

Financing growth

“The economies we operate in depend on a strong financial system to ensure sustainable growth. Our presence gives us the opportunity to build international standards into our financing practice that help protect the environment and contribute to social development. As a bank, we make a real difference by acting as a catalyst to facilitate early adoption of low-carbon and resource-efficient alternatives.” Mike Rees, CEO, Wholesale Banking

For more information visit: www.standardchartered.com/sustainability

2007 Highlights

\$8-10bn

committed to finance renewable and clean energy projects in Asia, Africa and the Middle East

Reviewed risk exposure to climate change

Advised on financing the world's largest photovoltaic power plant in South Korea

Developed a Consumer Banking 'green product innovations guide' for country implementation

Developing sector guidelines for critical sustainability issues and sectors

Standard Chartered provides financial services which help bring to market the natural resources, products and services that sustain economic growth. In so doing, we have a responsibility to ensure environmental protection and social impacts are fully integrated into our business decisions.

Our markets face challenges on several fronts – from poverty and economic inequality to the inefficient use of natural resources and climate change. But these challenges also provide us with an opportunity to develop and refine new forms of financial services and open up new markets that will enable our customers and by extension, our own business, to stand the test of time.

In 2007, one such opportunity was the financing of renewable energy projects, where we made a commitment of \$8-10 billion over the next five years at the Clinton Global Initiative.

Sustainable lending

At times we face challenging situations when our business decisions have the potential to detrimentally affect communities or the wider environment. It gets more difficult when environmental and social standards in certain markets fall short of international standards.

These situations can present both credit and reputational risks to Standard Chartered. Importantly, they simply do not fit with the values of our organisation.

For example, Standard Chartered was offered the role of arranging project finance for a gas/diesel dual-fired thermal power plant in Pakistan. An independent consultant certified the project would comply with the Equator Principles (EP) only if the customer carried out certain mitigation measures.

The customer subsequently decided not to incur the additional costs involved in meeting the EP because the project already met local environmental regulations and the loan was oversubscribed by local banks. Standard Chartered's commitment to the EP led to our withdrawal from the transaction.

At times, such challenges provide the Bank with an opportunity to work with clients, helping them to improve the social, environmental and economic outcome of a project. That is because, in the long term, most customers realise that this will benefit them as well.

We understand that such an approach to business needs wide-ranging reforms in the regulatory environment and takes time. We are also aware that we need to build up



Employees trained in social, environmental and ethical risks in 2007

2,122

2006: 1,500
2005: 2,995

Financing renewables

In May 2007, we advised on the development, structuring and financing of the world's largest photovoltaic power plant (19.6MW) in South Korea.

our internal capacity to achieve sustainable risk management.

Our relationship managers, the Bank's central point of contact for each client and deal, are trained to implement the Group Environmental and Social Risk Policy, in place now for 10 years. The policy lays down methods to assess the client's capacity and commitment to manage environmental and social risks, look for patterns of environmental or social breaches (such as labour standards) and encourage clients to follow internationally accepted guidelines, exceeding local regulatory requirements where practicable.

To provide further clarity to our client relationship managers, we are currently developing and implementing a series of position statements that provide social and environmental 'yardsticks' on key sustainability issues and for particular commercial sectors.

We have drafted statements setting out our standards on child labour, climate change, dams, forestry and palm oil, fossil-fuelled power generation, gaming and gambling, mining and metals, nuclear power, oil and gas, ship breaking, tobacco and transportation of hazardous materials. The Bank will engage external stakeholders in 2008 for input before finalising and implementing the papers.

A series of practitioner guides will accompany the statements, supported by training of our front-line relationship managers, credit risk officers and portfolio managers. Our lending criteria will apply to Wholesale Banking and small and medium-sized enterprise (SME) clients. SME implementation will present a particular challenge, given the relatively limited resources of these entities and that in certain markets the regulations governing SMEs may not be as stringent as the standards set out in our position statements. Where this is the case, the



Financing renewables

At the Clinton Global Initiative in September 2007, we committed \$8-10 billion over the next five years to finance renewable energy and clean technology projects in Asia, Africa and the Middle East.

With a focus on wind, hydro, geothermal, solar, biomass and coal bed methane, the development of renewable energy projects will help mitigate the effects of climate change, a stated goal for a number of our markets.

It will also contribute to greater economies of scale in the renewable energy sector, thereby helping drive down unit costs of clean energy and deliver the much needed growth in energy supply which many emerging economies require to alleviate poverty and deliver stable economic growth.

For more information visit:

www.standardchartered.com/sustainability

Equator Principles
projects completed in 2007

34

2006: 20
2005: 18

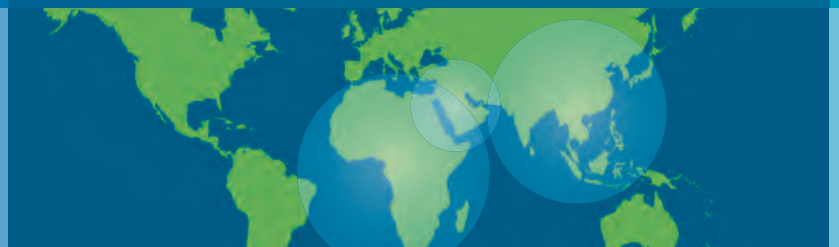


Table 1: Breakdown of 34 Equator Principle projects approved in 2007 by risk category

	Number approved	% of projects approved	% of Bank's share of project value
Category A	8	23%	6.6%
Category B	22	65%	6.3%
Category C	4	12%	9.2%

Table 2: Breakdown of Equator Principle projects by geographic region closed in 2007

	Middle East	Asia	Africa	Americas, UK and Europe
Category A	5	1	2	0
Category B	15	4	1	2
Category C	0	2	0	2

Table 3: Breakdown of Equator Principle projects approved by sector closed in 2007

	% of projects approved	Project value (\$ million)	Bank's share of project value
Oil & Gas	23%	8,015	509
Chemicals*	12%	2,422	200
Infrastructure	6%	763	193
Power	29%	11,876	465
Mining	12%	4,835	398
Renewables	15%	1,838	204
Biofuels	0%	–	–
Other	3%	290	25

*Chemicals – Includes petrochemical plants, chemicals and fertiliser (Urea based) facilities

relationship managers will work with the client to determine a pragmatic timeline for compliance, with withdrawal seen only as a last resort.

Climate change risk review

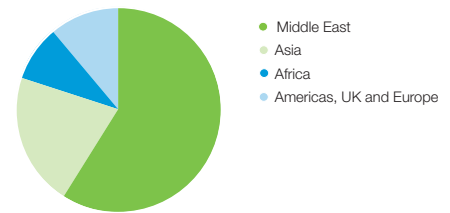
As part of our broader risk and strategy management process, we have assessed the exposure of our various markets, products and services, and several business sectors to a range of climate change-related risks. These include regulation and related market mechanisms, climatic events, and changing stakeholder expectations. The findings from this work will inform our position statement on climate change and overall strategic direction.

Equator Principles

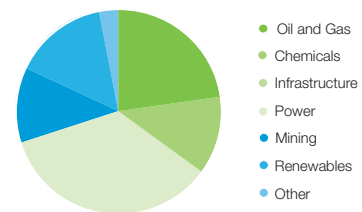
Standard Chartered applies the Equator Principles (EP) to all project finance and advisory engagements, irrespective of the capital cost. This goes beyond the EP requirements, which apply only to transactions with a capital cost of \$10 million or more.

In 2007, we provided financing to 34 projects, with a total project capital cost of over \$30 billion. In 2007, we ranked second among the Equator Principles Financial Institutions (EPFI) as lead arranger for most number of projects in non-Organisation for Economic Co-operation and Development (OECD) countries, with an underwriting exposure

Geographic location of projects %



Sector breakdown of projects %



of \$1.13 billion, according to the *Infrastructure Journal*.

Under the EP, financial institutions oversee the project sponsor's integration of environmental and social issues from the initial classification of a transaction to a monitoring programme which continues until the debt facility is closed-out. Any breaches of an environmental or social covenant by a client are considered a condition for default.

Table 1 indicates that Standard Chartered has 23 per cent Category A projects, which is a reflection of our strong presence in emerging markets and our rigorous approach to categorising projects.

We strive to equip front-line and risk management staff with skills to carry out



Climate change risk review

Completed the climate change risk review of our lending portfolio, including project finance and mortgages.

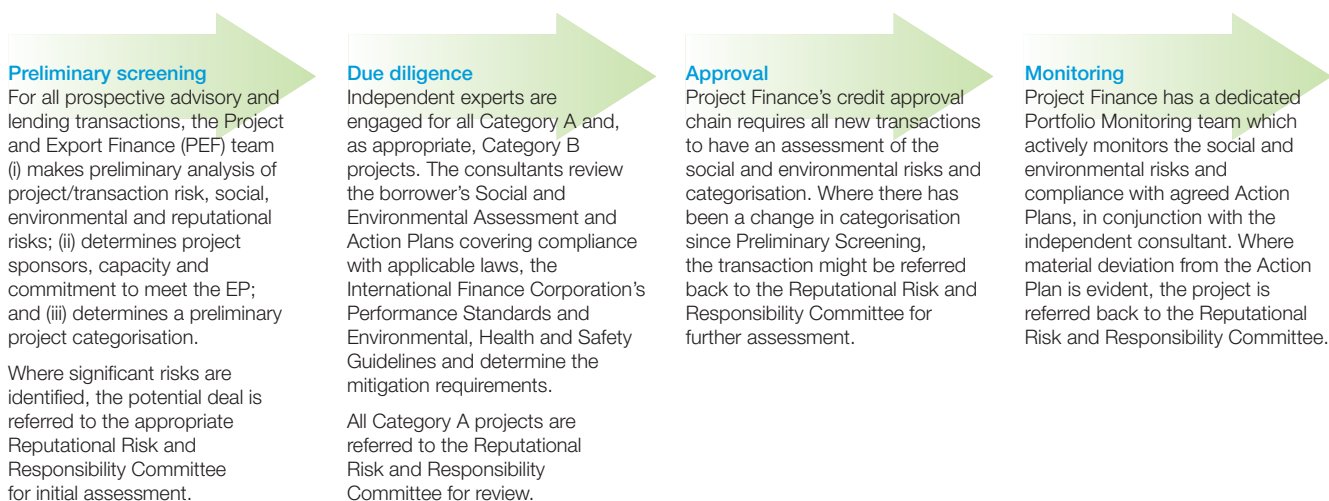


Equator Principles

We are ranked second among the EPFI as lead arranger for most number of projects in non-OECD countries. (*Infrastructure Journal*)

Flowchart – Applying the Equator Principles

The Bank has a policy and procedures for the implementation of the EP. Training is an important part of the embedding process to help staff understand our commitment under the EP. Projects are categorised into Category A (high environmental and social risk), Category B (medium risk) or Category C (low risk). The following illustrates this process:



environmental and social risk screening. We have developed a new training programme with a focus on EP II which will be rolled out in 2008.

Financing for sustainable development

Standard Chartered recognises the enormous opportunity for banks to facilitate a shift to a low-pollution and resource-efficient economy. We are getting involved in the following three ways:

1. Wholesale Banking Sustainable Business Council

In February 2007, the Wholesale Banking Sustainable Business Council was established to conduct research, develop new commercially viable propositions, build

internal capacity and strengthen relevant stakeholder relations, including with governments. Where commercially feasible, the findings of the Council will be commercialised into financial products or services for piloting and rolling out in appropriate markets during 2008.

2. Renewable and clean energy finance

Standard Chartered's renewable energy team was formed in 2005 and is active in more sectors and geographies than many of our peers. The team has completed or is executing over 20 transactions in South Korea, Indonesia, the UAE, Pakistan, Uganda, Germany, UK, Italy and the US, in sectors ranging from wind, solar, run-of-river hydro to geothermal. Our commitment

towards the Clinton Global Initiative will be pivotal to this effort.

While economic development is currently significantly dependent upon fossil fuel-based energy generation in the majority of Standard Chartered's markets, we are committed to acting as a catalyst in facilitating the transition to a low-carbon economy.

The low-carbon and renewable energy sectors are regulatory driven, and in most cases, commercially reliant upon market intervention. The regulatory frameworks currently in place do not yet support the scale of shift to low-carbon technologies necessary to tackle climate change. This means that organisations like ours

Renewables investment

The total value of renewable projects the Bank has financed or advised on in 2007

\$1,500m

2006: \$800m
2005: \$300m

Project Finance



Project Finance Magazine Awards:

Asia Pacific Renewable Energy Award – Sinan Solar, South Korea

Africa Power Deal of the Year – Bujagali, Uganda

Our goals and achievements in 2007

face a tension between our ongoing financing of fossil fuel-based energy, which current regulatory frameworks encourage, and our desire to support the shift to low-carbon alternatives.

In May 2007, we advised on the development, structuring and financing of the world's largest photovoltaic power plant (19.6 MW) in Sinan-gun, South Korea. The transaction won Project Finance Magazine Asia Pacific Renewable Energy award, while our run-of-river hydro transaction in Uganda won Africa Power deal of the year 2007. The transaction came on the heels of our exceptional record in financing renewable energy in both OECD and developing countries. Furthermore, we financed a 94MW wind farm for UK-based Fenland Windfarms, which at the time of closing the transaction equalled 10 per cent of the country's installed wind power capacity. We also acted as financial advisor for a 50MW wind project in Pakistan for Axor/Dawood in 2007, which was among the first wind power projects in the country.

We are in the final phase of our plan to open a carbon trading desk, enabling the Bank to support our emerging market customers in managing their carbon emissions and gaining access to global carbon markets.

3. Consumer Banking products and services

Retail demand for green and sustainability-focused financial products and services may still be relatively low in many of our markets, but the importance of environmental protection and social development resonates with our customers and employees.

Our goals for 2007	Status	What we have done
Complete a policy review of social and environmentally sensitive business sectors and issues to introduce any changes within the business	✓ Completed	Reviewed sensitive business sectors and issues. Drafted 12 position statements. Finalising practitioners' guidelines, training programmes and client monitoring procedures
Embed sustainable lending training in core risk management training	✓ Completed	Developed module within the core credit risk training programme covering environmental and social risks
Review our approach to climate risk, including raising levels of awareness amongst appropriate staff on how to assess climate risk	✓ Completed	Climate change risk review completed. The findings are being integrated into business processes
Upgrade the social, ethical and environmental (SEE) e-learning. Get external stakeholders' input for graduate training	✓ Completed	Upgraded e-learning modules to be rolled out in February 2008. External support provided by a non-profit organisation in Asia to enhance graduate training

Our priorities in 2008

- Roll out training on sector guidelines and implement position statements
- Integrate climate change risk review findings into relevant business processes
- Roll out the upgraded e-learning programme on managing SEE risks
- Launch new environment-oriented consumer banking products and campaigns
- Commercialise the Wholesale Banking Sustainable Business Council research

Our Consumer Banking business continues to build on its work in influencing consumer attitudes to environmental issues in emerging markets. As part of this effort, the Bank developed the 'green product innovations guide', a tool to help generate ideas for environment-oriented products and services in our markets.

We are currently rolling out our 'Go Green' campaign, prototyped in Malaysia, to Pakistan, the UAE and South Korea.

More information is available on our website on the following topics:

- Our governance approach, committee memberships and terms of reference;
- Environmental and Social Risk Policy;
- Statement on human rights;
- Policy on defence and armaments;
- Policy on oppressive regimes;
- Approach to developing sector and issue policies; and
- Performance against the Global Reporting Initiative (G3).



Go Green campaign

In Malaysia, we donated RM3 to the Malaysian Nature Society Tree Planting Programme for every customer who activated their online banking before 20 January 2008.

“Standard Chartered is ideally placed to facilitate a shift to a low-carbon economy in Asia, Africa and the Middle East through its sustainable banking initiatives. The Bank has shown strategic foresight to finance renewable and clean energy projects, allowing itself to establish first mover advantage.”

Emma Howard Boyd, Director, Jupiter Asset Management Limited