

Advancing change

“Many of Standard Chartered’s markets are already experiencing major environmental challenges and are forecast to be among the most affected by climate change. Banks need to manage these risks and can also play a meaningful role in helping the transition to a low-carbon, low-pollution economy.” Dr Tim Miller, Director, People, Property and Assurance

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

2007 Highlights

\$1m

donated to WWF as part of the Greatest Race on Earth: Race for a Living Planet

90%

rating achieved in Carbon Disclosure Project. Included in the Climate Leadership Index

17%

reduction in CO₂ emissions from energy use per full-time employee (FTE) (2006-7)

20%

reduction in paper consumption per FTE (2006-7)

The World Bank has estimated that the economic cost of environmental degradation in developing countries has reached four to eight per cent of GDP annually.¹ In 2007, Bangladesh was hit by devastating cyclones and flooding, while Kenya has been experiencing severe drought. Air and water pollution also present significant challenges across our markets.

Mitigation of climate change will be achieved primarily through deployment of carbon-reducing or carbon-replacing technologies, now anticipated on a massive scale. For example, by 2050, the world must generate twice the amount of power with less than half the current carbon emissions for it to maintain economic growth and limit CO₂ concentrations to manageable levels. Banks will play an important role in financing environmental solutions to these problems.

Our strategy, approved by our Executive and Board committees this year, is framed around four interdependent areas for action:

- Operational impact: leading by example through reducing the environmental impact of the Bank’s own activities, in line with our targets;

- Sustainable lending: building upon our Environment and Social Risk Policy implemented 10 years ago. We have an objective to be a ‘force for good’ by further integrating environmental stewardship, including climate change, in our lending policies, client relationship management and risk approval processes (see section on Sustainable Finance);
- Sustainable finance: facilitating environmental risk management and the evolution towards low-pollution, low-carbon and resource-efficient economies by adapting existing products and services and developing new ones (see section on Sustainable Finance); and
- Engagement: raising awareness among employees and wider stakeholders about the consequences of poor environmental stewardship, the importance of environmental protection and what they can do to make a difference.

Governance

The Group Environment Committee oversees delivery of the Bank’s environment strategy and policy. Chaired by the director, People, Property and Assurance, the Committee further comprises the chief operating officers of Wholesale Banking and Consumer Banking, heads of regional

¹ Environment Matters, World Bank, 2006

Included in FTSE4Good Environment Leaders Europe 40 index



Saving energy in India

Following an energy survey of our Global Shared Service Centre site in Chennai, we identified actions with a payback period of 16 months. These were implemented at the Haddows Road campus saving one million kWh per annum.

governance, Risk, Corporate Real Estate Services, Group Technology and Operations and Corporate Affairs functions, together with a former group non-executive director and an external environmental advisor. A key strength of the Committee is its senior management representation and ability to drive integrated cross-functional action across the business.

Reducing operational impact

Across the Group we have set targets to reduce our CO₂ emissions and paper consumption. By the end of 2008 we will:

- Reduce CO₂ emissions from both energy consumption and air travel by 10 per cent per FTE*; and
- Reduce paper consumption by 20 per cent per FTE*.

To help deliver our targets and monitor our overall impacts on the environment, we have undertaken a comprehensive review and update of our Global Environmental Management System (GEMS), modelled broadly on ISO 14001, the international environment management standard. GEMS aims to deliver:

- Consistent environmental policy commitments and international environmental standards;
- A framework for setting and reviewing environmental targets consistent with environmental, cultural, political and regulatory circumstances or requirements; and
- Accurate and consistent data on our environmental performance, enabling us to set targets and track progress.

Offices report environmental data and compliance status annually. In 2007, the number of GEMS buildings reporting environmental data increased from 43 to 52 covering 38,850 employees. The increase in employees and buildings covered

* Targets based on 2006 base year data



Impact reduction

In the UK, paper usage has declined by 11 per cent on an FTE basis from 2006. All paper procured for office use is recycled paper. 80 per cent of electricity comes from renewable sources. Removal of personal bins has contributed to a waste reduction of 48 per cent.



Action on climate change

The Greatest Race on Earth: Race for a Living Planet enables us to share best practice on environment with our employees, customers and the public. To date we have generated over one million pledges worldwide.

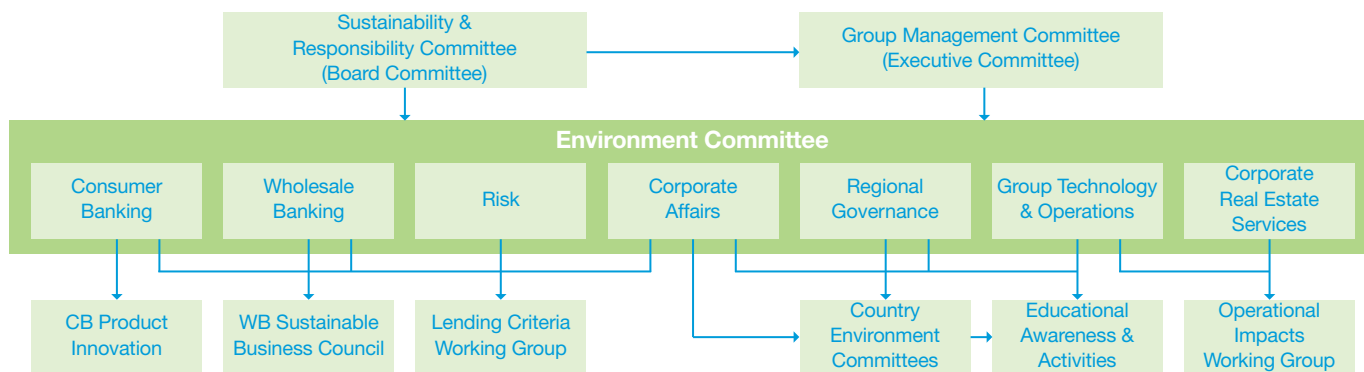
This year, Standard Chartered signed the Corporate Leaders Group-led Bali Communiqué on Climate Change, calling for an international and legally binding United Nations agreement to reduce greenhouse gas emissions, which will provide businesses with the certainty needed to scale up global investment in low-carbon technologies. Our chairman, Mervyn Davies, is a member of the Corporate Leaders Group.

We are members of the UNEP Finance Initiative (UNEPFI) working group on climate change. In 2007, we signed the UNEP FI Declaration on Climate Change ahead of the G8 summit and contributed to the executive briefing issued for the United Nations Climate Change Conference in Bali, Indonesia.

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The Group Environment Committee oversees delivery of the Bank's environment strategy and policy

resulted in an absolute increase in energy consumption of six per cent. However, through energy audits and efficiency programmes, total energy consumption per unit area has decreased by 11 per cent.

This year, a significant campaign has been put in place to engage employees and reduce environmental impacts. All GEMS offices have been developing energy management plans to meet the emissions and consumption targets stated above.

Between 2006 and 2007, CO₂ emissions associated with air travel and energy use decreased by 19 and 17 per cent per FTE. Paper use decreased by 20 per cent per FTE, meaning we met or exceeded the reduction targets set. Actions such as default double-sided printing, altering building temperature to maximise efficiency and introducing tighter criteria for approving air travel have been major contributors to meeting our reduction targets.

In 2008, new engineering standards for new buildings will continue to improve environmental performance. Staff education programmes will be expanded to broaden awareness on adopting environmentally efficient behaviour in everyday activities,

reinforced through the formation of Country Environment Committees to drive local environmental initiatives. We will continue to roll out technological improvements to reduce paper consumption and energy use to complement behavioural change.

Since the Bank started reporting its direct environmental effects in 2001, the data have been limited to GEMS buildings. We recognise that obtaining performance data for some of our smaller offices and branches can be challenging.

This year, to obtain a greater awareness of the Bank's global environmental footprint, we undertook a separate study to estimate the total environmental effects associated with the operation of our office and branch network. This study provides an estimate based on sample data from over 120 branches across all our regions. The data will be used in subsequent reviews to provide a baseline for future comparison of our performance. We will also dedicate resources to further strengthen the collection of emissions data in 2008.

In early 2008, all key performance metrics will be migrated to a web-based information management system to enable quarterly

reporting that will provide a global picture on a timely basis and help us share good management practices across the Group.

Engagement

We need engaged and motivated employees to deliver our operational impact targets, to further integrate environment into our lending processes and to develop innovative products and services. Our global reach and strong partnerships gave us an opportunity to engage with internal and external stakeholders and support worldwide government action to tackle environmental degradation and climate change.

Our engagement programme was informed by our involvement in the Forge V Climate Change project in 2007, working with a group of other financial institutions on identifying sector best practice approaches to integrate climate change into financial institutions' operations, including employee engagement.

During 2007, we launched the Environment Challenge as part of our unique team marathon series, The Greatest Race on Earth: Race for a Living Planet. This aimed to raise awareness of global environmental



www.thegreatestrace.com/pledgenow
Country CEOs used The Greatest Race on Earth site to pledge to take a more environmentally friendly approach to their day-to-day lives.



India – a lot of hot air!
One morning, staff across offices in India found red or green balloons on their desk depending on whether they had left their monitors on overnight. Related greenhouse gas emissions were calculated and communicated.

Our goals and achievements in 2007

issues and how individual behaviour can make a difference. People were encouraged to make a commitment to change simple things in their everyday lives, such as switching off the lights when leaving the room or turning the tap off while brushing teeth, that cumulatively make a significant contribution to environmental protection. To reinforce the message, environmental savings related to the pledge activities were updated live so that people could see the collective impact of their pledges. Pledges, which total over one million,¹ were made in support of a national team.

Individual pledges have the potential to deliver annual savings of three billion litres of water, over 45,000 tonnes of CO₂ and 140,000 trees. Visit www.thegreatestrace.com/pledgenow to find out more and make your pledge.

WWF provided support and advice through this initiative and will receive a \$1 million donation from the Bank at the race conclusion to support vital environment conservation projects benefiting the three countries with the most pledges per capita. The winning countries will be announced in April 2008.

Focusing on education, the site also hosts educational tools. We developed a carbon calculator for over 50 countries across our footprint, enabling people to evaluate their personal footprint. We also created the award winning 'My environment', which highlights the environmental impacts we have through our everyday actions.

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

- Environment policy;
- Supply chain policy and procedure;
- Background on GEMS;
- Carbon calculator;
- My environment; and
- Greatest Race on Earth: Race for a Living Planet.

1 As at 26 February 2008



SC First Bank donation

SC First Bank, Korea, donated \$106,300 to Taeon residents who were affected by the worst oil spill in the nation's history. Additionally, over 50 staff members volunteered to clean up a local beach.

Our goals for 2007	Status	What we have done
Implement the Bank's environment strategy	 Completed	Strategy has been implemented across the Group, addressing all key areas of focus. During 2008 we will revise the strategy and define what success will look like for us by 2011
Embed consistent policies and procedures to screen environmental risk	 Completed	Our existing Group Environment Policy has been reviewed. Development of position statements is in progress (see Sustainable Finance)
Implement a minimum set of environmental standards and checklists for each country	 Completed	A checklist identifying how to reduce the Bank's operational impact is being implemented in all countries
Launch an environmental communications campaign	 Completed	Communication and engagement programme targeting employees, customers, clients and the public has been launched; i.e. the Greatest Race on Earth: Race for a Living Planet Environment Challenge
Complete the roll out of GEMS to eligible buildings	 Completed	GEMS has been updated and rolled out to all eligible buildings. A web-based information management system has been developed

Our priorities in 2008

- Establish a vision and environment strategy for 2011
- Launch an interactive social networking environment portal for employees
- Establish Country Environment Committees across the Group
- Exceed agreed environment targets – 10 per cent reduction targets per FTE have been set for CO₂ emissions related to air travel and energy use, 20 per cent reduction for paper use using 2006 baseline data
- Migrate environment information management system to a web-based quarterly reporting platform

“ WWF-UK are pleased to be working with Standard Chartered Bank to promote environmental awareness globally and work towards better practices in the banking sector. ”

David Nussbaum, WWF-UK Director