

## **Standard Chartered Bank response to Carbon Disclosure Project 5**

### **Question1: Climate Change Risks, Opportunities and Strategy**

**a Risks:** What commercial risks does climate change present to your company including, but not limited to, those listed below?

The world is being increasingly impacted by climate change. Risks and opportunities will present themselves through the impacts of climate change itself, the fiscal and regulatory measures put in place to mitigate and adapt to climate change and society's reaction to the causes and implications of climate change..

Standard Chartered is a global company operating in 56 countries, with a focus on the developing economies of the Middle East, Africa and Asia. Many of our markets are those which are forecast to be impacted earliest and most severely by climate change. Our multi-cultural, geographical and jurisdictional presence means our exposure to risk and opportunity and the time frame over which these materialise is variable across our foot print.

Whilst to date the Bank has not been materially impacted by climate change related risk, it is a risk 'category' which will grow in significance and one which we are actively integrating into our established risk management processes. Our analysis of climate related risk has identified the following categories of risk:

- physical - our property portfolio and indirectly, the property portfolio of our employees, customers, business critical suppliers and stakeholders. Standard Chartered is present in 56 countries in the World, some already suffering early climate change related impacts;
- market - what are the implications of climate change to the markets we are focusing our growth plans on? Will they enjoy climate related economic gains or suffer losses?;
- reputation - is our position on climate change enhancing or threatening our reputation and how could it impact (positively or negatively) our brand promise – to be 'the right partner, leading by example';
- operational – will climate change affect the way we do business, whether this be our approach to building occupation, travel or the services and sectors we focus our lending towards?;
- supply chain – do we need to review how we procure goods and services? Will some of our suppliers be at risk themselves because they have failed to adapt?
- financial – what will the impact of climate change be to our risk profile, and how can the bank position itself for the emerging revenue opportunities?
- strategic – is Standard Chartered focusing its growth strategy towards markets, sectors and clients which will benefit or decline as a result of climate change?
- regulation – how might the regulatory environment in which we operate evolve in response to climate change? Could our approach to lending be governed by regulation at some point in the future? How will regulation affect our customers? Will it create winners and losers – are we banking the winners?

- Credit risk – many of the above risk types will affect our customer base, both retail (e.g. mortgages) and wholesale – how will this affect our risk profile?

The risks will manifest themselves through a number of stakeholder groups, including our employees and customers, our communities, our regulators and suppliers. They will impact individuals, organizations, economies and societies. Some may have the potential to impact our long term performance.

We are currently assessing and prioritizing the above risk types, so that we can manage related risks and take advantage of related opportunities.

**i Regulatory risks associated with current and/or expected government policy on climate change e.g. emissions limits or energy efficiency standards.**

At present, Standard Chartered is directly and indirectly exposed to minimal regulatory risk. Most legislation/regulation relating to climate change has been implemented in Europe and other developed OECD markets, where Standard Chartered has limited exposure.

The regulatory and trading instruments implemented in the EU and other markets have however, created significant opportunity in those markets in which Standard Chartered does operate. For example, the opportunity to finance the generation of carbon credits through the CDM process in countries such as India and China, for sale in the EU Emissions Trading System (ETS). Standard Chartered is actively involved in these market opportunities, through for example our investment in the World's largest carbon fund and our specialist low carbon and renewable energy financing advisory and lending services.

Standard Chartered continues to monitor and actively encourage progressive regulatory action on climate change. We are members of the Corporate Leaders Group on Climate Change, providing support and encouragement to the UK Government, EU and others on the need for progressive regulation. We firmly believe that the right regulatory environment will enable the large scale flows of financial investment into low carbon and climate friendly technologies, which is necessary to enable effective mitigation and adaptation. We are also active in our regional markets. For example, during 2006, Mervyn Davies, Chairman of Standard Chartered spoke on behalf of the China Task Force to Premier Wen of China on the need for regulation to tackle climate change.

**ii Physical risks to your business operations from scenarios identified by the Intergovernmental Panel on Climate Change or other expert bodies, such as sea level rise, extreme weather events and resource shortages.**

To date Standard Chartered has not experienced commercial impact associated with the physical risks of climate change. We do however recognize that as an organization we will increasingly be exposed to physical risk, directly through our own properties and indirectly through the exposure of our critical stakeholders.

Going forward we will integrate physical risk, alongside the other forms of climate risk discussed above into our mainstream lending risk management processes, and into our property evaluation and risk management processes.

Please also see our response to question 1 c below.

**iii Other risks including shifts in consumer attitude and demand.**

Most shifts in consumer (retail banking) attitude and consequent demand are in their infancy, and have so far been restricted to developed OECD markets, such as the UK and parts of Europe. Standard Chartered continues to closely monitor these developments. In addition, we also continue to research the perception of retail customers towards the environment and climate change in the markets in which we operate, in anticipation of a shift in attitudes.

Standard Chartered's long history in the regions and markets in which we operate means we are very well networked on the ground with embedded relationships often characteristic of a local rather than international bank. This means we are able to respond quickly to shifts in customer attitude. Rather than present a risk, these shifts have enabled the Bank to seize new emerging commercial opportunities associated with evolving customer needs. Through our ongoing analysis of the retail market, we will evolve our services in the same manner that we have for our wholesale customers. When a shift in retail attitude does happen, we anticipate it leading to commercial advantage for Standard Chartered rather than present a risk to our business performance.

Wholesale banking customers are already demanding increasing financial support and services for climate related projects and lending. For example, in South Korea in May 2007, Standard Chartered closed the world's largest solar power project finance transaction. The manner in which wholesale market demand is evolving largely presents market opportunity rather than risk, though failure to secure an early mover advantage could present longer term risk to some organizations.

Whilst customer attitudes towards the financial products and services they buy have not yet started to shift in our markets, many countries in which we operate are already challenged by severe environmental degradation, often associated with climate change. This means that taking a progressive position on environmental degradation and climate change presents a clear opportunity for brand differentiation, reinforcing the Standard Chartered brand promise, to be the right partner – leading by example. Longer term, the Banks social and political 'license to operate' could be impacted by the position we take on this increasingly important issue. When retail customer perceptions start to shift, our progressive stance on environment and climate change will credibly position the Bank to offer 'green' products and services.

For a summary of other risks, please see section A above.

**b Opportunities:** What commercial opportunities does climate change present to your company for both existing and new products and services?

In section A above, we have set out how many perceived risks when approached with a focus on customer service and responsible banking do in themselves present significant commercial opportunity.

Standard Chartered is well placed to transfer best practice from OECD regulated markets to many of the emerging markets in which we operate.

As stated above, the commercial risks and opportunities are emerging at a varying pace in different markets; a result of different political, cultural, geographic and regulatory factors. For example, some markets have already implemented renewable energy regulation; some have clear policies for implementation of the CDM. Some markets are already being impacted by climate change; some (rightly or wrongly) have identified bigger socio-economic priorities.

This means that commercial opportunities must be assessed on a case by case basis. What is an attractive commercial proposition in some markets, simply may not yet work in others.

As markets evolve at a different pace, our International presence means that we can readily transfer knowledge and best practice from the early movers into those which follow thereafter, a model we continue to put into practice. In the meantime, strong market, regulatory and technical competencies are necessary to be able to navigate the currently complicated field of opportunity and risk.

The range of opportunities presented by climate change is wide ranging. Standard Chartered is currently active in providing and/ or researching the following:

- Specialist renewable energy and low carbon technology advisory and lending services;
- Investment in, and advisory and financial services to specialist carbon/environment funds;
- Capacity building in Governments, regulators and institutions currently developing financial instruments and regulation to drive climate change related markets;
- Carbon trading and related derivative products;
- Strengthening stakeholder relationships, including customers, employees, regulators and Governments;
- 'Green' retail products and services, such as credit cards, current accounts, mortgages;
- Private banking environment/ climate change related products and services;

For example, many of our clients, particularly those in Annex II countries under the Kyoto Protocol are increasing their awareness of environmental issues and want to actively manage their impact. As part of our strategy to support these clients, we invested in the world's largest carbon fund in 2006. The fund will invest in the CDM through funding projects in Standard Chartered's footprint. Standard Chartered is acting as an intermediary, assisting established and new clients to understand how they can reduce emissions and through the fund guarantee a commercial return. CO<sub>2</sub> emissions reduction primarily occurs through investing in renewable energy, chemical/industrial

applications and methane capture. Recycling, composting, agriculture and forestry are also emerging. Standard Chartered covers all these sectors. A specialist team has been established to link local companies with investment funds to initiate CDM and other environmental technology projects. As a result, Standard Chartered is able to differentiate itself with established clients and secure incremental revenue streams from both established and new customer relationships.

As identified in the previous section, there is significant opportunity to enhance the Bank's reputation with a range of stakeholder groups, through taking a progressive approach to climate change. Standard Chartered's brand promise is to be 'the right partner – leading by example'. A strong position on environment and climate change is a fundamental element of the Bank's 'Sustainable Business' strategy ([http://www.standardchartered.com/sustainability/files/sc\\_buildingSustainableBusiness.pdf](http://www.standardchartered.com/sustainability/files/sc_buildingSustainableBusiness.pdf)). A key element of the Bank's strategy is to reinforce this brand promise.

Examples of commercial opportunity which Standard Chartered has identified include:

- Incremental revenue growth (summarized above);
- Enhance employee engagement;
- Strengthened local 'license to operate', in particular with local regulators; and
- Reinforce the brand promise (discussed above);

**c Strategy:** Please detail the objectives and targets of the strategies you have undertaken or are planning to take to manage these risks and opportunities. Please include adaptation to physical risks.

#### Strategy, objectives and targets

The Bank has an Environmental Committee (EC) which comprises senior leadership from all relevant businesses and functions in the Group. The Committee will be accountable for setting strategic and policy direction, thought leadership and delivering the Group-wide environment programme. The Committee, chaired by an Executive Board member, reports to the Group Management Committee (Executive Board) and Corporate Responsibility and Community Board Committee (discussed further in question 5 below).

The strategy brings together activities already ongoing within the Bank under an integrated holistic programme, coordinated by Group and informed by the following core principles:

- Relevant and meaningful to the markets in which we operate;
- Reinforce the brand promise, strengthening key stakeholder relationships;
- Drive revenue growth through a differentiated position, strategic partnerships and new and adapted products and services.

In Organisation for Economic Cooperation and Development (OECD) countries, the understanding of climate change and environmental issues is rapidly increasing. However, in many of Standard Chartered's markets, stakeholders' lives are shaped by the consequences of environmental degradation and, in particular, air and water quality and water security. Our response therefore reflects the need to adapt locally to

changing circumstances alongside contributing to and commercially aligning with global efforts to mitigate against further change.

The strategy is coordinated by the EC, comprising a cross-functional senior management team, and is framed around four interdependent areas for action, reinforced by thought leadership:

- Operational impact: reduce the environmental impact associated with the Bank's own activities, thereby demonstrating commitment to the Sustainable Business strategy and a progressive stance on combating climate change;
- Environment in lending: integrating environmental stewardship (including climate change) into how we do business, thereby strengthening client relationships, positioning the Bank for emerging finance opportunities and managing related risks;
- Product and service evolution: adapting to the evolving market as societal expectations and regulation start to drive the 'low carbon economy', client needs, customer expectations and partnering opportunities;
- Engagement: demonstrating our commitment and leadership by engaging employees and wider stakeholders to take action and providing them with easy to implement solutions.

Accountability for delivering the objectives and targets which relate to each of the above areas for action has been assigned to the relevant functions and businesses represented on the EC. Where appropriate for some actions, the Committee is also able to drive cross functional support and implementation.

Support from country level management is critical to delivery of several of the areas for action. Senior Regional Governance representation on the EC facilitates this country level leadership and participation.

Standard Chartered is a member of the Corporate Leaders Group (see above) and an active member of the UK financial institutions Forge working group. The 2007 activities of the Forge Group are focused towards developing practical guidance on the development of climate change guidance for financial institutions, covering all management functions and business lines.

Standard Chartered is also a member of the United Nations Environment Program Financial Institutions Climate Change working group – a group of international banks and insurance companies working together to share best practice and provide support to progressive action to tackle climate change and adapt to the effects of climate change.

### Physical Risks

As a service based industry, customer access is essential – whether physical or virtual, and management of physical risks to our operations is essential. Risk to physical assets is managed at a local, regional and global level through Business Continuity Plans which are compulsory in all countries to cover all property. In some instances, contingency sites are established in separate locations to ensure the continued provision of business

services. Globally the Bank also has comprehensive operational risk management processes in place which consider these issues.

Where the occupation of a new area or property is concerned (for example as part of a branch expansion programme), part of the due diligence process is concerned with climate change related risk, such as flooding and extreme climatic events.

Part of the business continuity planning process also addresses necessary adaptation to physical risk. Property leases are generally agreed for a limited period, meaning that adaptation measures can be incorporated in the event of continuing occupation and emerging physical risks.

In instances where we are involved with the building process (for example currently constructing new UK offices) we are also able to ensure that buildings are as energy efficient as possible, minimize greenhouse gas emissions, and in the UK can ensure that the new building will also be measured by the Building Research Establishments Environmental Assessment Method (BREEAM) measuring the construction process and new property for environmental design, energy, sustainability and management, covering areas such as Health & Well Being, Pollution and Ecology. Our predicted BREEAM rating for this particular building is "excellent".

The Bank has a Social and Environmental Risk in Lending policy that builds on the Environmental Risk in Lending policy that has been in place since 1997. Through implementation of the policy, we factor risks such as climate change (including related physical risks), impacts on biodiversity, deforestation, air and water pollution into all lending decisions.

Through this holistic approach we are able to focus our loan book towards a higher quality of assets. Effective risk management should also include the identification of opportunity. By understanding a customer's environmental and/or social footprint, the Bank can sometimes provide additional services such as advice or financing of environmental technologies or low carbon projects. Our social and environment risk management processes therefore deliver a more robust loan book, but also stronger customer relationships and incremental revenue opportunities.

**d Reduction targets:** What are your emissions reduction targets and time frames to achieve them? What renewable energy and energy efficiency activities are you undertaking to manage your emissions? (This question not required if answering Section B.)

Please see section B below.

## **Question2: Greenhouse Gas Emissions Accounting**

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### **a Methodology**

#### **i The accounting year used to report GHG emissions**

The accounting year reported below is consistent with our previous response (CDP4) and runs from 1<sup>st</sup>. October 2005 to 30<sup>th</sup> September 2006.

#### **ii The methodology by which emissions are calculated**

Greenhouse gas emissions are determined using the UK Government's Environmental Reporting Guidelines for Company Reporting on Greenhouse Gases (DETR, 2001) with electricity conversion factors for other countries based on the UNEP Guidelines for Calculating Greenhouse Gas Emissions for Business and Non-Commercial Organisations (UNEP, 2000).

The Bank's current reporting meets the requirements of the World Business Council for Sustainable Development's Greenhouse Gas Protocol. The format of reporting of GHG emissions also reflects the classification of Scope 1, 2 and 3 emissions as defined within the Greenhouse Gas Protocol.

- Scope 1 emissions are direct emissions from sources owned or controlled by the Bank (e.g. fuel used in on-site generators in Bank owned offices);
- Scope 2 emissions are indirect emissions associated with generation of imported electricity.
- Scope 3 emissions are other direct emissions that are the consequence of the Bank's activities, but occur from sources not owned by the Bank i.e. international business travel and freight.
- Total reported greenhouse gas emissions are the sum of emissions associated with, travel and freight, energy and refrigerants.

Emissions associated with use of diesel and gas for on-site energy generation are reported as Scope 1 emissions where the Bank owns the building and as Scope 3 emissions where the building is leased. The Bank's control over generating equipment is frequently limited in leased buildings, particularly those with shared occupancy.

#### **iii Whether the information provided has been verified or audited**

All data is subject to an assurance process, some elements of the assurance exercise being undertaken by employees, others by an external adviser.

Information and data relating to greenhouse gas emissions is collected either by environmental representatives at a local level, or by the Bank's service providers, and passed on to environmental representatives. When data is collated for annual reporting, a three stage assurance process is utilised to ensure that reported data is accurate, consistent and reliable. The following processes are observed:

1. The environmental representative undertakes a self-audit including analytical review of data collected.

2. Regional coordinators undertake a second analytical review on receipt of the data. Their role is to double check data received and query data anomalies and/or ask for justifications where there are significant deviations from the previous year's data. When satisfied the regional coordinator will forward data to a group coordinator.
3. A final, Group level consolidation analytical review is completed prior to publication of the data.

To complete the quality process, a review is undertaken between regional coordinators to discuss common data quality issues. This leads to the formulation of quality improvement plans for each location that are implemented by the environmental representative.

**iv. An explanation of any significant variations in emissions from year to year, e.g. due to major acquisitions, divestments, introduction of new technologies**

During the reporting year, the number of locations reporting under our global environmental management system (GEMS) increased from 34 in 2005 to 43 major offices in 2006. Given that the Standard Chartered footprint is largely based in Africa, Middle East and Asia where availability of environmental data, particularly for leased buildings is difficult to obtain, this is a significant achievement. During 2007 we anticipate rolling the reporting system out to all major offices worldwide.

This increase in reporting represents a 33% increase in the office area covered (300,602 m<sup>2</sup> to 401,185 m<sup>2</sup>) and a 36% increase in population covered (expressed as full-time equivalents or FTEs) from 20,946 to 28,453. Correspondingly our total reported greenhouse gas emissions have risen by 30% from 107,615 tCO<sub>2</sub>e to 139,927 tCO<sub>2</sub>e.

The reasons for these changes in data are all fully reported (together with the data) in our annual Sustainability Review:

([http://www.standardchartered.com/sustainability/files/sc\\_2006\\_sustainabilityReview.pdf](http://www.standardchartered.com/sustainability/files/sc_2006_sustainabilityReview.pdf))

**b Scope 1 and 2 of GHG Protocol:** Direct and Indirect GHG emissions and electricity consumption. Please complete the table below for tonnes CO<sub>2</sub>e emitted and electricity consumption:

Note: All of the figures provided in the following sections are based upon data collected through our Global Environmental Management System (GEMS) reporting process.

We have a two year target based upon 2006 base data to reduce CO<sub>2</sub>e emissions associated with electricity consumption by 10% FTE.

	Globally	Annex B Countries
Scope 1 activity tonnes CO2e emitted	<b>1,397</b>	<b>0</b>
Scope 2 activity tonnes CO2e emitted	<b>85,138</b>	<b>2,414</b>
MWh of purchased energy	<b>152,020</b>	<b>11,739</b>
Percentage of purchased MWh from renewables	<b>3.5%</b>	<b>45.6%</b>

**c Scope 3 of the GHG Protocol: Other Indirect GHG emissions.** Where feasible please provide estimates for the following categories of emissions:

**I. Use/ disposal of company's products and services**

Standard Chartered is an investor in the World's largest carbon fund. We provide financial and advisory services to carbon funds, renewable and low carbon technologies and infrastructure projects throughout our emerging market footprint. More specifically for example, our renewable energy team comprises local market knowledge with international industry experience. We have teams in the UK, South Korea, India, Pakistan, China and Singapore.

Use and disposal of Standard Chartered's products and services does not result in emissions of greenhouse gases. However, we do lend to organizations which through their own activities emit greenhouse gases. Whilst we do not currently require our wholesale and retail banking customers to disclose their emissions to Standard Chartered, we are currently reviewing our policy towards disclosure of customer's emissions.

In the future it is likely that we will request greenhouse emission data from some product/ service and sector segments in our portfolio.

**II. Your Supply chain**

We calculate our indirect greenhouse gas emissions in accordance with DEFRA guidance on the reporting of greenhouse gas emissions. For instance, we calculate the greenhouse gas emissions associated with long and short haul air travel, and the emissions associated with international freight couriership (see sections III and IV below for data).

Our review of supply chain related emissions concluded that other emission sources are not material to our overall footprint. Nevertheless, despite this we have still instituted a vendor selection process that takes full account of the environmental effects that a product or service may have, including the climate impact. For example, where available, we have shifted towards using taxi firms which either off-set their carbon emissions or use hybrid vehicles.

**III. External distribution/logistics**

Distribution/ logistics data is based upon information provided by service providers.

GHG emissions associated with freight shipments are based on weight carried and distance travelled, with distance travelled estimated on the basis of direct travel between source and destination by the service provider. Reported GHG emissions cover freight shipments to the top 20 destinations identified on the basis of monetary spend for each originating country.

Global GHG emissions associated with distribution/ logistics are: **12,334 tonnes CO<sub>2</sub>e**

#### **IV. Employee business travel**

Employee business travel data is collected for all air travel journeys. During the initial stages of designing our environmental management system, we reviewed each travel mode and concluded that journeys by car and train were minor components (i.e. not material - relating to less than 5% of all travel related GHG emissions). This is a reflection of our broad international presence and relatively low intra-country travel needs.

Air travel data is collected by in-country travel agents in a format designed by the Bank to provide consistent data. Air travel is divided into long and short haul. For the purposes of calculation, the cut-off between short-haul and long haul flights is taken to be 1,500 km, with the exception of the UK and USA where the cut-off is 3000km.

Global GHG emissions associated with employee business travel are: **32,843 tonnes CO<sub>2</sub>e**.

We have a two year target based upon 2006 base data to reduce CO<sub>2</sub>e emissions associated with air travel by 10% FTE.

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**Question3: Additional Greenhouse Gas Emissions Accounting**

Using the methodology as set out in 2(a) please state your Scope 1 and 2 emissions as follows:

**a Countries:** *For each country in which you have operations, where available:*

Please note coverage limitations (Section 2b above)

Country	Scope 1 Emissions (tonnes CO <sub>2</sub> e)	Scope 2 Emissions (tonnes CO <sub>2</sub> e)	Scope 3 Emissions (tonnes CO <sub>2</sub> e)	Total (tonnes CO <sub>2</sub> e)
Thailand	4	4,460	1,214	5,678
Indonesia	0	2,167	1,179	3,346
Malaysia	0	3,893	6,875	10,768
Singapore	0	10,828	8,520	19,348
Pakistan	385	1,398	1,877	3,660
United Arab Emirates	0	5,626	2,478	8,104
Hong Kong	0	12,901	6,906	19,807
Taiwan	0	1,146	480	1,626
China	0	4,291	6,453	10,744
South Korea	289	5,397	1,530	7,216
Zambia	0	1	4	5
Kenya	20	393	261	674
India	691	28,577	3,545	32,813
Bangladesh	0	862	656	1,518
Sri Lanka	8	784	310	1,102
UK	0	1,460	9,109	10,569
USA	0	954	1,995	2,949
<b>Total (tonnes CO<sub>2</sub>e)</b>	<b>1,397</b>	<b>85,138</b>	<b>53,392</b>	<b>139,927</b>

**b Facilities:** *For facilities covered by the EU Emissions Trading Scheme (EU ETS). Please include the number of allowances you were issued under the applicable National Allocation Plan.*

Standard Chartered does not have facilities in the UK or the rest of Europe that are covered by the EU ETS.

**c EU ETS Impact:** *What has been the impact on your profitability of the EU Emissions Trading Scheme.*

Standard Chartered's profitability has not been directly affected by the implementation of the EU ETS, as none of its core markets are based in Europe.

However, indirectly the EU ETS has driven demand to develop CDM projects in Kyoto Protocol Annex II countries. Standard Chartered profits have benefited from both our investment in the world's largest carbon fund, which invests directly in CDM projects in our markets, and incremental revenue streams associated with our advisory and lending services to low carbon and renewable energy projects.

#### **Question4: Greenhouse Gas Emissions Management**

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**a Reduction programmes:** *What emission reduction programmes does your company have in place?*

*Please include any reduction programmes related to your operations, energy consumption, supply chain and product use/disposal.*

The majority of Standard Chartered CO<sub>2</sub>e emissions are associated with electricity consumption (60.84% emissions) and air travel (23.47%). Our greenhouse gas reduction programme is focused on these two impacts, thereby maximising employee support and engagement.

*I. What is the baseline year for the emissions reduction programme?*

The base year is 2006 data. Given the rapid growth of Standard Chartered over recent years and anticipated rate of growth, together with our rapidly expanding portfolio of reporting offices, these targets are measured on the basis of FTE (full-time equivalent) employee.

*II. What are the emissions reduction targets and over what period do the targets extend?*

At established buildings, energy audits are being undertaken at those buildings which emit the greatest amount of CO<sub>2</sub>e emissions. Thereafter action plans are being developed to deliver the target reductions. A new set of environmental standards is being implemented for new buildings, which will enable a significant reduction in CO<sub>2</sub>e emissions FTE to be achieved as our work-force gradually transitions into the new buildings.

In 2006, our country environmental representatives prepared energy management plans for all GEMS properties. In each location, the environmental representative was asked to consider energy procurement options with a specific focus on the availability of energy from renewable resources, energy monitoring, energy efficiency measures currently adopted and possible future reduction measures. Each energy action plan included an energy reduction target, action plan, investment/resource requirement and delivery timescale. Currently targets are not aggregated at group level.

By way of illustration, good management practices identified include an energy 'sharesave scheme' in Sri Lanka, where an electrical services contractor installs and operates energy saving equipment and we share the resultant cost savings. In Hong Kong, an annual energy reduction target of 5% has been set and achieved through tighter control of building management and use of innovative lighting products.

*III. What investment has been/will be required to achieve the targets and over what time period?*

Investment plans are made on a property specific basis, depending upon whether it is an owned or leased property, and for leased buildings, the remaining period on the lease.

Recent examples of technology employed include the use of multi-functional devices (advanced energy efficient printers), motion triggered light sensors and energy efficient air conditioning units.

*IV. What emissions reductions and associated costs or savings have been achieved to date as a result of the programme?*

Where available in our markets, Standard Chartered already purchases renewable energy. For example, renegotiation of electricity supply contracts for two London offices increased the proportion of electricity derived from renewable sources from 17% of UK electricity consumption in 2004/5 to 63% in 2005/6. All four of the UK GEMS offices where we have sole control over electricity supply now use electricity generated from renewable sources such as wind, hydroelectric and combustion of landfill gas. These four offices used a total of 5.35 GWh electricity last year, equating to a reduction of 2,500 tonnes of carbon emissions during 2006. Since 2001, the UK offices have used more than 13 GWh of renewable electricity leading to savings of more than 5,800 tonnes of carbon emissions.

Unfortunately, in many of our markets renewable energy is not available as a discrete energy supply, and our shared property status in many buildings means that we do not have control over the electricity supplier. Nevertheless we have an ongoing review of where in our markets and property portfolio it is possible to purchase renewable energy supply.

*V. What renewable energy and energy efficiency activities are you undertaking to manage your emissions?*

Please see above responses which outline the energy audit and action plans, and include some case studies of energy saving/ efficiency measures being put in place across the property portfolio.

In addition since 2005, our Project and Export Finance group has developed a service providing mergers and acquisitions advice, project financing and lending, advisory services and general corporate finance advice for renewable energy projects. The renewable energy team is represented in the UK, South Korea, India, Pakistan, China and Singapore. We are creating teams involving both people with local market knowledge and those with international industry experience.

In 2006, key achievements included:

- A \$25 million wind power project finance deal for a South Korean customer;
- Advised a customer in India on the acquisition of the shares of a wind turbine manufacturer in Finland;
- A 150 million investment in a Carbon Fund designed to initiate carbon saving projects within the Bank's footprint to enable purchase of carbon reduction certificates; and
- An advisory agreement with a fund manager to use the Bank's networks to source renewable energy projects across our footprint

**b Emissions trading:** *What is your company's strategy for trading in the EU Emissions Trading Scheme, CDM/JI projects and other trading systems (e.g. CCX, RGGI, etc.) where relevant.*

Standard Chartered does not operate plant, buildings or processes covered by EU ETS. As mentioned above we do have a significant investment in the world's largest carbon fund and provide advice and lending services to companies generating carbon credits for sale into the EU ETS.

Standard Chartered is the oldest International bank in China and the largest International bank in India, currently and forecast to be the two dominant markets for CDM projects. We are reviewing our approach to the provision of carbon trading services, particularly given our ability to facilitate trades across our footprint.

**c Emissions intensity:** *Please state which measurement you believe best describes your company's emissions intensity performance? What are your historical and current emissions intensity measurements? What are your targets?*

As part of its environmental reporting measures, Standard Chartered utilises Tonnes CO<sub>2</sub>e/ FTE (full-time equivalent) to provide a normalised measure of performance. Performance over the last three years is as follows:

Year	Tonnes CO <sub>2</sub> e/ FTE
2004	5.1
2005	5.2
2006	4.9

As outlined above, our two largest sources of emissions are electricity consumption and air travel. Both of these sources have been set a target of 10% CO<sub>2</sub>e/ FTE reductions by end 2008, based upon 2006 data.

**d Energy costs:** *What are the total costs of your energy consumption, e.g. from fossil fuels and electric power? What percentage of your global operating costs does this represent?*

**Energy costs:** *What are the total cost of your energy consumption, e.g. from fossil fuels and electric power? What percentage of your global operating costs does this represent?*

It is particularly challenging to identify all our energy costs across the business accurately, mainly because most of our office accommodation is leased and energy is included within the service package. We do however capture all energy costs for our our major offices, together with those smaller offices for which it is available. This enables us to estimate energy costs and the percentage of operating costs that these represent. The total estimated costs are US \$35,636,716.

Standard Chartered's operating costs for the 2006 calendar year were US \$4,796,000,000. Energy costs represent significantly less than 1% of the Bank's operating costs.

**e Planning:** *Do you estimate your company's future emissions? If so please provide details of these estimates and summarise the methodology for this. How do you factor the cost of future emissions into capital expenditure planning? Have these considerations made an impact on your investment decisions?*

As part of our ongoing resource management we do estimate future electricity consumption and air travel, including related CO<sub>2</sub>e emissions. Our forecasts comprise a reduction in air travel related emissions per FTE from 0.55 tonnesCO<sub>2</sub>e/FTE/year to 0.49 tonnesCO<sub>2</sub>e/FTE/year and a reduction in electricity consumption related CO<sub>2</sub>e emissions from 1.64 tonnesCO<sub>2</sub>e/FTE/year to 1.48 tonnesCO<sub>2</sub>e/FTE/year, between 2006 and 2008

Standard Chartered emissions have no value – we do not operate within any emission trading schemes. We do however measure the carbon off-set costs associated with actual and forecast emissions.

Capital expenditure decisions are currently made on the basis of :

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- Pay-back period for existing buildings (and for leasehold properties, the length of time remaining on the lease);
  - Our new building environmental standards, which take account of BREEAM and LEED best practice approaches to reducing the carbon foot print of a building.
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**Question5: Climate Change Governance**

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**a Responsibility:**

i Which Board Committee or other executive body has overall responsibility for climate change?

The Corporate Responsibility and Community Committee (CRCC), which is a Board appointed committee chaired by the Chairman, including membership of the Group CEO and several non-executive directors, has overall responsibility for the Bank's approach to sustainability, including approval of the environment strategy. The Committee meets quarterly and discusses six subjects at each meeting, meaning that 24 sustainability related issues will be covered each year. Environment and climate change feature significantly on the agenda.

An Executive Director has Group-wide responsibility for Environment and chairs a senior cross functional Environment Committee which is accountable for setting strategic and policy direction, thought leadership and delivering the Group-wide environment programme. This Committee reports to the Group Management Committee (Executive Board) and CRCC.

A specialist sustainability function provides ongoing technical advice and support to the Board and Environment Committee. The function includes in house climate change expertise.

The Chairman, Mervyn Davies, who also chairs this Board Committee, is a participant in the UK Corporate Leaders Group on Climate Change. This group of business leaders was formed to provide the UK government with an informed position on tackling climate change. The group reported to the Prime Minister on the need for a policy framework for business to invest with confidence in technology opportunities to tackle climate change. In 2006 this group contributed to other environmental debates, including the Stern Review on the economics of climate change.

ii What is the mechanism by which the Board or other executive body reviews the company's progress and status regarding climate change?

Environment and climate change progress/ status reports are a rolling agenda item for the Board Committee. In addition, specific actions, objectives and targets are agreed with the Committee with agreed time frames within which to report progress.

Operationally, the Environment Committee currently meets monthly and agrees and manages implementation of the Banks environment action plan. Each relevant function and business unit within the Bank has a working group which is responsible for delivering actions specific to their part of the business, and for reporting progress to the Environment Committee.

In addition to in-house expertise, Standard Chartered also has several external retained advisers on environment, including Tom Burke and Lord Holme. Strategy and implementation plans are referred to our external advisers for their input and challenge.

**b Individual performance:** Do you provide incentive mechanisms for managers with reference to activities relating to climate change strategy, including attainment of GHG targets? If so, please provide details.

All employees with roles which directly relate to the environment and climate change performance of the business include personal performance incentives.

Standard Chartered is currently reviewing whether incentives should also be included in personal performance measures for those in the Group who have an indirect influence upon our environment and climate change performance.