Onsite visit/Request for further information Document review	Physical environment of workplace (E.G. hygiene, ventilation, lighting) Use of safety gear for handling hazardous materials Reference any local country government policy or legislation

[B] On Ethics		
Checklist Items	Method	Things to look at
B1 Company policies to guide business operation	Document review	Money laundering prevention policies Insider trading prevention policies Conflict of interest handling approach Bribery and corruption handling approach Staff guidelines and codes of conduct

[C] On Environment		
Checklist Items	Method	Things to look at
C1 Company policies, objectives and targets	Document review	Documented policies Published objectives
C2 Regular practice to audit and review environmental performance	Document review	Track record of past review
C3 Intention towards accreditation	Document review	Records of such effort or certificate of environmental management standard such as ISO14001
C4 Potential environmental risk in production process	Onsite visit/Request for further information	Explanation by relevant personnel
C5 Control measures in place to minimize environmental risk	Onsite visit/Request for further information	Physical set up in workplace to minimize environmental hazards Work practices and procedures in line with environmental objectives
C6 Product features	Onsite visit/Request for further information	Capability to be recycled Ecolabel or energy star standards of products