

# Catalyst for change



“We have a key role to play in stimulating economic and social development through the services we provide and by being a force for good. The success of our business depends on this.”

Peter Sands, Group Chief Executive

At Standard Chartered, we are determined to lead by example within the markets in which we operate. As well as contributing to economic growth through our core business activities, we want to help protect the environment and to have a broader positive impact on the societies in which we live and work. And as we engage as a partner with governments and communities in addressing these wider challenges, we are learning more about how the issues interact with each other and our core business objectives.

By being a high-performing bank, helping people and companies borrow, save and make transactions, we naturally play a role in creating wealth and stimulating growth. From the perspective of shareholder value creation, the more successful a country becomes, the more successful we can be. But long-term growth depends on how well we all manage risk, including the social and environmental issues that can impede or undermine sustainable growth.

So why is sustainability important to us? With our business spread across Asia, Africa and the Middle East, the Bank is hosted by communities that are the most vulnerable to climate change and widening social and economic disparities. We have a key role to play in stimulating economic and social development through the services we provide and by being a force for good. The success of our business depends on this.

Standard Chartered has long valued relationships with customers, governments, social organisations and regulators that we have built over 150 years of business experience in these markets. This puts us in a strong position to collaborate effectively with various stakeholders to respond to the challenges faced. The issues present both risks and opportunities for us.

We apply three tests to decide which areas of sustainability to focus on: first, we ensure that what we do is relevant to the markets we operate in; second, we

## Our sustainable business priorities

want to do things which leverage our capabilities and infrastructure; and third, we focus on where we can add distinctive value both for our business and the countries in which we operate.

I believe this year we have started to deliver real examples that have met the three tests. The examples that I am particularly proud of include:

### Access to financial services

Banking is in its infancy in the vast rural areas in India, China and Africa. We have a chance to work hand in hand with regulators in these markets to create supportive regulatory frameworks that help bring modern financial services to millions of new customers. For instance, we are developing models to invest in agricultural finance in India and China.

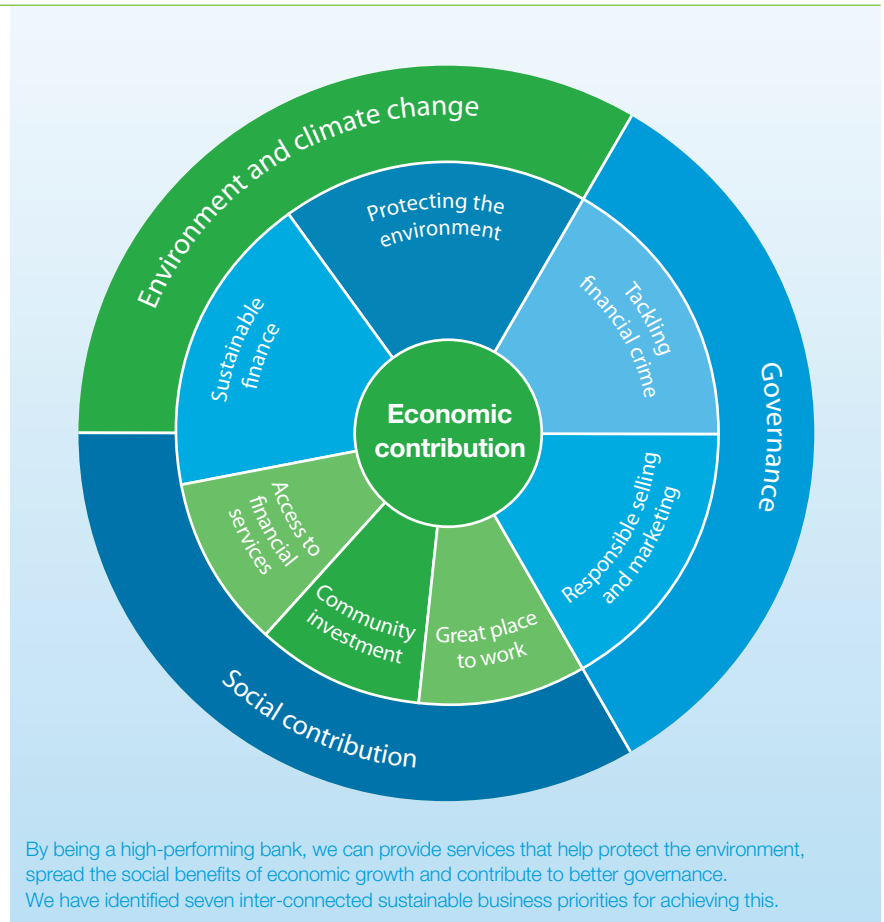
In 2007, we started working to provide credit facilities to support microfinance projects in China. We signed loan and cooperation agreements with the China Foundation for Poverty Alleviation in January 2008 at a meeting attended by Premier Wen Jiabao of the People's Republic of China and the Prime Minister of the United Kingdom, Gordon Brown. This is the first time an international bank has provided such a facility. I am very excited about our work on microfinance and the role we can play in helping to tackle poverty and promote growth.

Our partnership with 41 microfinance institutions has enabled the Bank to disburse \$170 million in 2007 to over 13 countries, which will improve the livelihoods of 1.2 million people and stimulate grassroots enterprise. We are on track to deliver on our commitment to originate and distribute \$500 million by 2011.

### Sustainable finance

Whilst climate change is one of the most critical challenges the world faces, it also presents us with commercial opportunities through which we can be a force for good. Clean and renewable energy technologies are developing rapidly and we want to play a role in advancing change and accelerating their deployment.

In May 2007, we financed the world's largest photovoltaic plant in South Korea, a project which will reduce greenhouse gas emissions and generate new jobs and industries. In September 2007, at the Clinton Global Initiative, I committed on behalf of Standard Chartered \$8-10 billion over the next five years to finance renewable energy and clean technology projects in Asia, Africa and the Middle East.



By making our commitment public, we hope to be a catalyst for change, influencing businesses to invest in the transition to a low-carbon future. The prize for the Bank is that we have scaled up our renewables business whilst looking for creative solutions to find cleaner energy sources.

We are also minimising the environmental impact of what we do and influencing our customers and suppliers to do likewise through our sustainable lending practices and our procurement processes. However, we recognise that as a financial institution, the biggest impact we have on society and the environment is through the financing we provide to our clients.

### Community investment

Our work on HIV/AIDS education, the prevention and treatment of reversible blindness amongst 10 million people and the prevention of malaria by providing one million mosquito nets in African countries are good examples of how we are making a difference to the lives of many people. This work is helping to create healthy and stable workforces, which are critical for sustaining economic growth.

### Delivering our agenda

We have worked hard to put the building blocks in place to deliver our key objectives of building a sustainable business. These include establishing good governance, ensuring engagement and following these up with robust monitoring and reporting processes. Let me explain each one of them in more detail:

### Governance

In 2007, the Bank reshaped the strategic direction of the two-year-old Corporate Responsibility and Community Committee and renamed it the Sustainability and Responsibility Committee. The change in the name was deliberate. The role of the Committee is to stretch the Bank's ambition to build a sustainable business that delivers long-term shareholder value, challenges current practice and identifies the critical trends, issues and opportunities that we need to address. The Committee also oversees delivery against the Bank's seven sustainable business priorities, which are: Sustainable Finance, Access to Financial Services, Protecting the Environment, Responsible Selling and Marketing, Tackling Financial Crime, Community Investment and a Great Place to Work.

The second change on the governance front last year involved setting up the Wholesale Banking Sustainable Business Council. The Council will identify and respond to commercial opportunities that help address sustainability challenges.

We have also set up specialised committees looking at key areas of sustainability: the Environment Committee and the Group Financial Crime Risk Committee both chaired by Dr Tim Miller, director, People, Property and Assurance.

### Engagement

The only way we can deliver on our plans is if our 70,000 employees, who are in more than 50 countries, use their skills and talent to address the issues. It is not an easy task but we significantly stepped up efforts to get everyone on board by:

- Employee volunteering: thousands of our employees have participated. My executive team and I have also volunteered our skills; and
- Educating customers, employees and the public on ways to reduce their impact on the environment by making personal pledges to take simple actions such as switching off lights before leaving the room and turning off the tap when brushing their teeth. Over one million pledges have been made to date.

### Measurement and review

This year we developed targets and measures around our commitments to the environment. We also reviewed progress against external measures and commitments made, such as the Global Reporting Initiative, the Global Compact and the Equator Principles, reporting progress against each of these on our website.

This year, our internal audit team reviewed our management and reporting approach to sustainability, including how information is collated and presented. We chose to work with our internal audit team to ensure we incorporate evaluation of progress on sustainability into our regular business review process. We will continue to embed this process in 2008.

Others have also evaluated our performance and I am proud to report that this year we were included in the Climate Leadership Index for our reporting to the Carbon Disclosure Project and that we won the Global Business Coalition Business Excellence Award for using our core competencies in addressing HIV/AIDS.

### Conclusion

Given the sheer scale of the challenges of social and economic development, of health and the environment, we know we must choose where to focus our efforts and be realistic about what we can achieve. Moreover, we recognise that we must work with other private companies, with governments, non-governmental organisations (NGOs) and communities themselves. By working together we can maximise the impact of our collective efforts.

There are powerful linkages between the issues of poverty, health, human rights, security, access to financial services and the environment. Sometimes this makes the challenges appear intractable and progress frustratingly slow. But it also means that it is possible to create an accelerating virtuous circle, where the benefits of each intervention are magnified by interaction with each other. By focusing on what we do well, leveraging our distinctive capabilities and infrastructure, and by working with partners with complementary skills and capabilities,

we can create such virtuous circles. As a results focused organisation, it is this prospect that attracts us and shapes our sustainability agenda.

We welcome your input and ideas as we continue to learn and make progress on this agenda.



**Peter Sands,**  
Group Chief Executive  
26 February 2008

## Feedback on our reporting on sustainability activities

The Bank continues to learn a lot from external partners and stakeholders, such as investors, governments and NGOs. This year we complemented feedback received year-round with a focused workshop on the way we report our progress against our sustainable business strategy.

### What our stakeholders liked about our reporting:

- Our focus on material issues that are relevant to our markets;
- Our comprehensive sustainability strategy focusing on delivering business, social and environmental outcomes;
- Use of financial capabilities to deliver sustainable value; and
- Use of progress tables to compare our achievements against commitments made.

### What our stakeholders want more of:

- Our thinking on strategic opportunities and key risks, challenges and dilemmas;
- How we are making sustainability profitable;
- Targets and data;
- The business context of the unique markets that we operate in; and
- Verification of our reporting.

### Next steps:

We still have some way to go if we are going to deliver solutions required for long-lasting growth within our markets. Some of our priorities for 2008 include:

- Defining our long-term strategic direction for a sustainable business over the next 15 years;
- Articulating our approach to sectors that are material to our business;
- Delivering innovative consumer products;
- Outlining long-term targets for more of our sustainability pillars; and
- Incorporating sustainability into our regular business review process.