



Contents

- 3 From the Group chief executive**
- 7 Our approach to sustainability**
 - 9 Reporting
 - 10 Sustainability governance
 - 11 Engagement
 - 12 Millennium Development Goals
- 13 Protecting the environment**
 - 14 Background
 - 15 Strategy and management
 - 16 Operational impacts
 - 18 Employee engagement
 - 20 External engagement
 - 22 Data and trends
 - 24 Our stories
- 26 Sustainable finance**
 - 28 Background
 - 29 Environmental finance
 - 32 Sustainable risk management
 - 34 Equator Principles
 - 36 Data and trends
 - 39 Our stories
- 41 Access to financial services**
 - 43 Background
 - 44 Microfinance
 - 46 Microfinance technical assistance
 - 48 Islamic finance
 - 49 Data and trends
 - 50 Our stories
- 52 Tackling financial crime**
 - 53 Background
 - 54 Anti-money laundering
 - 56 Fraud, bribery and corruption
 - 57 Data and trends
 - 58 Our stories
- 59 Responsible selling and marketing**
 - 60 Voice of the customer
 - 61 Governance
 - 62 Sales processes
 - 64 Complaints handling
 - 65 Data and trends
 - 67 Our stories
- 68 Great place to work**
 - 69 Background
 - 70 Diversity and inclusion
 - 71 Health and safety
 - 72 Learning and development
 - 73 Reward and recognition
 - 74 Employee engagement
 - 75 Data and trends
 - 78 Our stories
- 79 Community investment**
 - 81 Background
 - 82 Seeing is Believing
 - 83 Living with HIV
 - 85 Malaria
 - 86 Women's empowerment
 - 87 Employee volunteering
 - 88 Data and trends
 - 90 Our stories
- 91 Data and Trends**

From the Group chief executive



If anyone needs convincing of the importance of taking a sustainable approach to business, then the extraordinary dislocation and disruption in financial markets in 2008 provided dramatic proof.

Banks with unsustainable business models collapsed or were rescued by governments. The sudden reversal of unsustainable levels of leverage across many financial markets caused immense damage to the real economy. Not surprisingly, public trust and confidence in banks and political support for the industry has declined sharply.

Given our conservative business model and our strategy to continuously focus on the basics of banking, Standard Chartered has weathered the storm relatively well. We have not been unscathed, but we have continued to be open for business for our customers, and have continued to grow profits.

Yet we are far from complacent. The market environment remains volatile and challenging. The process of correcting the unsustainable macro imbalances, the over-leverage and the excess liquidity, is far from over. In 2009, almost every economy in the world will face slower growth, rising unemployment, and corporate failures. Our markets in Asia, Africa and the Middle East are likely to do better than those in the West, but they are being significantly affected.

“Our commitment is to continue to focus on building a sustainable business as a bank.”

Peter Sands,
Group chief executive

In this context, our sustainability agenda must take into account the fundamental task of re-establishing confidence and trust in banks whilst continuing to maintain an unwavering focus on addressing the longer-term challenges that the world faces. We need to acknowledge what has gone wrong. We need to articulate the essential role banks play in the economy. We need to demonstrate that the way Standard Chartered works was – and is – sustainable and creates value for customers, investors and society as a whole.

For the economy, banking is like oxygen: taken for granted when it's there; a disaster when it fails. Banks play a number of critical roles including enabling payments, securing savings and providing credit. By borrowing short and lending long, the banking system enables the rest of the economy to do the opposite, which empowers consumers and fuels companies.

Banking inherently involves taking risk. This does not necessarily create a problem, as long as the risks of each activity are well-managed and appropriate to the economic value of such activities. Yet over the last few years, many banks have lost sight of the risk-return trade-off, both for themselves and for society as a whole. Some of what banks have been doing – the products, the business models – have turned out to be unsustainable.

So one lesson from this crisis is that every bank needs to ensure its strategies, business models and products are sustainable. This does not mean that every bank has to be equally successful, but the system of regulation needs to be able to anticipate and catch the failures before they become catastrophic.

Another lesson is that every market is interconnected. The notion of ‘decoupling’, that somehow Asia would be immune to the travails of the West, has been demolished. This means that responses to the crisis need to be co-ordinated. Hence the importance of the G20 process launched in Washington in November 2008.

At Standard Chartered, we do not pretend to have foreseen the crisis. We knew and said there was too much leverage and that risks were being under-priced. We discounted the 'de-coupling' argument. We eschewed most of the more 'exotic' aspects of banking. We never took liquidity for granted. Yet even so, we were surprised by the pace and ferocity of events.

Our commitment is to continue to focus on building a sustainable business as a bank, creating value for our shareholders, supporting our customers, contributing to the economy as a whole, and being a force for good in the communities in which we live and work. We will face tough decisions in 2009, since the economic turmoil will bring many challenges. Yet we also see many opportunities, to deepen our relationships with customers, to win market share and to increase our impact. We continue to invest in our markets to build a sustainable future. This is the way we do business – and has been for over 150 years.

“We continue to invest in our markets to build a sustainable future.”

Peter Sands,
Group chief executive

Re-establishing the sustainability of banking is a top priority for 2009. But fixing the global financial system must not be done in isolation - it is just one important aspect of creating a more sustainable world economy.

Our markets are those most adversely impacted by social and environmental challenges. These challenges will persist long after we return to economic stability and have the potential to cause greater long-term instability. They require attention now. So, while the crisis dominates headlines, there is a danger that society forgets the hundreds of millions of people who live in poverty, lack the basic necessities for life, such as food and healthcare, or face the impact of environmental degradation and climate change that threaten livelihoods and economies. These issues are exacerbated in this economic climate. The underprivileged in the emerging economies of Asia, Africa and the Middle East are also the most vulnerable in the economic downturn; a strain on the flow of development funds and remittances is threatening the wellbeing of many.

So our approach to sustainability focuses both on continuing to manage our core banking practices responsibly and on the seven specific areas which have been at the heart of our sustainability strategy for some years, outlined below.

Responsible selling and marketing

Many people have seen investments drop as a result of the crisis. The market dislocation has prompted increased customer and regulator awareness around the mis-selling of financial products. Both threaten to undermine the long-term wellbeing of the financial services sector and highlight how responsible selling and marketing has to be at the heart of the basics of banking. At Standard Chartered, we have always taken the protection of customers' funds seriously, as well as endeavouring to match individual customers' risk profiles to the products offered to them.

Access to financial services

Improving access to financial services is a vital part of promoting economic growth and helping bring people out of poverty. A continuing priority for us is to stimulate grassroots enterprise and we are on target to meet our \$500 million Clinton Global Initiative commitment to provide access to microfinance. To date, we have provided \$385 million of new credit lines and financial instruments to 52 partner microfinance institutions in Africa and Asia and provided technical support to increase their effectiveness.

But merely extending lines of credit can never be the whole solution. Financial literacy and capacity-building support is also critical. In May 2008, we made a commitment to the UK Government's Millennium Development Goals Call to Action by launching a new programme which will include innovative financial products, skills development, business mentoring and research to help the crucial small and medium-sized enterprise (SME) sector fulfil their growth potential.

Tackling financial crime

To effectively manage risks from financial crime, our Group Financial Crime Risk Committee is responsible for reviewing current and emerging financial crime risks and ensuring there is an appropriate risk management strategy in place to address those risks. In 2008, we launched a new Group strategy to tackle money laundering and extended the use of our monitoring systems for identifying suspicious transactions.

Community investment

Society is still failing to win the war on HIV/AIDS, with 6,800 new infections daily. To meet our commitment to educate one million people on HIV and AIDS by 2010, we extended our education programmes to SME customers in Africa, as well as to global corporations and to students around the world. The challenges of preventable blindness and malaria also threaten lives and economic prospects across our markets. In October 2008, under the banner of 'Seeing is Believing – A New Vision', we made a commitment to provide eye-care services to 20 million people in 20 cities by 2015. Nets for Life, a programme to tackle malaria in Africa, has distributed over one million anti-malarial nets since 2006. We have extended our commitment to supply a further five million nets by 2013.

Protecting the environment

We have all seen how a lack of international accord on the global financial system results in disarray. Similarly, it would be imprudent to try to tackle climate change single-handedly. An international agreement for action must be achieved in 2009 and we will continue to play our part as a member of The Climate Group and the Carbon Disclosure Project on climate change issues.

We are conscious of our responsibility to cut the carbon dioxide emissions caused by our operations and have exceeded our reduction targets for the period 2006 to 2008. We work with employees, customers and other stakeholders to raise awareness, stimulate action and reduce their impact on the environment. In 2008, we began implementing our revised environment strategy with ambitious targets for 2011 and beyond.

Sustainable finance

By 2050, the world will need to generate significantly more energy than it does today but with half the carbon emissions to avoid catastrophic climate change consequences. As fuel prices continue to fluctuate and credit remains tight, clean energy projects may attract less investment. At Standard Chartered, we have already financed over \$3 billion of renewable energy and clean technology projects and remain committed to growing our business further. Our financing of the SinAn Gun solar photovoltaic project in Korea is an example, generating 25 megawatts of electricity and the largest photovoltaic plant in Asia.

We participated in a coalition of five leading financial institutions to shape the Climate Principles, launched in December 2008. It is vital that we implement the principles across our business. In 2008, we finalised a range of 'Position Statements' that set out our environmental and social standards in lending to customers on a broad range of sensitive issues, from climate change to child labour and from bio-fuels to ship-breaking.

Great place to work


Our employees have tripled in number over recent years. Our culture has helped fuel our success but it could have become a victim of our growth as we assimilated many new people into the Bank. During 2008, we refreshed awareness of our values as a guiding compass of responsible behaviour, which I believe will sustain our success in future, along with the talents, diversity and values of our people.

As the debate continues over the appropriate level of regulation for business in response to the economic crisis, it is clear to me that it is impossible and inappropriate to try and regulate for every eventuality. For this reason, nurturing a strong corporate culture of responsibility and ethics and reinforcing our values remain a top priority.

Some commentators have argued that the crisis, in part, stems from banks' remuneration policies which have helped breed cultures of excessive risk-taking. We have always taken a view that our remuneration policy should support and drive our business strategy and reinforce our values. This includes incentives aligned with shareholder interests and long-term profitability, taking into account overall risk and cost of capital. We review remuneration policy on a regular basis against significant regulatory developments and market practice.

Conclusion

Now, more than ever, society needs well-governed banks which support their customers with their daily banking needs of savings and the provision of credit and institutions who are responsibly aware of the role that they play in our communities. While I am proud of the progress on our sustainability agenda in 2008, I recognise there is much more to do. As a leading international bank, we recognise the importance of helping to re-invigorate growth by supporting our clients across Africa, Asia and the Middle East in new and improved ways of doing business, as well as helping address some of the world's most pressing social and environmental challenges.

A handwritten signature in black ink, appearing to read "Peter Sands".

Peter Sands
Group chief executive
3 March 2009

Our approach to sustainability



In the context of the current economic crisis, our sustainability agenda will maintain an unwavering focus on addressing the long-term challenges that the world faces as well as taking into account the fundamental task of re-establishing confidence and trust in banks.

We will continue to demonstrate that the way Standard Chartered works has been focused on building a sustainable business and creating long-term value for customers, investors and society as a whole.

Our markets face some of the worst consequences of climate change; many struggle to provide the basic necessities of access to safe drinking water, energy, food and healthcare. Doing business in these countries gives us a unique opportunity to contribute to sustainable development. We are helping to address some of these challenges through our banking activities and our skills and resources to foster economic growth, tackle climate change, poverty and other barriers to social, environmental and economic progress.

This is integral to our business strategy to ensure that we continue to deliver long-term shareholder value. We operate in many of the world's most dynamic markets and we want to lead by example, being recognised in these countries for building a sustainable business.

“Sustainable lending, access to finance, tackling financial crime, responsible selling and marketing – these are the basics you have to get right. Otherwise you are not going to be able to do the rest.”

Peter Mason,
Ethical Performance

Our approach to sustainability focuses both on continuing to manage our core banking practices responsibly and on the seven specific areas which have been at the heart of our sustainability strategy for some years, outlined below.

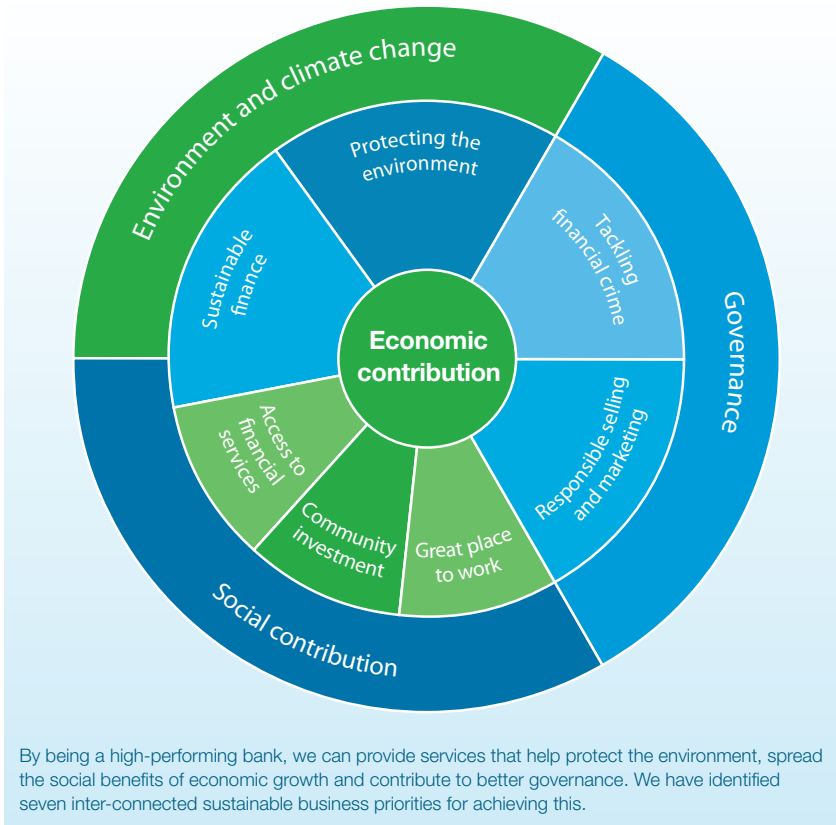
Sustainability covers an enormous field and we need to choose where best to act. We focus on areas that integrate with our business strategy, based on three criteria:

- Relevance to our markets
- Where we can best use our capabilities and infrastructure to maximise our contribution
- Where we can add distinctive value for our business and the countries we operate in

Highlights

- ▶ **\$3.2bn**
Value of renewable energy and clean technology projects financed since 2007
- ▶ **\$385m**
Credit extended to partner microfinance institutions
- ▶ **2m people**
Eyesights restored thanks to Seeing is Believing

Sustainability priorities



Extensive consultation with stakeholders has helped us to identify seven priorities which meet these criteria:

- **Protecting the environment:** Reducing our environmental impact and helping others to do the same
- **Sustainable finance:** Addressing the environmental, social and governance risks and opportunities involved in doing business with our customers
- **Access to financial services:** Making finance more accessible to people excluded from formal banking services
- **Tackling financial crime:** Detecting and preventing activities such as fraud and money laundering, corruption and terrorist financing
- **Responsible selling and marketing:** Treating customers fairly through the highest levels of service, transparency and responsible banking practices
- **Great place to work:** Attracting, developing and retaining the best talent by making our people feel valued, included and engaged
- **Community investment:** Using our expertise and resources to help communities develop and economies grow

The above priorities are supported by appropriate business practices and policies. They are also underpinned by:

i) Our [human rights policy \(PDF\)](#) which commits Standard Chartered to uphold the fundamental rights enshrined in the United Nations Universal Declaration of Human Rights (UDHR) in all circumstances. In December 2008, the 60th anniversary of the Declaration, we reaffirmed our commitment to human rights by signing the UN Global Compact on Human Rights.

ii) Our [Code of Conduct](#) which aims to ensure that we do business in a lawful and ethical way, in line with our core values: Responsive, Trustworthy, Creative, International and Courageous. Every employee is expected to abide by the Code's standards of integrity and fair dealing towards their colleagues, our customers, regulators, and the communities in which we operate.

Our approach to sustainability

Reporting

These web pages (excluding any content on the 'News' tabs) form our 2008 Sustainability Review. They report our activity and commitments, targets and progress under each of our seven sustainability priorities.

We have sought to cover issues that are most relevant and important to the Bank and to stakeholders, based on our sustainability [strategy and engagement \(PDF\)](#) with stakeholders.

We have been reporting on our environmental performance since 2001 and our social performance since 2004 when we published our first Corporate Responsibility Report. This is our third Sustainability Review, reporting on our integrated strategy.

We use the Global Reporting Initiative (GRI) to guide our reporting. We include a [GRI index](#) and also [United Nations Global Compact Index](#) to highlight where our activity relates to relevant indicators.

You can download a PDF version of the Sustainability Review 2008 or you can use the flexible printing facility to print the sections or pages that interest you.

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Financial Highlights

Operating income	Operating profit	Total assets*
\$13,968m	\$4,568m	\$435bn
+26% / 2007: \$11,067m 2006: \$8,620m	+13% / 2007: \$4,035m 2006: \$3,178m	+32% / 2007: \$330bn 2006: \$266bn

Non-financial Highlights

Employees	Countries and territories	Nationalities
73,800	75	125
2007: 70,000 2006: 59,000	2007: 57 2006: 56	2007: 115 2006: 105

* Restated as explained on p.183 of the 2008 Annual Report.

Our approach to sustainability

Sustainability governance

A series of mechanisms are in place to ensure that our sustainability strategy addresses material issues for both our business and for our markets, and is underpinned by sound governance and reporting.

Sustainability governance

The Board of Standard Chartered PLC established a board committee in 2005, the Sustainability and Responsibility Committee, to oversee the delivery of our sustainable business strategy to ensure the Bank's sustainability ambitions on each of our seven strategic priorities are achieved. It is chaired by a non-executive director and membership includes the Group chief executive and at least two further non-executive directors. It meets at least three times a year. Country CEOs are responsible for identifying and responding to local sustainability issues.

Under the oversight of the Sustainability and Responsibility Committee and reporting through the Group Management Committee, the executive of the Bank, a series of other committees and steering groups also underpin our governance approach to sustainability. They review emerging and current risks as well as opportunities, make recommendations to the board and co-ordinate initiatives. These supporting committees include:

- The Group Reputational Risk and Responsibility Committee which identifies, reviews and manages significant reputational risks to the Bank. It is supported by committees in Consumer and Wholesale Banking that review new product development as well as ensuring the Bank's [environmental and social risk policy](#) is applied to lending decisions.
- The Standard Chartered Environment Committee is responsible for overseeing delivery of the Group-wide environment strategy and policy. It meets every two months and includes senior executives from global businesses, functions and markets.

In 2008, we introduced Country Environment Committees across our markets to drive environmental action and engagement locally. The committees comprise senior members of local management.

- The Group Financial Crime Risk Committee is responsible for reviewing current and emerging financial crime risks and ensuring there is an appropriate risk management strategy in place to address those risks.

The Bank has a dedicated Group Sustainability function with senior leadership to ensure an integrated approach to sustainability and that strategic priorities are delivered, with active engagement in all aspects of the business. It also works with external stakeholders, engaging them on the Bank's sustainability strategy and progress.

Highlights

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Value of renewable energy and clean technology projects financed since 2007

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Eyesights restored thanks to Seeing is Believing

Our approach to sustainability

Engagement

We engage with external stakeholders including non-governmental organisations (NGOs), investors and governments to communicate our position and understand different perspectives.

This helps us to clarify priorities and develop policies. Working with others also helps us to identify opportunities for sustainable development and to maximise our contribution through partnerships. Through stakeholder engagement, we also gain insights on how external stakeholders perceive the Bank's performance on sustainability issues.

Stakeholder feedback on our sustainability strategy and approach to reporting

In 2008, we carried out specific stakeholder engagement through a series of workshops in the UK, China and India, and telephone interviews with opinion leaders in the UAE, Kenya, Hong Kong and South Korea. A consensus across the different groups was an appreciation of the Bank's comprehensive approach to sustainability, rather than a sole focus on environment and climate change.

We have used their feedback in the development of this Review, especially:

Where we can improve

Stakeholder feedback	How we have responded
Include dilemmas associated with building a sustainable business	We have used case studies to illustrate a number of challenges we face
Highlight sustainability issues within the context of your unique geographical footprint	We have used country insights across the review as well as in the case studies
Include more data and quantifiable goals	We have included data tables at the end of each section

In addition, in 2008, Standard Chartered was once again included in the FTSE4Good Index. The Bank was also included in the Goldman Sachs' GS Sustain framework as one of the top seven companies best positioned to sustain competitive advantage, with high environmental, social and governance performance.

We continue to actively engage external stakeholders and below are some examples of the engagement we carried out on various sustainability priorities:

- Dialogue with experts and opinion formers on the loss of public trust in banks as a result of the financial crisis and what is needed to address it
- Technical assistance forums for microfinance institutions in India, Nigeria and Zambia
- Engaged with governments and regulators in our markets to discuss enabling regulatory policy for microfinance
- Worked with other members of the UK Corporate Leaders Group on Climate Change and the UN Environment Programme Finance Initiative (UNEPFI) Working Group on Climate Change
- Worked with The Climate Group and other international banks to develop the Climate Principles
- Hosted a meeting in conjunction with The Climate Group between former British Prime Minister Tony Blair and Indian business leaders to discuss the need for a new international framework on climate change
- Partnered with the WWF to increase employees' and public awareness of the environment and climate change through the Race for a Living Planet
- Worked as a member of the International Chamber of Commerce Anti-Corruption Panel and the British Bankers' Association (BBA) Money Laundering Group

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Our approach to sustainability

Millennium development goals

The Millennium Development Goals (MDGs) are eight goals that governments agreed in response to the world's most significant development challenges.

The Bank's sustainability strategy has elements that are aligned to the aims of several MDGs. Further to our focus on building a sustainable business in 2008, the Bank responded to the Business Call to Action led by the UK Prime Minister, Gordon Brown, to engage the private sector in using their core business activities and skills to contribute towards the MDGs. The Bank committed to launching a programme to support the growth of small and medium sized enterprises (SMEs), which is being piloted in Pakistan.

Standard Chartered's response to the MDGs can be seen below:

MDG	UN target within MDG	Standard Chartered's response
<ul style="list-style-type: none"> Eradicate extreme poverty and hunger 	<ul style="list-style-type: none"> Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day 	<ul style="list-style-type: none"> Committed to disburse USD 500mn over five years to microfinance institutions (MFIs) by 2011 Technical assistance for microfinance clients in Asia and Africa to enhance the MFI capacity to extend loans to more people in our markets 2008 MDG Business Call to Action – supporting the growth of SMEs
<ul style="list-style-type: none"> Promote gender equality and empower women 	<ul style="list-style-type: none"> Share of women in wage employment in the non-agricultural sector 	<ul style="list-style-type: none"> GOAL – a women's social and economic empowerment programme for girls in India 2008 Asia CGI commitment to mentor 5,000 women entrepreneurs in Asia, partnering with Vital Voices Group's Diversity and inclusion programme focusing on women at work, in the community and as customers
<ul style="list-style-type: none"> Combat HIV and AIDS, malaria and other diseases 	<ul style="list-style-type: none"> Have halted by 2015 and begun to reverse the spread of HIV and AIDS Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases 	<ul style="list-style-type: none"> Living with HIV – educating one million people on prevention and living positively with HIV and AIDS by 2010 Seeing is Believing – providing sustainable eye care services to 20m people by 2015 in 20 cities Nets for Life – distributing five million mosquito nets by 2013 across 18 African countries
<ul style="list-style-type: none"> Ensure environmental sustainability 	<ul style="list-style-type: none"> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources 	<ul style="list-style-type: none"> Environmental strategy to 2011 which focuses on reducing our operational impacts, financing the migration to low carbon economies and engaging stakeholders \$8-10bn commitment over five years to finance renewable and clean technology projects by 2012 One of five financial institutions to develop and sign The Climate Principles Education of stakeholders on reducing their personal impact on the environment, through the Race for a Living Planet which generated 3.5m pledges across Africa, Asia and the Middle East

Highlights

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Protecting the environment



Disasters in 2008 such as the hurricanes that devastated the Caribbean, storms in China and Cyclone Nargis in Myanmar, claiming more than 220,000 lives, vividly brought home the human and financial cost of climate change.

Many of our markets are already suffering from extreme weather conditions such as devastating floods, severe droughts, snowstorms and heatwaves. The costs of such weather-related catastrophes more than doubled to \$200 billion in 2008¹. Climate change is making them more frequent and more dangerous.

We are conscious of our responsibility to cut the carbon dioxide emissions caused by our operations and have exceeded our reduction targets for 2008. But we can do much more to deal with the business and other risks that we all face. We work with employees, customers and other stakeholders to raise awareness, stimulate action and reduce their impact on the environment. We set ambitious targets to minimise our own carbon footprint and paper use. And we finance businesses and projects that will reduce emissions and help people adapt to climate change.

“Protecting the environment is always important no matter where you are based. Most banks think it is not an issue because of their low emissions, but any kind of industry should be concerned about the environment.”

Myung-Hoon Yoo,
Korea CSR

This section reports our action in 2008 to reduce the energy and other resources used by our operations and to engage with stakeholders on environmental issues. The Sustainable finance section reports our environmental lending and other commercial activities.

In 2008, we began implementing our revised environment strategy with ambitious targets for 2011. We launched action plans for key areas such as the energy use of our buildings and extended Country Environment Committees to cover most of our markets to drive environmental action and engagement.

We also launched several interactive, fun tools to engage and inspire staff, whose involvement is essential to achieve our environmental ambitions. Our social networking site, Greenstorming, has attracted 17,000 staff.

Working outside the Bank, including membership of organisations such as The Climate Group and the Corporate Leaders Group on Climate Change, we continued to stress the need for urgent action by governments, businesses and individuals. The Race for a Living Planet involved more than half a million people who pledged to make changes in their lives that will help protect the environment.

¹ Source: Munich Re Insurance Group

Highlights

- ▶ **47,000**
employees covered under our environmental management system
- ▶ **14 per cent**
reduction in CO₂ emissions per employee 2006–2008
- ▶ **\$1m**
donated through the Race for a Living Planet



Standard Chartered is listed on the FTSE4Good Index and the FTSE4Good Environment Index



Standard Chartered was Best in Class in 2008 for the second consecutive year



Singapore
Built to high environmental standards



India
India Environment Committee



Global
3.5 million environmental pledges for the Race for a Living Planet

Background

Environmental challenges are more and more urgent as the threat of climate change becomes clearer and the demands of the world's population increasingly strain the Earth's ability to provide water, clean air and other essential resources.

The Intergovernmental Panel on Climate Change (IPCC), assembled by the United Nations, has warned that if the world is to avoid dangerous climate change, the greenhouse gas emissions that are causing it must fall dramatically – and the reductions must begin soon. Yet the International Energy Agency predicts a 50 per cent increase in energy demand by 2050². It projects that fossil fuels will provide the majority of this energy, resulting in a 50 per cent increase in carbon dioxide emissions.

These conflicting trends are being tackled by governments around the world. But they also challenge companies like Standard Chartered to reduce our use of resources and provide the products and services that will stimulate a shift to a low-carbon, low-resource world. (See Sustainable finance for information on products and services).

As a bank, our operations have less impact on the environment than many businesses, but we can make a difference by improving in three key areas:

- Energy consumption in our buildings
- Emissions from air travel
- Use of paper, which not only depletes forests but its production is energy and water-intensive

Our biggest opportunity to help turn the tide of environmental damage is beyond our own operations. Our wide engagement inside and outside the Bank achieves change by influencing the behaviour of employees, customers and others.

2 World Energy Outlook 2008: The International Energy Agency.

Highlights

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reduction in CO₂ emissions per employee 2006–2008
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donated through the Race for a Living Planet

Protecting the environment

Strategy and management

Our vision is to enhance sustainable shareholder value by leading the way on the environment in Asia, Africa and the Middle East. Achieving this ambition requires leadership from the top and action throughout the Bank.

Standard Chartered has had a formal environment policy in place since 1998, and in 2008, the Group Environment Committee revised our strategy to achieve a step-change in performance.

This strategy involves our businesses and support functions and aligns with our business goals. Action plans were built around the strategy's three pillars:

- Operational impacts – minimising our use of resources and carbon dioxide emissions, focusing on energy consumption in buildings, paper use and emissions from air travel. Our new strategy introduced tough targets for each of these. On a full-time employee (FTE) basis, by 2011, we aim to reduce carbon emissions from air travel to 0.5 tonnes of carbon dioxide (t CO₂e) and decrease paper consumption to 25kg. These targets represent a reduction from 2008 levels of 35 per cent for travel and 50 per cent for paper. We will reduce energy use in our buildings by a further 10 per cent kWh/m² by 2011. This is part of our long-term commitment to significantly reduce energy use in owned and leased properties. Our targets take into account differential energy needs in tropical and temperate climates, as well as the differential influence we have on the pace of change in our owned and our leased buildings.
- Sustainable finance – integrating climate and environmental risk as well as social and governance issues into our lending criteria, and providing the products and services that will support the shift to low-carbon economies.
- Stakeholder engagement – addressing environmental issues that are relevant and meaningful in the markets where we operate. We provide tools and encouragement for employees to move from awareness to action in their work and private lives. Externally, we work with customers, regulators, communities, investors, non-governmental organisations (NGOs) and others to stimulate action by creating an awareness of what must be done to protect the environment.

The Group Environment Committee, chaired by Dr Tim Miller, director, people, property and assurance, leads the development and implementation of our environment strategy. Senior executives from our businesses, functions and markets are also represented. The committee is supported by a range of working groups, which are responsible for implementing decisions. Our Country Environment Committees then drive action in our markets.

Highlights

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reduction in CO₂ emissions per employee 2006–2008
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Protecting the environment

Operational impacts

We are rapidly improving the environmental performance of our operations, especially in three main areas: energy consumption in our buildings, air travel and use of paper.

Achieving our ambitious targets requires rigorous systems and new ideas, and in 2008, we introduced programmes ranging from energy management to electronic information flows.

Energy use in buildings

Management and information systems

We monitor energy consumption in our buildings using our Global Environmental Management System (GEMS), which is modelled on ISO 14001, the international environment management standard. In 2008, we increased the number of buildings covered by GEMS from 52 to 81, or 47,000 employees.

In 2008, we introduced the Environmental Information Management System, an online tool to improve measurement and data collection. We have also started quarterly reporting of energy consumption data, which will focus attention on energy by highlighting any excess usage early. We use a footprint estimation tool to cover the rest of our portfolio.

Certification and verification

We now use environmental certification for all new buildings by recognised third parties, such as Greenmark in Singapore and Leadership in Environment and Energy Design (LEED) in the US. We look for high performance and will not accept less than the equivalent of the US LEED 'Gold' rating (see Changi Business Park case study).

From 2009, existing buildings, which have not already been externally certified, will be rated for energy efficiency against our newly developed Building Environment Assessment Standard. This standard allows us to classify the buildings in our portfolio, set targets, continuously improve our environmental performance and allocate future environment-focused investment appropriately.

We internally verified GEMS data in seven of our biggest markets, including South Korea and India.

Action

We implemented country action plans to identify clear guidance and recommendations for reducing our energy use.

In addition, GEMS requires specific plans for the buildings it covers, detailing how the use of resources will be reduced. The data verification process also highlighted some improvements that have been shared across the Bank.

Finally, a range of communications, initiatives and activities (many focused around World Environment Day) encouraged staff to ensure energy use is kept low (see employee engagement section).

Performance

In 2008, an extra 29 buildings were included under GEMS measurement. Many of these are less energy efficient than those previously included; many too are in countries with high emissions per unit of energy. This has increased our average energy use between 2007 and 2008, particularly our average emissions. These buildings are now covered by action plans and we expect to see substantial progress going forward.

Despite this added challenge, between 2006 and 2008 we reduced CO₂ emissions per full-time employee (FTE) by 14 per cent, eclipsing our target of 10 per cent¹. This resulted from a fall in energy consumption of 10 per cent per square metre and 14 per cent per FTE. See Data and trends for more details.

¹ For ease of comparison, we have used the latest available conversion factors across the reporting period. In this case the International Energy Agency's 2008 edition conversion factors. To maintain consistency, all figures from 2006 to 2008 have been recalculated.

Highlights

- ▶ **47,000**
employees covered under our environmental management system
- ▶ **14 per cent**
reduction in CO₂ emissions per employee 2006–2008
- ▶ **\$1m**
donated through the Race for a Living Planet

My Environment

Learn about the environmental impacts we have through our everyday actions

Paper

There is huge potential to reduce paper use, especially in our operational hubs such as Kuala Lumpur, Malaysia, and Chennai, India.

Between 2006 and 2008 we reduced consumption by 20 per cent per FTE through measures such as rationalising printers, promoting double-sided printing and launching guidelines for paperless meetings.

In 2008, we introduced an Information Retention Management (IRM) programme with a standard archiving policy globally. This includes a global electronic workflow approach for all personnel file information. The system operates in 13 countries, with others due to adopt it in 2009.

We have now invested in technology that will eliminate paper from some of our processes over the next three years, when we aim to halve the amount of paper use per employee.

Air Travel

Meeting clients face-to-face is important, but our analysis in 2008 found that 80 per cent of all air travel between our five major locations is for internal meetings.

In 2008, we upgraded our video systems to make remote conferencing more effective and widely used. We also introduced a new online web and audio conferencing facility to provide flexible options for remote meetings, as well as a stricter travel policy.

As a result, air travel emissions decreased by 22 per cent per FTE between 2006 and 2008, beating our reduction target of 10 per cent.

We will continue to invest in video technology as it becomes more cost-efficient and sophisticated, pursuing our target to reduce emissions from air travel by 35 per cent per FTE by 2011.



Singapore Changi Business Park

Our new flagship offices under construction at Changi Business Park, Singapore, have been recommended for the 'Greenmark Platinum' award by the Building Construction Authority of Singapore – the highest environmental award available in the country.

We have specified that this building must focus on energy conservation, and anticipate energy use will be 35 per cent less than standard Singapore offices. Solar panels will provide enough electricity for when the building is 'dormant'.

They will also power an ultra-efficient, automatic drip-feed irrigation system. A host of water-saving initiatives, including recycling waste water and collecting rainwater, will result in considerable water savings. A dedicated waste chute will promote recycling of various types of waste, while extensive green areas and gardens will feature a host of native endangered species thanks to a partnership with Botanic Gardens Conservation International (BGC).

Protecting the environment

Employee engagement

In 2008, more than a quarter of our employees made commitments to protect the environment through our 'Race for a Living Planet' campaign, and many more have taken action ranging from Group-wide social networking to local campaigns.

Enthusiastic involvement of employees is essential to achieve our targets. We need their commitment and welcome the fact that people increasingly expect their companies to promote high environmental standards. We encourage employees to take action at work, at home and in their communities.

Information and communication

Communicating with staff on the environment includes specific training on new initiatives such as our position statements on sensitive sectors and issues (see Sustainable finance). We also use a range of interactive and fun tools to engage and inspire staff.

Our intranet programme GEMS Office demonstrates the benefits of investment in environmentally-friendly infrastructure and people can play 'Eco-Driving' to learn how steady and safe driving can lower fuel consumption and CO₂ emissions.

Our website features a 'carbon calculator' that is unique in covering 70 countries. People use it to estimate their personal carbon footprint and it helps them understand how to reduce their contribution to climate change, as well as stimulating them to change their behaviour.

In 2008, we capitalised on the global social networking phenomenon, launching our own intranet-based forum, Greenstorming. Using the popular, interactive conventions of sites such as Facebook and MySpace, employees learn about and debate environmental issues. Staff can read and contribute articles, set up action groups on specific issues, and read accounts of best practice action from across the Bank.

Greenstorming has already racked up 17,000 regular users. India, Singapore, Malaysia, China and Pakistan have the biggest user base.

Country activity

Country Environment Committees stimulate action in markets, focusing on the issues that are most pertinent to their country.

In Kenya, we worked with the Kenya Wildlife Service and Kenya Forest Services in a campaign to save the Mau Forest, the largest remaining close-canopy forest block in East Africa. The combination of this conservation project and internal initiatives has achieved a 20 per cent reduction in paper use and a 10 per cent reduction in CO₂ emissions from energy use per employee.

Highlights

▶ 25 per cent

of employees made pledges in the Race for Living Planet

▶ 17,000

regular users of Greenstorming

▶ 330,000

sheets of paper saved through online payslips

World Environment Day, on 5 June 2008, provided a focus for action involving employees, their families and community organisations. For example:

- In Malaysia, we launched a 'Trash and Treasure' website to give people an easy alternative to throwing away things they no longer want. Staff advertise items which colleagues can acquire free of charge. Employees also participated in an environment-focused public speaking competition
- In Singapore, over 80 per cent of staff participated in a 'no car day' encouraging people who normally drive or take a taxi to work to use alternative transport
- In Taiwan, as part of the Earth Hour initiative, all the lights in the Bank's 86 branches and ten buildings were switched off for an hour, saving energy and drawing people's attention to energy waste. The event also involved 14 universities and received widespread publicity
- In Uganda, we worked with microfinance specialist and climate change activist Paul Rippey (an associate of Al Gore) on a presentation to Ugandan Members of Parliament and officials about global warming, especially as it applies to East Africa and Uganda



India Environment Committee

Environment action in India ranged from high-profile activities on World Environment Day to participation in 'Break the Climate Deadlock' meetings led by the former British Prime Minister Tony Blair. Neeraj Swaroop, Chief executive officer India, spoke at the launch of the India Carbon Disclosure Project report in December

2008, describing how financial institutions can help support the shift to a low-carbon economy.

Employees from offices and branches all over the country were involved in World Environment Day events. Activities included a 'walk to work' day, employee volunteering to clean beaches, a 'zero waste' day, a 'switch-off' and 'leave your car at home' campaign, and an environment-themed drawing competition for employees' children. The extent of our commitment to the environment was acknowledged by Dr R K Pachauri, chairman of the Intergovernmental Panel on Climate Change (IPCC).

The India Environment Committee is led by Hemant Mishr, head of sales, South Asia, Financial Markets, and supported by staff members from across the business functions. The committee is pursuing a comprehensive plan to address the impacts of our operations, engagement and innovative environment financing opportunities.

For example, payslips have been migrated to the Bank-wide online system, saving more than 330,000 sheets of paper a year. Similarly, retirement benefits have been switched to a secure email system.

The IT team in India has dramatically reduced its energy use through data centre optimisation and the use of more efficient equipment. Server virtualisation is expected to reduce energy demand by up to 80 per cent and avoid the need for an additional 77 servers.

Protecting the environment

External engagement

Climate change and other environmental challenges will only be ameliorated by wide-ranging action by governments, individuals, businesses and other organisations. We are active in this broad movement to protect the environment, contributing new thinking and learning from others about how to achieve more rapid progress.

Policy contribution

Our global reach and expertise gives us the opportunity to work with governments on the role business can play in the shift to a low-carbon economy. This is particularly important in the run-up to the 2009 UN summit in Copenhagen, where governments will negotiate a climate change agreement to replace the Kyoto Protocol.

Partnerships and policy engagement

We are active in leading partnerships and engage in dialogue on policy developments around the world. Examples include:

- Membership of the Corporate Leaders Group on Climate Change, a group of businesses in dialogue with the UK government on progressive climate change action. Prior to the Poznan climate summit in December 2008, the Group published a letter signed by 140 companies setting out what they believe should be the key elements of an international deal on climate change.
- Participation in a climate leadership forum in Tokyo. We spoke about the need for a change in the business and political response to climate change.

Business involvement and disclosure

We are also active in business groups working to promote environmental action and transparency on performance, including:

- Membership of The Climate Group, through which we hosted a meeting between former British Prime Minister Tony Blair and Indian business leaders to discuss the need for a new international framework on climate change. We also worked with several international banks to develop the Climate Principles, which aim to help the financial sector play its part in the transition to a low-carbon economy.
- Recognition for the second consecutive year in the Climate Disclosure Project (CDP) Leadership Index. Peter Sands, Group chief executive, spoke at the CDP report launch in London about recognising and disclosing the risks and opportunities of climate change and companies' environmental impacts (link to CDP launch video). We also sponsored the CDP India launch at which Neeraj Swaroop (Chief executive officer India and South East Asia) spoke about the role of financial institutions in supporting the shift to a low-carbon economy (see case study).
- Chairing the UN Environment Programme Finance Initiative (UNEPFI).
- Being signatories of the Equator Principles on project finance since 2003. In 2008, we joined the Outreach Working Group to spread adoption of the Principles in emerging markets.

Highlights

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- ▶ **14 per cent**
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Race for a Living Planet

More than 15,000 employees and 500,000 other people took part in the Greatest Race on Earth: Race for a Living Planet environment challenge. They generated 3.5 million pledges and Standard Chartered donated \$1 million to environmental projects in three winning countries.

The event tied in with the annual Standard Chartered marathon series and was organised in partnership with WWF. Standard Chartered staff, customers, clients and others pledged to make changes to their lives that would help protect the environment. The competition raised awareness of global environmental issues and how small changes to daily habits can make a difference.

Prize money went to WWF environment projects in the three markets that generated the most pledges per capita: Brunei, Taiwan and Hong Kong.

Brunei contributed the money to the Heart of Borneo project, which is rehabilitating peatland forests and carrying out biological diversity surveys in key zones to help protect species.






Taiwan donated the money to WWF's Coral Triangle Project, protecting an area of immense marine diversity containing more than a third of the world's coral reef. Taiwan's involvement with the Coral Triangle led to the Bank and WWF making a presentation on the value of public/private partnerships at the Asia-Pacific Economic Cooperation (APEC) Roundtable on Marine Conservation.

The Hong Kong donation also went towards a marine conservation project, including funding for a documentary series for Chinese television and the launch of a website and online learning module.

Protecting the environment

Data and trends

Our goals and achievements in 2008

Our goals for 2008	Status	What we have done	Priorities in 2009
Establish a vision and environment strategy for 2011	 Completed	The Group Environment Committee undertook a review of the environment strategy to align it with the overall Group strategy through to 2011	<ul style="list-style-type: none"> Roll out the Building Environment Assessment Standard (EAS). All GEMS buildings to achieve a score of 50 per cent on BEAS
Launch an interactive social networking environment portal for employees	 Completed	<i>Greenstorming</i> launched in April 2008, a social networking portal for employees	<ul style="list-style-type: none"> Implementation of vision and environment strategy for 2011
Establish Country Environment Committees across the Bank	 Completed	Country Environment Committees established across the Bank	<ul style="list-style-type: none"> Develop revised environment policy; and
Meet environment targets – 10 per cent reduction targets per full-time employee (FTE) have been set for CO ₂ emissions related to air travel and energy use, 20 per cent reduction for paper use, using 2006 baseline data	 Completed	Environment reduction targets met for period 2006–2008. Achieved a reduce of 14 per cent, 22 per cent and 20 per cent respectively	<ul style="list-style-type: none"> Broaden engagement with internal and external stakeholders through innovative media such as film and online education
Migrate Environmental Information Management System to a web-based quarterly reporting platform (EIMS)	 Completed	EIMS launched in 2008 and all environmental data is now reported through this platform which enables more regular reporting and analysis	

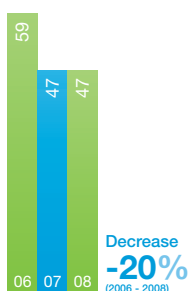
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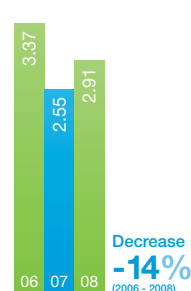
2011 goals

- Reduce paper use by 50 per cent per FTE by 2011
- Reduce air travel emissions by 35 per cent per FTE by 2011
- Reduce building energy use in owned buildings by 10 per cent per square metre by 2011

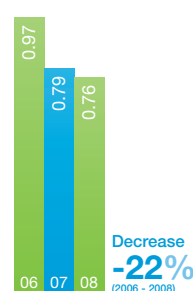
Total paper consumption/Full-time employee



Total Scope 1 and 2 emissions/Full-time employee



Air travel emissions/Full-time employee



Measure	Units	2006	2007	2008	2007 Total emissions (GEMS + footprint data)	2008 Total emissions (GEMS + footprint data)
Number of offices reporting		43	52	81		
Net internal area of reporting offices covered	m ²	354,238 ¹	394,936 ¹	566,473		
Full-time employees (FTE) covered	FTE	28,453	38,850	47,645		
Energy Consumption & GHG emissions						
Total energy consumption	GWh/year	152	161	219	440	474
Total energy consumption/m ²	kWh/m ² /year	429 ²	408 ²	387	328	324
	kWh/FTE/year	5,342	4,144	4,596		
Scope 1 emissions (electricity generated on-site)	tonnes CO ₂ /year	2,608	4,977	6,752	11,436	14,913
Scope 2 emissions (imported electricity)	tonnes CO ₂ /year	93,160 ³	93,928 ³	131,935	209,127	254,989
Total Scope 1 & 2 emissions	tonnes CO ₂ /year	95,768 ³	98,905 ³	138,687	220,563	269,902
Total Scope 1 & 2 emissions /FTE	tonnes CO ₂ /FTE/year	3.37 ³	2.55 ³	2.91		
Air travel emissions	tonnes CO ₂ /year	29,475	27,508	37,696	58,354	50,262
Air travel/FTE	tonnes CO ₂ /FTE/year	0.97	0.79	0.76 ⁴		
Total CO ₂ emissions	tonnes CO ₂ /year	125,243	126,413	176,383	278,917	320,163
Total CO ₂ emissions/FTE ⁵	tonnes CO ₂ /FTE/year	4.40	3.25	3.70		
Paper						
Total paper consumption	ktonnes/year	1.7	1.8	2.2	3.1	3.9
Total paper consumption/FTE	kg/FTE/year	59	47	47	45	50
Waste						
Total solid waste	ktonnes/year	2.8	2.8	4.4	4.4	6.5
Total solid waste/FTE	kg/FTE/year	98	73	95	63	83
Percentage solid waste reused or recycled	%	25	25	25		
Water						
Total water consumption	ML/year	677	873	993	1,980	1,806
Total water consumption/FTE	m ³ /FTE/year	24	22	21	28	24
Legal Compliance						
Reported environmental prosecutions		none	none	none		
Suppliers						
Number of suppliers		23,373	20,417	28,860		
Total spent on procurement		\$1.5bn	\$2.0bn	\$2.47bn		

1 The Bank's internal verification of reported data revealed that some offices incorrectly reported floor area as gross area instead of net area. Corrections were made to rectify inaccuracies in offices floor area reported in the 2006 and 2007 environmental data.

2 The total energy consumption per m² (kWh/m²/year) figures for 2006 and 2007 were changed as a result of corrections to the offices net internal area reported.

3 The Bank's CO₂ emissions per kilowatt hour of energy consumption for 2008 were calculated using the latest country specific conversion factors available from the International Energy Agency ('CO₂ Emissions From Fuel Combustion, 2008 Edition'). In order to have a consistent and common basis comparison of the Bank's actual energy consumption and CO₂ emissions between 2006–2008, the energy CO₂ emissions for both 2006 and 2007 were recalculated using the latest available country specific CO₂ emissions per kilowatt hour conversion factors.

4 Travel data for 2008 were based on reliable data obtained from China, Hong Kong, Korea, India, Malaysia, Singapore, Taiwan, United Arab Emirates, United Kingdom and the United States. FTE figures were based on total Bank staff populations for these operations rather than just the populations of the GEMS offices.

5 Freight CO₂ emissions have been excluded from the total CO₂ emissions figures in 2008 as past estimates showed it constituted less than five per cent of the Bank's total CO₂ emissions. Accurate and reliable freight emissions data were also not available to many of the Bank's country operations that had first started reporting environmental data in 2007 and 2008.

Protecting the environment

Our stories



Singapore Changi Business Park

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Sustainable finance



At Standard Chartered we recognise that as a leading international bank we have an exceptional ability and responsibility to contribute to the long-term sustainability of our planet.

By far the biggest impact we have on society and our environment is through our support for the business activities of our clients. Our financing decisions – who and what we finance – enable us to make our strongest contribution to sustainable development.

We seek to lead by example and we work with clients who share our commitment to driving sustainable economic growth, protecting the environment and contributing positively to the societies where we live and work. As a partner to our clients, we work with them to manage environmental, social and governance risk and support business activities that improve people's livelihoods.

“As we enter such a critical year for global climate change agreements, it is more important than ever that companies integrate environment and climate change considerations into their core business. Standard Chartered has demonstrated its leadership in emerging markets through the development of the position statements.”

Tom Burke,
Environmentalist

The environmental, economic and social costs of climate change are well known. Their impacts are becoming increasingly evident, especially in those countries that have limited capacity to mitigate against, and adapt to, the key risks associated with climate change. In our core markets, we and our clients are working to respond to these challenges in two important ways:

- Supporting clean and renewable technologies that will reduce greenhouse gas emissions
- Embedding a sustainability approach in our financing decisions and risk management

And our efforts are bearing fruit. Our specialised renewable energy team has, to date, financed \$3.2 billion of projects in Asia, Africa, the Middle East and Europe. Expanding our efforts within our footprint, in 2008 we partnered with the Asian Development Bank to support energy efficiency investment in China in a programme worth up to \$117 million (800 million yuan) over nine years.

Taking a holistic view of sustainability, our Environmental and Social Risk policy requires all lending and investment due diligence to include an assessment of key sustainability risks. In 2008, we put in place position statements providing guidance to frontline staff including our relationship managers, credit officers and portfolio managers, on 11 key business sectors and critical topics such as climate change and child labour.

Highlights

- ▶ **\$117m**
finance pledged for energy-efficient systems
- ▶ **\$3.2bn**
renewable energy and clean technology projects financed since 2007
- ▶ **13**
Sector and issue position statements developed



The Banker
Commendations 2008 –
Banking the Unbanked
The Banker
Commendations 2008 –
Best Corporate Finance
The Banker
Commendations 2008 –
Best Overall bank

This section reports on the opportunities to finance the shift to a low-carbon economy and our management of sustainability risk. Protecting the environment reports on other aspects of our environment strategy, including managing the impacts of our operations and engaging with stakeholders. Supporting social and economic development is addressed in Access to financial services.



China
Asian Development Bank



Korea
The largest photovoltaic solar project in Asia



Indonesia
Sustainable Palm oil

Sustainable finance

Background

Our commitment to sustainable development represents our belief that economic activity need not be viewed as requiring a choice between protecting the environment and supporting human development.

Society needs economic innovation, social and policy transformations and the right mindset. Financing activities that will help to curb climate change and to adapt to its effects represent a tremendous opportunity – economically and environmentally. The Stern Review on climate change commissioned by the UK Government has estimated that by 2050 markets associated with the development of low-carbon technologies could be worth at least \$500 billion. As well as the risks to society and habitats, climate change also brings major financial risks – Stern put the cost of extreme weather events at up to 20 per cent of global output.

Successful financial institutions understand the risks and opportunities in the drive for sustainable development. We integrate sustainability in risk management and provide the financing to make vital investments. This demands an understanding of the links between food, energy, water and the climate and the issues each critical area faces.

Scarcity of essential resources, such as water and food sources, is already creating economic opportunities around the world. For example, China has been increasingly involved in Africa and Brazil in trade flow and direct investment, accessing agricultural production and raw materials. Business activities such as renewable energy, waste and water management services are growing fast, and enable the adaptation to a resource-constrained economy.

The world needs significantly more energy to support development but must simultaneously be able to reduce greenhouse gases to avoid irreversible environmental damage. These pressures are driving significant growth in renewable energy in the Bank's markets, two of which, China and India, are already substantial players.

We face three main challenges:

- Managing environmentally sustainable economic and social development. For example, the rise of bio-fuels demonstrates the need to achieve the right balance of food security and the production of cleaner energy (see Sustainable risk management)
- Financing renewable energy and clean technology projects in markets which lack the policy and financial incentives offered in Europe and other regions
- Embedding sustainability criteria into our financing decisions in small to medium-sized enterprise (SME) banking

Highlights

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Sustainable finance

Environmental finance

Standard Chartered is helping to finance a shift to the low-carbon economy. We have committed to take a lead role in the financing of new renewable energy and clean technology projects and companies globally, focusing on Asia, Africa and the Middle East with a total project value of \$8–10 billion over the five-year period from 2007–2012.

Our Wholesale Banking environmental finance business specifically focuses on clean and renewable energy, water and energy efficiency, as well as carbon trading. And we are working with our peers and other stakeholders in the financial services sector to encourage their greater engagement in responding to climate change.

Renewable energy

We have created a specialised renewable energy finance team, within our environmental finance business. The business covers a wide range of renewable sources, including energy from waste, geothermal and coal bed methane as well as more familiar options such as wind and solar. The team concentrates on investments in our core markets, an important distinction as most global investment to date has been directed towards Europe and the US.

The global financial crisis has also impacted the renewable energy sector with investment slowing as liquidity constraints reduce the funds available.

At Standard Chartered, we have responded by extending our involvement in this sector, advising renewable equipment manufacturers, as well as installation projects and sponsors. Our wide experience and close relationships with governments globally means we are often asked to provide specialist advice. In 2008, for example, we assisted a national government to create a regulatory system for renewables that will help support further wind projects.

On the international level, at the Clinton Global Initiative in 2007, we committed between \$8 billion and \$10 billion to finance renewable and clean energy projects by 2012. To date, we have financed \$1.4 billion of projects in Asia, Africa and the Middle East and \$1.8 billion in Europe.

Energy efficiency

In 2008, Standard Chartered became the first bank to partner with the Asian Development Bank (ADB) to support energy-efficient investment in China. We provide medium-term finance for energy-efficient systems, initially for buildings, while ADB provides a partial guarantee. The first programme is worth up to \$117 million (800 million yuan) over nine years (see our case study below).

Carbon trading

Most carbon trading to date has been in Europe, stimulated by the European Union's emissions trading scheme. Through our carbon trading desk in Dubai we work across Asia, Africa and Europe, helping clients ranging from small businesses to huge conglomerates to access the carbon markets and get the best price for their Certified Emission Reductions (CERs). The CERs we have sold have come from renewable energy or energy-efficiency projects. In 2009, we aim to expand origination of carbon trading into Africa.

Highlights

- ▶ **\$71m**
investment in Chinese water supply and waste-water treatment
- ▶ **35 per cent**
increase in online banking activity in 25 countries
- ▶ **\$8–10bn**
committed for renewable and clean tech projects by 2012

Water

Some of our markets are among those most affected by scarcity and poor quality of water and this situation is expected to worsen because of climate change and population growth. In 2008, we carried out a strategic review of investment opportunities to identify how best to support water-related projects. We already act as lead arranger in water sector project finance deals in the Middle East, and are developing a similar business in Asia. Principal finance is active in making investments through the recently established Standard Chartered Bank – Infrastructure Leasing and Financial Services (SCB – IL & FS) Asia Infrastructure Fund including:

- A \$71 million investment in Chinese water supply and waste-water treatment companies
- A 50 per cent interest in MPC, a large North Asian power generation company with 35 per cent of net capacity or 1,370MW in wind and hydro power plants, which is increasing its proportionate share of renewables



Asian Development Bank

In 2008, we partnered with the Asian Development Bank on a credit guarantee programme to support small and medium-sized private sector energy-efficiency projects in China.

The Energy Efficiency Multi-Project Financing Program helps energy users in China to access finance to improve energy efficiency in existing and new buildings. The programme finances retrofitting of existing buildings, typically producing energy savings of 20–40 per cent. Given China's rapid urbanisation, improved energy efficiency of buildings will achieve substantial long-lasting reductions in energy use and greenhouse gas emissions.

Retail banking

We have continued to promote online banking services to our retail customers. Electronic banking reduces paper consumption, as well as the energy needed to distribute hard copies of statements and other communications. We have launched and enhanced our online banking offering from 16 countries to 25 countries in 2008 with a 25 per cent year-to-date increase in registered customers and 35 per cent increase in activities.

In 2008, we have launched eStatements in China and Hong Kong, and aim to roll out eStatements capabilities in 17 markets in 2009.

We aim to suppress 40 per cent of paper statements across our key markets by 2011 and make significant progress towards this end in 2009 to save in excess of 420 trees a year.

Climate Principles

In 2008, we were one of the founders of the Climate Principles, a comprehensive framework that guides best practice across the financial sector to respond to the risks and opportunities of climate change. It strengthens our existing commitments to embed climate change considerations into business strategy and activities.

As a signatory:

- We have proven that we have a robust low-carbon strategy and manage our operational emissions
- We commit to address climate and carbon issues in our business strategy and activities
- We commit to engage and support suppliers, clients, staff and policy makers to move to a low-carbon economy
- We review and disclose against the Principles annually



South Korea SinAn solar power plant

This is Korea's flagship solar project and one of the largest in the world. It began operating in two phases during 2008, ultimately with almost 25 MW capacity. The plant produces 33,000 MWh of electricity a year – enough to supply 7,200 households with non-polluting energy year after year. This project alone helps Korea reduce carbon dioxide emissions by 24,000 tonnes a year – the equivalent of planting 168,000 trees.

Sustainable finance

Sustainable risk management

Environmental and social risk management involves balancing sometimes competing sustainability goals. For example, hydro power is a renewable resource, but its construction can have a significant impact on biodiversity and local livelihoods. Power generated by fossil fuels contributes to climate change, yet it provides a degree of energy security.

Our Environmental and Social Risk policy requires all lending decisions to include consideration of risks such as climate change, including the physical risks it brings from extreme weather and other changes. It also covers the impacts of clients' activities on biodiversity, deforestation, air and water pollution. This holistic approach to sustainability risk means we are steering our lending towards higher-quality assets.

Our environmental and social due diligence process requires all contentious or high-impact transactions to be reviewed at our Wholesale Banking Responsibility and Reputational Risk Committee. In 2008, we reviewed over 30 prospective transactions before committing financing.

Position statements

Certain key sectors and issues are particularly important because of our financial exposure and their high impact on society and/or the environment. In 2008, we implemented a series of position statements providing guidance on two broad issues (climate change and child labour) and 11 sectors shown below.

Biofuels	Dams	Forestry and palm oil	Fossil fuel power
Gaming	Mining and metals	Nuclear power	Oil and gas
Ship-breaking	Tobacco	Transport of hazardous materials	

These principles are embedded in our lending criteria and included in our core curriculum for lending staff. In summer 2008, we also introduced an employee eLearning module on Sustainable Lending as mandatory learning for all credit officers and relationship managers in Wholesale and SME banking.

The position statements identify the social and environmental standards we expect from the clients we finance. They are accompanied by practitioners' guides to help our staff apply the principles. The guides provide a checklist of questions covering environmental, social and governance issues, intended to ensure that the client has the management capacity, commitment and track record to meet our expectations. This is now a required step in the credit application process.

The position statements are publicly available on Standard Chartered's Group Sustainability webpage.

Highlights

- ▶ **\$117m**
finance pledged for energy-efficient systems
- ▶ **\$3.2bn**
renewable energy and clean technology projects financed since 2007
- ▶ **13**
Sector and issue position statements developed

The boxes below summarise our position on two key issues.



Working with clients in the palm oil sector for better environmental and social performance

As a member of the Roundtable on Sustainable Palm Oil (RSPO), the Bank expects RSPO membership when evaluating clients in this sector. In the case of one Indonesian palm oil plantation client, we made RSPO membership a prerequisite for lending and this was included as a covenant in our loan agreements. Another client was requested to conduct a High Conservation Value Assessment before beginning new plantings, even before this was made a requirement by RSPO in November 2008.

Climate change

We commit to considering climate change risks when we make investment or financial decisions, and to work with clients to promote low-emission strategies.

The position statement commits us to encourage clients to:

- Consider climate change risks and opportunities and integrate them into business development plans where they are material to the client's business performance
- Publish their greenhouse gas strategy and emissions and set meaningful targets to reduce emissions
- Take part in voluntary initiatives for the disclosure and reduction of greenhouse gases, such as the Carbon Disclosure Project

Forestry and palm oil

We work with clients towards international best practices for sustainability.

We will not support:

- Logging operations and equipment, and buyers of timber:
 - In primary tropical forest or critical natural habitats
 - In High Conservation Value Forest (HCVF), unless there are appropriate conservation management plans
 - Engaging in illegal operations or affecting recognised endangered species
- Companies which engage in illegal logging and/or illegal use of fire
- Conversion of Primary Tropical Moist Forest or HCVF to plantation use

We encourage clients to operate according to the Forest Stewardship Council or equivalent standards, and the principles and criteria of the Roundtable for Sustainable Palm Oil

Sustainable finance

Equator Principles

The Equator Principles provide a framework to help banks manage the impacts on society and the environment from infrastructure and other projects that they finance. They were adopted by Standard Chartered in 2003. We apply them to all project finance and advisory engagements, exceeding the minimum threshold required by the Principles which are limited to those above \$10 million.

Following the Principles means that we categorise the risks of lending opportunities, based on criteria common to all signatories. We require borrowers to demonstrate the extent to which they meet agreed guidelines and standards. Loans for high and medium-risk projects include covenants requiring borrowers to comply with their action plan to address the risks. We monitor compliance and work with borrowers if necessary to help them achieve their plans.

Equator Principles Projects

	2005	2006	2007	2008
Equator Principles¹				
Category A transactions approved	5	5	8	5
Category B transactions approved	10	12	22	19
Category C transactions approved	3	3	4	4

¹ Our revised Sustainable Lending training now integrates Equator Principles training

Breakdown of 28 Equator Principle projects approved in 2008 by risk category

	Number approved	Percentage of projects approved	Percentage of Bank's share of project value
Category A	5	18%	5.5%
Category B	19	68%	3.5%
Category C	4	14%	7.6%

Breakdown of Equator Principle projects approved in 2008 by geographic region

	Middle East	Asia	Africa	Americas and UK/Europe
Category A	1	2	1	1
Category B	7	7	1	4
Category C	2	2	-	-

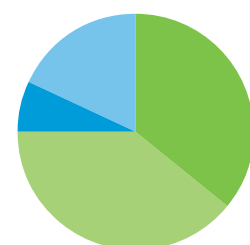
Breakdown of Equator principle projects approved in 2008 by sector

	Percentage of projects approved	Project value (\$m)	Bank's share of project value (\$m)
Oil & Gas	31%	14,436	604
Chemicals	4%	5,519	79
Infrastructure	11%	1,386	109
Power	25%	6,653	297
Mining	7%	1,160	39
Renewables	4%	156	59
Biofuels	0%	-	-
Other	18%	3,709	246

Highlights

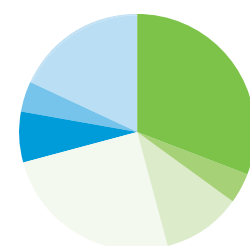
- ▶ **28** projects approved under the Equator Principles
- ▶ **13** Sector and Issue Position Statements Developed
- ▶ **\$8–10bn** committed for renewable and clean tech projects by 2012

Geographic location of projects



- Middle East
- Asia
- Africa
- Americas, UK and Europe

Sector breakdown of projects



- Oil & Gas
- Chemicals
- Infrastructure
- Power
- Mining
- Renewables
- Other

Equator Principles categories

Category A: High Risk

Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented

Category B: Medium Risk

Projects with potential limited adverse social and environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures

Category C: Low Risk

Projects with minimal or no social or environmental impacts

Rapu Rapu mine

Rapu Rapu is a mining project in the Philippines. As one of five banks in the lending group we had concerns over a number of environmental and social aspects of the project.

During its commissioning, the Rapu Rapu mine was affected by a number of environmental and climatic events, including three typhoons and two accidental discharges of non-toxic effluent to waterways in late 2005. Lenders also became aware of shortfalls in community engagement and grievance mechanisms available to address livelihood concerns. Adding to our concerns, at the time of financing, the project did not meet the capital requirements for application of the Equator Principles.

As a matter of priority, we acted quickly to apply the Principles from the time of our involvement.

The mining company, with the support of the financiers, implemented a number of changes, including the construction of improved waste water management systems, drainage channels and by increasing the height of the tailings dam to further protect the surrounding communities. In addition, several community action programmes were initiated.

The eventual insolvency of the company meant that many of these planned actions were not completed. In March 2008, the project finance lenders (including Standard Chartered) sold their debt exposure to the project's existing 26% shareholder.

The end of our involvement brought forth a dilemma that confronts many Equator banks - Do lenders have leverage over clients beyond loan exposure?






The Equator Principles succeed on the ability of a bank to improve project outcomes through specific recourse if a project does not comply with the required social and environmental covenants. Beyond the confines of our sphere of influence, Equator banks seek to be a promoter of environmentally sound financing by reaching out to other banks to encourage adoption of the Principles.

In 2009, we are going to work closely with financial institutions in our markets including China to encourage adoption of the Principles and help build their capacity to manage environmental and social risks in lending.

Sustainable finance

Data and trends

Our goals and achievements in 2008

Our goals for 2008	Status	What we have done	Priorities in 2009
Roll out training on sector guidelines and implementation of position statements	Completed 	Sustainable lending forms part of our mandatory credit curriculum for all credit officers and relationship managers. The statements are now available on the Bank's Group Sustainability website	<ul style="list-style-type: none"> Engage external stakeholders on the implementation of position statements and practitioners' guides Embed the Climate Principles' commitments into business strategy and activities Implement our strategy on renewable energy and environmental financing Reinforce our thought leadership on environment and climate change among senior management in the Bank's key markets through in-country briefings Help build capacity in emerging markets banks on sustainable risk management
Integrate climate change risk review findings into relevant business processes	Ongoing 	Relationship managers are required to discuss climate change best practices with clients, encouraging them to monitor, disclose and reduce greenhouse gas emissions in line with the Bank's climate change position statement	
Roll out the upgraded e-learning programme on managing social, environmental and ethical risks	Completed 	A revised Sustainable lending e-learning module and a new module specifically on the use of position statements and practitioners' guides were introduced as mandatory training in 2008 for relationship managers and credit officers	
Launch new environment-oriented consumer banking products and campaigns	Ongoing 	Campaigns and measures to encourage customers to switch to electronic banking and bank statements expanded to other markets from the pilot in Malaysia in 2007	
Commercialise the Wholesale Banking Sustainable Business Council research	Ongoing 	A cornerstone business strategy on renewable energy and environmental finance was developed in 2008, including opportunities associated with energy efficiency, waste management and water resources. To be implemented in 2009	

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Sector and issue position statements developed

Social and environmental risks in lending¹	2005	2006	2007	2008
Number of people trained in Sustainable lending	2,995	1,500	2,122	2,011
Graduates trained in Sustainable lending	200	280	245	315

Products and services	2005	2006	2007	2008*
Investment in renewables	\$300m	\$800m	\$1,500m	\$1,856m
Number of renewable energy deals closed	4	8	8	2

* \$3.2bn renewable energy and clean technology financed under our 2007 Clinton Global Initiative pledge.

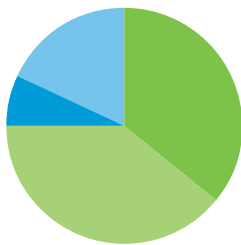
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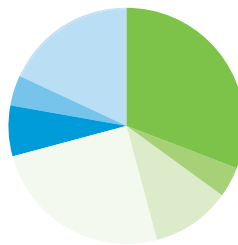
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Loans and advances (\$m) to customers by each principal category of borrowers' business or sector	2005	2006	2007	2008
Agriculture, forestry and fishing	646	793	1,601	1,404
Construction	713	1,165	1,421	2,325
Commerce	7,077	9,721	12,885	17,351
Electricity, gas and water	1,527	1,708	2,779	2,686
Financing, insurance and business services	8,886	12,452	14,629	25,563
Loans to governments	4,874	6,997	7,809	4,682
Mining and quarrying	1,128	2,495	3,454	5,820
Manufacturing	11,343	17,368	19,905	24,859
Commercial real estate	3,480	3,366	4,298	6,357
Transport, storage and communication	3,390	4,327	4,351	5,785
Other	1,293	1,961	2,123	1,667
Wholesale Banking (Total)	44,392	62,353	75,255	98,499

Sustainable finance

Our stories



Asian Development Bank

In 2008, we partnered with the Asian Development Bank on a credit guarantee programme to support small and medium-sized private sector energy-efficiency projects in China.

The Energy Efficiency Multi-Project Financing Program helps energy users in China to access finance to improve energy efficiency in existing and new buildings. The programme finances retrofitting of existing buildings, typically producing energy savings of 20–40 per cent. Given China's rapid urbanisation, improved energy efficiency of buildings will achieve substantial long-lasting reductions in energy use and greenhouse gas emissions.



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In 2009, we are going to work closely with financial institutions in our markets including China to encourage adoption of the Principles and help build their capacity to manage environmental and social risks in lending.

Access to financial services



At Standard Chartered, we are committed to the development of the markets in which we operate and to making a positive contribution to the societies where we live and work.

With more than three billion people currently estimated to lack access to the banking services required to support economic activity we are working to provide access to finance that will help overcome the barriers to development.

One of the ways that we are contributing to greater financial inclusion is to stimulate grassroots economic development in the markets within our geographic footprint. Standard Chartered encourages the growth of the microfinance industry by working with microfinance institutions (MFIs) and providing them with support and technical assistance to build capacity and become financially sustainable, commercial businesses.

We are in a strong position to meet our 2006 Clinton Global Initiative target of providing \$500 million of credit to MFIs within five years, with more than half the commitment achieved by the end of 2008.

Complementing this effort, we continue to lead the growth of the Islamic finance industry in many of our markets. Our Islamic finance products and services, in both Consumer and Wholesale Banking, are Shariah-compliant. In 2008, we established our first fully-owned Islamic finance subsidiary, in Malaysia.

In December 2008, at the inaugural Clinton Global Initiative, Asia, Standard Chartered committed to a \$450,000 women's empowerment programme to enhance financial literacy, financial planning, investment and capacity building for women owners of small businesses. We aim to reach 5,000 women in the region by 2011.

“ACCION International has long felt that international banks can best encourage the broader reach of microfinance institutions by providing what they know best: financing and investment banking expertise. That’s exactly the strategy chosen by Standard Chartered Bank. We salute Standard Chartered as well for its important role in building capacity within the industry with seminars and training that brings together key stakeholders in microfinance, particularly investors and microfinance providers, to both learn from one another and co-create strategies for growth. In the end, it is the poor that benefit by increased access to a wide array of financial services.”

Maria Otero,
President and CEO, ACCION International

Highlights

- ▶ **\$385m**
in credit and financial instruments to microfinance institutions
- ▶ **52**
microfinance partners in our markets
- ▶ **5**
new markets with microfinance partners



The Banker
Commendations 2008 –
Banking the Unbanked
The Banker
Commendations 2008 –
Best Corporate Finance
The Banker
Commendations 2008 –
Best Overall bank



The Millennium Development Goals (MDGs)

The Millennium Development Goals (MDGs) are eight overarching goals that aim to respond to the world's most pressing development challenges by 2015. In 2008, the United Kingdom's Prime Minister, Gordon Brown, invited global leaders to join forces at the

MDG Business Call to Action. The purpose was to get companies to commit to assist with accelerating progress of the MDGs by adapting their core businesses to help meet the goals.

Standard Chartered's commitment, announced by Chief Executive Officer Peter Sands, will provide innovative financial products, skills development, business mentoring and research to help small and medium-sized enterprises (SMEs) fulfil their growth potential.

The SME sector is the engine of growth for economies worldwide and makes up the vast majority of businesses. However, in many parts of the world, these SMEs are too large to qualify either as micro-enterprises or for donor support, and too small to be targeted by most commercial banks. The result is that they are chronically under-served.

We believe that encouraging SMEs to thrive will create wealth, by employing more people and paying more taxes.



Pakistan

First Shariah-compliant bond issue



Nigeria

Microfinance can make a real difference



Jordan

Expanding microfinance partnerships to the Middle East

Access to financial services

Background

Over three billion people in the world lack adequate access to financial products and services. As a result, it is difficult for these families and businesses to save safely and they cannot raise affordable loans or protect themselves from unforeseen events and emergencies that can destroy their financial prospects.

Several factors have contributed to this situation, especially:

- Low levels of literacy among potential customers
- Lack of access to banking services or branches in remote areas
- Gaps in or the absence of suitable financial products

As part of our strategy to increase access to financial services, we have developed a sustainable business in microfinance and Islamic finance:

Microfinance

Providing access to small loans can be the catalyst to a virtuous cycle of growth and development, enabling those who would otherwise lack the means to utilise their entrepreneurial spirit and realise their aspirations.

Islamic finance

Standard Chartered has offered access to finance which complies with Islamic Shariah law since 1993. Shariah prohibits interest being paid on borrowed money and investment in goods or services that are considered contrary to its principles. We have continued to expand our operations to meet the global growth in demand for Islamic banking.

Highlights

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Access to financial services

Microfinance

Microfinance institutions (MFIs) come in various legal forms and follow a variety of business models having evolved into sophisticated intermediaries providing financial services – credit, savings, insurance and remittances – to the disadvantaged and the unbanked.

At Standard Chartered, we support a range of MFIs enabling us to provide access to finance to those who are not served or are under-served by the mainstream financial sector.

We provide access to finance and banking products, as well as technical assistance, to MFIs in Asia, Africa and the Middle East. We utilise our global network of development organisations, clients, socially responsible investors and sector specialists to increase the flow of funds to the microfinance sector – particularly in Asia and Africa.

At the 2006 Clinton Global Initiative we made an ambitious commitment for our microfinance business.

Clinton Global Initiative Commitment

“The commitment is the establishment of a \$500 million microfinance facility [over a five-year period]. Standard Chartered will provide development organisations and fund managers with \$500 million of credit and financial instruments as well as technical assistance to finance microfinance institutions (MFIs) in Africa and Asia. It is estimated this facility will benefit four million people who are currently excluded from participation in the financial sector.”

Standard Chartered Bank
21 September 2006 at the
Clinton Global Initiative, New York

Highlights

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Our achievements in 2008

- Provided \$385 million of credit and financial instruments since September 2006 to 52 MFI partners in 14 countries, impacting the lives of approximately 2.6 million people
- Developed relationships with MFIs in new markets such as Jordan, Nigeria, Sierra Leone, the Gambia and China. We also extended support to development organisations and microfinance investors in the Philippines, Indonesia and Sri Lanka
- Supported new MFI partners in our existing markets, notably India, Bangladesh and Tanzania
- Deepened relationships with existing clients by meeting their needs for more sophisticated transaction banking, credit and risk management solutions
- Provided support for core clients in Asia and Africa to access local capital markets. We initiated asset securitisation and local currency bond issues and will complete these in 2009
- Distributed \$125 million of our microfinance portfolio to investors through Microfinance Institutional Loans for Asia and Africa (MILAA). This transaction established a new product to provide investors with access to microfinance in Asia and Africa and will enable Standard Chartered to expand its lending to the microfinance sector



Microfinance can make a real difference

Clara Ibezim was born into poverty. Her father died young and her mother was disabled. Lacking a sound education and with no family or relatives who could support her, Clara married at 16.

Clara and her family subsisted on her husband's meagre income. When Nigeria experienced economic recession in the late 1980s, it wasn't enough to service the family budget. "We could no longer feed them well and my children were not getting the right care and attention," she says. "They were even driven from school due to delay in the payment of fees."

Clara's life changed in 2004, when she was introduced to a credit officer from a Nigeria-based MFI and partner of Standard Chartered, the Lift Above Poverty Organisation (LAPO). With a ₦10,000 (\$85) loan from LAPO, Clara has transformed her business and her life.

Clara's first loan enabled her to stock a small provisions business. Her prompt repayment led to another loan. Early business management training from LAPO had taught her to use the loans for business, rather than personal needs and to reinvest her profits into her business. She has now secured her eighth loan of ₦80,000 (\$678). In total, Clara has received ₦360,000 (\$3,051) from LAPO to develop her business.

"It is very encouraging to note that the little business which I started with the sum of ₦10,000 (\$85) has grown to a capital base of ₦300,000 (\$2,542) within a short time," she declares. "LAPO has given me support and fresh hope for the future."



Expanding microfinance partnerships to the Middle East

At the end of 2008, we launched our first agreement to fund microfinance projects in the Middle East. Standard Chartered will initially make a JOD1.5 million (\$2 million) facility available to Tamweelcom, a Jordanian MFI, to support micro-entrepreneurs and small businesses throughout the Kingdom.

Jordan has huge potential in the microfinance industry. The government's National Strategy for Microfinance seeks to integrate the sector with the mainstream financial services industry.

Access to financial services

Microfinance technical assistance

Significant investment to build the capacity of existing and new MFIs is necessary to meet the potential demand for financial services in the sector.

In 2007, we committed to establishing a formal technical assistance strategy for the microfinance sector. After consultations with stakeholders we finalised a technical assistance strategy in 2008. This strategy aims to use the Bank's expertise in governance, risk management and operations and will help us to introduce best practices to our MFI partners.

Our technical assistance initiatives comprise:

- Thought leadership platforms and conferences including specifically promoted events
- Targeted training of MFI partners
- Sector-wide training in partnership with microfinance networks and experts

Thought leadership platforms

The Bank's senior management actively contribute to international seminars and conferences promoting microfinance in Asia, Africa and the Middle East. We sponsored several major conferences for clients and regulators in 2008, to help channel microfinance investment to Asia and Africa, including:

- The Microfinance: Cracking the Capital Markets – South Asia Conference, held in Delhi, encouraged MFIs to access international capital markets. The event brought together financial institutions, leading microfinance practitioners, private investors and development organisations and showcased innovative deals and ways interested investors could participate
- The Global Microfinance Investment Congress, hosted in New York, convened experts from MFIs, rating agencies, bilateral and multilateral institutions, specialised microfinance funds, and industry associations to share best practices and the way forward for microfinance investment
- Nepal's challenging microfinance sector was the focus for a gathering of senior microfinance professionals who met to review the experiences, share the lessons and examine ways to address current and future challenges such as risk management at the Microfinance Summit in Nepal

Training and capacity building

Governance

Management quality and governance are the biggest risks facing the microfinance industry, according to a report by The Consultative Group to Assist the Poor. In 2008, to share best practice and build on previous learning in the critical areas of risk management, governance and transparency, Standard Chartered hosted a conference for industry leaders in India and successfully migrated the programme on governance for Zambian MFIs, developed in 2007, to the participants.

Risk management

In 2008, we published Managing Environmental and Social Risks in Microfinance [Link], a research paper urging MFI partners to embed social, environmental or ethical impact considerations in their lending decisions. These standards and principles now form part of the loan agreements signed between MFIs and Standard Chartered.

In India, we sponsored a training programme on individual lending for MFIs. The training assisted MFIs to develop appraisals for new types of loans based on clients' cash flows, improving management of the associated risks.

Investment readiness

MFIs require adequate access to finance and investment to remain sustainable. In India and Nigeria, to support MFIs in becoming 'investment ready' – a critical element if they are to attract commercial capital – we partnered with ACCION International, a microfinance network, to deliver workshops to educate MFIs on the issues that commercial and socially responsible investors consider when investing in the microfinance sector.

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Innovation

At Standard Chartered, we help develop new MFIs as well as supporting existing ones. In 2008, Standard Chartered in India was the lead award sponsor for SRIJAN, a microfinance business plan competition aimed at encouraging start-up initiatives in microfinance.

Internal capacity building

Building internal capacity is important to encourage growth in the sector. In 2008, Standard Chartered relationship managers from eight countries in Africa gathered in Nairobi for in-depth training on the microfinance sector in the continent. The training focused on developing their knowledge and understanding of trends in the sector's growth, due diligence and financing options for MFIs.

Access to financial services

Islamic finance

In 2008, Standard Chartered established its first 100 per cent, fully-owned Islamic finance subsidiary in Malaysia. Our MYR50 million (\$14.5 million) investment in Standard Chartered Saadiq Berhad continues our commitment to extending access to finance by responding to the rising demand for Shariah-compliant products and services in Malaysia.

Establishing this business illustrates our long-term commitment to Islamic banking, to governments supporting the Islamic finance industry and to successfully imparting our knowledge and supporting Malaysia's economy.

Standard Chartered began providing Islamic finance services in Malaysia in 1993. Our work now extends through the Middle East, Pakistan, Bangladesh, Malaysia and Indonesia. In 2008, we celebrated the first anniversary of our Islamic finance brand, Saadiq, meaning 'truthful' in Arabic.

Globally, Islamic finance continues apace – experts estimate that global growth in the industry is between 10 per cent and 15 per cent per annum. Uneven global development has meant that it is yet to reach its full potential.

Our response is tailored to each new market, depending on the level of development of Islamic finance in the country. Our business grows at several times the industry average.

Expanding our Islamic finance business ensures we respond to our customers' needs by offering innovative products and services. We aim to be a proactive corporate citizen in our markets, and work with governments and regulators to promote Islamic finance by bringing knowledge and expertise to markets.

Highlights

- ▶ **\$14.5m**
fully-owned Islamic finance subsidiary in Malaysia
- ▶ **1st**
anniversary of our Islamic finance brand, Saadiq
- ▶ **1993**
when we first started providing Islamic finance in Malaysia



Inauguration of the largest dealing room in Pakistan

In 2008, the Pakistani Government issued its largest Islamic bond – or Sukuk – structured and arranged by Standard Chartered. The transaction ensures Islamic banks have Shariah-compliant security for the first time in Pakistan. This responds to Islamic financial institutions' need for Shariah-compliant instruments to meet their reserve requirements.

need for Shariah-compliant instruments to meet their reserve requirements.

The Sukuk raised funds for the Pakistani Government and provided it with a platform through which to tap the Islamic finance market. We are pleased to have been able to support the government with the structuring of the Sukuk programme. The transaction enabled the government to access the local market through a State Bank of Pakistan auction and to manage money supply in the system. Islamic banks subscribed to a significant portion of the issue. The Pakistani Government will now be able to borrow locally at more attractive rates, having previously been reliant on expensive foreign capital.

Access to financial services

Data and trends

Our commitment at the Clinton Global Initiative in 2006 was to provide \$500 million in credit and financial services to the MFI sector over five years. In two and a half years we have provided \$385 million of credit and financial instruments to 52 MFI partners in 14 countries, and provided banking services to MFIs and investors in 22 countries.

We have provided loans to MFIs in the following 14 countries:

Bangladesh	Jordan	South Africa
Botswana	Kenya	Tanzania
China	Nepal	Uganda
Ghana	Nigeria	Zambia
India	Sierra Leone	

In Afghanistan, Indonesia, Pakistan, Philippines, Gambia, Sri Lanka, UK, Europe and the US we support microfinance investors and institutions through the provision of banking services.

Our goals and achievements in 2008

Our goals for 2008	Status	What we have done	Priorities in 2009
To formalise a training and technical assessment strategy and build partnerships with microfinance experts and technical assistance providers to facilitate training and thought leadership	Completed	Hosted technical assistance workshops and conferences in India, Zambia, Nigeria and Nepal to facilitate knowledge transfer and best practice sharing for MFIs	<ul style="list-style-type: none"> Continue to deliver against our Clinton Global Initiative to establish a \$500 million microfinance facility by 2011 Implement the technical assistance strategy for the microfinance sector
To expand our microfinance initiatives into new markets, including China, the Philippines and Nigeria	Completed	Developed relationships with MFIs in new markets such as Jordan, Nigeria, Sierra Leone, the Gambia and China	<ul style="list-style-type: none"> Establish greater momentum on the capital markets, delivering on deals for which we have secured mandates
To expand our geographical reach of Islamic banking products where we see demand	Completed	<p>We have expanded our Wholesale Banking product suite in Indonesia through Permata Bank</p> <p>We have also launched Islamic options product to meet the needs of our customers</p>	<ul style="list-style-type: none"> Deepening relationships and offering more products to existing clients Commence Islamic banking operations in Bahrain

Data	2005	2006	2007	2008
Loans extended to microfinance institutions	\$24m	\$70m	\$170m	\$385m
Average loan size to microfinance institutions	\$1m	\$2m	\$4m	\$7m
Number of individuals impacted	250,000	600,000	1.2m	2.6m
Number of microfinance institution partners	21	35	41	52

Highlights

- ▶ **\$385m**
in credit and financial instruments to microfinance institutions
- ▶ **52**
microfinance partners in our markets
- ▶ **5**
new markets with microfinance partners

Access to financial services

Our stories



The Millennium Development Goals (MDGs)

The Millennium Development Goals (MDGs) are eight overarching goals that aim to respond to the world's most pressing development challenges by 2015. In 2008, the United Kingdom's Prime Minister, Gordon Brown, invited global leaders to join forces at the MDG

Business Call to Action. The purpose was to get companies to commit to assist with accelerating progress of the MDGs by adapting their core businesses to help meet the goals.

Standard Chartered's commitment, announced by Chief Executive Officer Peter Sands, will provide innovative financial products, skills development, business mentoring and research to help small and medium-sized enterprises (SMEs) fulfil their growth potential.

The SMEs sector is the engine of growth for economies worldwide and makes up the vast majority of businesses. However, in many parts of the world, these SMEs are too large to qualify either as micro-enterprises or for donor support, and too small to be targeted by most commercial banks. The result is that they are chronically under-served.

We believe that encouraging SMEs to thrive will create wealth, by employing more people and paying more taxes.



Microfinance can make a real difference

Clara Ibezim was born into poverty. Her father died young and her mother was disabled. Lacking a sound education and with no family or relatives who could support her, Clara married at 16.

Clara and her family subsisted on her husband's meagre income. When Nigeria experienced economic recession in the late 1980s, it wasn't enough to service the family budget. "We could no longer feed them well and my children were not getting the right care and attention," she says. "They were even driven from school due to delay in the payment of fees."

Clara's life changed in 2004, when she was introduced to a credit officer from a Nigeria-based MFI and partner of Standard Chartered, the Lift Above Poverty Organisation (LAPO). With a ₦10,000 (\$85) loan from LAPO, Clara has transformed her business and her life.

Clara's first loan enabled her to stock a small provisions business. Her prompt repayment led to another loan. Early business management training from LAPO had taught her to use the loans for business, rather than personal needs and to reinvest her profits into her business. She has now secured her eighth loan of ₦80,000 (\$678). In total, Clara has received ₦360,000 (\$3,051) from LAPO to develop her business.

"It is very encouraging to note that the little business which I started with the sum of ₦10,000 (\$85) has grown to a capital base of ₦300,000 (\$2,542) within a short time," she declares. "LAPO has given me support and fresh hope for the future."



Expanding microfinance partnerships to the Middle East

At the end of 2008, we launched our first agreement to fund microfinance projects in the Middle East. Standard Chartered will initially make a JOD1.5 million (\$2 million) facility available to Tamweelcom, a Jordanian MFI, to support micro-entrepreneurs and small businesses throughout the Kingdom.

Jordan has huge potential in the microfinance industry. The government's National Strategy for Microfinance seeks to integrate the sector with the mainstream financial services industry



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Tackling financial crime



All banks are highly committed to tackling financial crime because it affects every market, no matter how sophisticated, and it has wide implications beyond financial losses. Victims range from global organisations to individuals. Communities and whole economies can suffer.

New technology constantly improves security but it also provides criminals with new opportunities. For example, emails disguised as being from banks and other official organisations (known as phishing) are frequently used to steal personal information such as account details and passwords.

“Financial crime is a major concern in India. How do you contain this in a country that is developing?”

Annapurna Vancheswaran,
TERI, India

We work hard to minimise the damage criminals can inflict on our customers, our communities and our business. In 2008, our effort on anti-money laundering (AML) and countering terrorist financing (CTF) continued to recognise the risk these areas present in the 21st century. We launched a new Group strategy to tackle money laundering and extended the use of Norkom, our AML system for identifying suspicious transactions. We also introduced an improved system to screen all new accounts for potential criminals and terrorists who are subject to financial sanctions.

In addition, we have done extensive work on fraud prevention. Our new detection system has been successful in tackling credit card fraud and we will continue to deploy it in our markets in 2009.

We have also reviewed how we guard against the threat of bribery and corruption and will further strengthen our defences in 2009 to meet the commitments of a new Group Anti-Corruption Policy.

Across all these areas, employees are crucial to our defences against crime. They are encouraged to use our ‘Speaking Up’ programme to report potential cases of unethical behaviour, by our staff or by others.

Training staff to deal with the risks of crime is one of the most effective tools in fighting criminals. To this end, we improved staff AML and anti-corruption training during 2008.

Highlights

- ▶ Launched a refreshed Group Code of Conduct which includes anti-corruption training
- ▶ **12,000** staff able to screen new accounts
- ▶ **640 per cent** increase in internet fraud incidents investigated



Global
S.W.A.T.



USA
Suspicious Activity Reports – SARS

Tackling financial crime

Background

The scale and impact of financial crime is enormous. The International Monetary Fund estimates that money laundering – disguising criminal proceeds as legitimate funds – accounts for between two and five per cent of the world's economic output, or over \$1 trillion per year.

Financial crime affects customers and their communities, often affecting vulnerable, lower-income groups and thus fuelling poverty and inequality. It is prevalent in all markets, but in developing countries it is particularly damaging because it impedes economic development. As for any bank, financial crime exposes us to reputational risk as well as financial loss.

To mitigate the risks, we concentrate on three key areas:

- Prevention of money laundering and terrorist financing
- Compliance with government sanctions against criminal suspects
- Minimising the risk of fraud, corruption and insider trading

Managing risks

We apply our resources, systems and processes to the highest risk areas. In other words, our aim is to concentrate our efforts where they have the greatest impact in minimising the damage financial crime causes.

Once we identify relevant risks, our specialist teams design policies and controls to manage them. The specialist areas cover fraud, anti-money laundering and terrorist financing, bribery and corruption, financial sanctions, and market abuse. These controls are then implemented by the businesses. The internal policies that guide our work are available here.

Achievements

- Norkom deployed to five new markets, bringing the total to 13 countries
- Group Code of Conduct refreshed to include anti-corruption training
- More than 12,000 staff provided with access to the Norkom Account Opening Check system to screen all new accounts for potential criminals and international sanctions targets
- Customer Due Diligence procedures and systems enhanced

Highlights

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Tackling financial crime

Money laundering and terrorist financing

Criminals launder money to disguise and conceal the proceeds of crime; terrorists hide the intended purpose of funds. In 2008, we took further steps to fight money laundering and terrorist financing by implementing the recommendations of an independent review carried out in 2007.

Strategy

We defined an enhanced Group strategy to manage money laundering risks in June 2008 and we are now introducing it to our businesses. The strategy combines:

- Policy principles that set best practice
- Risk assessment to target hot spots and focus our effort
- Business-level strategies to enhance controls in the business

Tackling financial crime is a moving target and we recognise the need for continuous development as criminals adopt new tactics and as governments and financial institutions identify new defences. We have established minimum AML standards across the Bank, meeting the requirements of the 2007 UK Money Laundering Regulations.

Avoiding criminal accounts

In 2008, we redesigned the process for accepting new customers. We refined our Customer Due Diligence procedures for Wholesale and Consumer Banking, and introduced specific procedures for the Standard Chartered Private Bank. We believe we now have the right approach in all our businesses to concentrate attention on the areas of highest risk.

In support of these procedures we have upgraded our systems to identify higher risk customers. We use sophisticated systems to screen all new customers, and to rescreen our entire account database on a regular basis, against international sanctions lists.

We have also reviewed our risk assessment approach and developed a new way of monitoring individual countries' AML risk. We ensure our analysis is independent by subscribing to an external database developed by Promontory Financial, which provides up-to-date geographic risk data and country rankings.

Identifying suspicious transactions

The Norkom Transaction Monitoring system analyses transactions to identify suspicious items or patterns. In 2008, we introduced it in the UAE, Germany, Japan, Thailand and China, and to the integrated American Express Bank operations in the US, Singapore and Hong Kong. Norkom is now installed in 13 countries covering most of our largest markets, and we are implementing a locally developed alternative in SC First Bank, Korea.

In the future, we expect to broaden the use of Norkom and make its detection capabilities more responsive to the ever-changing money laundering threat.

We also continually update and improve our systems for the screening of international payments traffic. These systems help us to detect and avoid transactions prohibited by international sanctions.

Highlights

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staff able to screen
new accounts

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incidents investigated

Educating staff

Compliance officers in all our markets are trained on our risk-based approach to AML so that our best practices are disseminated into all of our markets. We will introduce new Group-wide AML training in multiple languages in 2009, including specialist training in higher risk areas of the business.

We will also use an internal programme to certify money laundering prevention officers in 2009 to further improve their skills and awareness.



Suspicious Activity Reports – SARS

During 2008, as part of our transaction monitoring and suspicious activity reporting (SAR) process, we piloted in New York a programme to combat child pornography.

The programme used the Norkom system to filter and store data on entities suspected of links to child pornography or human trafficking and we provided advanced training to investigators on developing cases related to these crimes. Already, the programme has resulted in two reports to the relevant authorities.

We are now introducing the programme to other countries that use the Norkom system. We trained a further 41 investigators covering non-US markets and will add to this total during 2009.

Tackling financial crime

Fraud, bribery and corruption

Low-level fraud, for example, online fraud, is a widespread problem for the public. Whilst the losses in each case may be small, they can be devastating for the individuals concerned and add up to hundreds of millions of dollars across the world.

The most important thing we can do is to alert customers to threats such as identity theft and educate them on how to protect their identity. To reach the maximum number of people, we provide online education tools and guidelines available on the web.

Falcon

Credit and debit card fraud is still one of the most common types of financial crime. To combat it, we launched the Fair Isaac Neural Network Fraud Detection System (Falcon), which helps us identify victims of credit card fraud earlier and more effectively. Falcon uses the most advanced technology to examine transactions, cardholder and merchant data to detect a wide range of suspicious bank card activity.

We already have Regional Detection Centres and use the Falcon system in nine countries. Early results for 2008 show significant progress, suggesting we are on track to meet our targets. For example, the 'false positive' alert ratio – the number of transactions that the system thinks are fraud compared to those that are actually illegitimate – fell significantly in 2008 after Falcon was introduced. In March 2008, the ratio was 241:1. In May 2008, when Falcon was introduced, the ratio was 135:1 and in July 2008 the rate had dropped to 47:1. Our target is 30:1.

Speaking Up

Speaking Up is our whistle-blowing programme that encourages employees to raise concerns about fraud or other abuses of our Code of Conduct. Employees may not always be comfortable about speaking up locally so we have introduced an anonymous channel to head office.

Highlights

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staff able to screen new accounts

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increase in internet fraud incidents investigated



S.W.A.T.

We launched an online game called S.W.A.T. to educate customers on fraud risk. The game illustrates risks and challenges players to minimise fraud. For example, they sift through various emails to detect fraudulent ones and rank the safety of a series of passwords.

The game is available on the home page of Standard Chartered's website and has been used by players from across the globe.

Play SWAT here: [SWAT](#)

Bribery and corruption

Bribery and corruption exist throughout the world and banks may serve as the innocent channel for corrupt earnings. As several of our markets face significant challenges in this area, we need to ensure that we are not involved with any form of bribery or corruption wherever we operate.

For this reason, UK legislation requires banks to identify politically exposed people (PEPs) – those considered to have a higher risk of being involved in corruption – and to apply enhanced due diligence procedures to their accounts. In 2008, we launched an improved screening tool to help identify PEPs. This goes beyond the requirements of legislation because it defines PEPs as widely as possible. We are now using this tool across the Bank and we believe this puts Standard Chartered at the forefront of the industry in tackling corruption in our markets.

A more generic risk, which applies to any company, is that our staff may accept or pay bribes, but our main challenge is to avoid doing business with criminals laundering corrupt funds. Banks are a potential conduit for corruption, unwittingly transmitting illegally obtained funds, so our anti-corruption activity is closely linked to our anti-money laundering practices.

It is essential that staff are fully aware of how to combat bribery and corruption. In 2009, we will adopt a new Group policy on corruption and the issue has already been given more weight in our Code of Conduct, including a bribery and corruption scenario that all new staff must be trained on.

Tackling financial crime

Data and trends

Our goals and achievements in 2008

Our goals for 2008	Status	What we have done	Goals for 2009
Norkom roll out across additional countries, products and services ¹	✓ Completed	Norkom deployed to five new markets, bringing the total to 13 countries	<ul style="list-style-type: none"> Develop money laundering prevention officers' training programme
Identify and address other areas of fraud vulnerability across the Group	✓ Completed	<p>Launched an online game called S.W.A.T. to educate customers on fraud risk</p> <p>Dealt with a total of 763 internet fraud incidents under online fraud procedures that were updated in 2007. This reflects a 641 per cent increase year-on-year 2007 versus 2008. Deployed new credit card fraud detection system</p>	<ul style="list-style-type: none"> Launch new multi-language staff AML training programme Assess sanctions screening systems coverage against industry best practice Identify enhancements to our Speaking Up programme Enhance Norkom detection capability
Review application of sanctions screening systems to other banking services	✓ Completed	More than 12,000 staff provided with access to the Norkom Account Opening Check system to screen all new accounts for potential criminals and international sanctions target	
Implement consultancy recommendations on anti-money laundering	✓ Completed	<p>Customer Due Diligence procedures and systems enhanced</p> <p>Defined an enhanced Group strategy to manage money laundering risks</p>	
Launch new Financial Crime Risk training programme	→ Ongoing	<p>Compliance officers in all our markets are trained on our risk-based approach to AML so that our best practices are disseminated into all of our markets</p> <p>Group Code of Conduct refreshed to include anti-corruption training</p>	

Highlights

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Data¹

	2008
Number of employed worker status staff completing the revised Group Code of Conduct	49,700
Number of employed worker staff completing 'Money Laundering Prevention' e-learning	58,387
Number of internet scams investigated	763 internet fraud incidents – 641 per cent increase
Number of payment alerts reviewed as part of sanctions screening programme	Over 2.8m
Number of suspicious activity reports to the relevant authorities across the Group	Over 14,000

¹ The metric 'Countries using automated monitoring or enhanced exception reporting for anti-money laundering' has now been replaced with a measure of the number of countries using advanced automated systems. Enhanced exception reports are now in place in other countries.

Tackling financial crime

Our stories



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We are now introducing the programme to other countries that use the Norkom system. We trained a further 41 investigators covering non-US markets and will add to this total during 2009.

Responsible selling and marketing



At Standard Chartered, our approach to selling and marketing is guided by our brand promise of **Leading by Example to be The Right Partner**. Our brand promise helps define the Bank's culture and creates the foundation to embed the UK Financial Services Authority's principle of **Treating Customers Fairly** in our interactions with clients.

The current financial crisis has highlighted the critical role of responsible selling and marketing in banking. Retail and corporate investors have suffered losses in certain products that had historically provided an enhanced yield in return for investors taking increased risk. Questions are now being asked about whether these products were suitable for the customers who bought them.

We are committed to treating our customers fairly in setting high standards for employee training, product development, marketing and sales as well as after-sales service processes and managing customer complaints. This is underpinned by three of our core values of being trustworthy, courageous and responsive. We apply these values to maintain customer loyalty, reinforce a culture which seeks fairness in customer relationships and ensure customers understand the risks involved in their dealings. Our robust governance structure is chaired by the Chief executive officer of Consumer Banking.

In these challenging times, demonstrably clear and fair processes with which to engage with customers have never been more important. This is recognised in the Consumer Banking transformation programmes designed to continually enhance our service to customers.

Highlights

- ▶ **20,267**
employees trained in **Treating Customers Fairly**
- ▶ Investment seminars for customers held in Singapore
- ▶ **SMS**
alerts to help customers manage their accounts



Singapore
Education and financial literacy



Global
Assisting vulnerable customers



India and Pakistan
Enhanced customer service

Responsible selling and marketing

Voice of the customer

The Bank has examined its measures of customer service in detail to ensure market survey data and customer feedback is best used to develop products aligned to customers' needs and improve responsiveness to customers. The Consumer Bank's Voice of Customer Committee is a monthly forum where senior management review overall service performance and customer analytics to identify systemic issues and shape our service transformation agenda.

Over the last three years, the Bank has achieved an average of 80 per cent of our customers rating us favourably¹ in the Consumer Banking Loyalty Index survey compiled by an independent research company. In 2008, we achieved a 76 per cent score in Consumer Banking which confirms our commitment to achieving customer satisfaction with our products and services in the context of the extraordinary challenges all banks have experienced over the past year. We reaffirm our commitment to return to above 80 per cent Index score in 2009.

Focus Groups on customer service

As part of continuous improvement to meet customers' needs, the Bank frequently engages external parties to conduct customer focus group surveys before launching a new product to better understand the needs of the target market.

¹ Loyal Customers are the customers rating us in the top 3 boxes of 8, 9 and 10 and Positive customers are those rating us in the boxes of 6 and 7. Hence, scores of customers rating us favourably are the Loyal + Positive customers rating us in the favourable boxes of 6, 7, 8, 9 and 10.

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Responsible selling and marketing

Governance

The Bank's approach to responsible selling and marketing is based on management discipline in balancing growth with control of risks and costs. We achieve this by establishing the right culture and strong governance and in 2008, we enhanced the governance approach in Consumer Banking to increase the focus on product controls, management information and process improvement.

The fair treatment of customers is a standing agenda item for the Consumer Banking Risk Committee, which is chaired by the Chief executive officer of Consumer Banking, and reviews risk issues such as complaints, branch and sales management and regulatory developments. It also oversees the approval of new product proposals, considering issues of fairness in product development and meeting customers' expectations.

Product design is based on customer segmentation so that products are targeted at appropriate customer groups, according to their experience and sophistication as well as the customer's willingness to accept different levels of investment risk.

The Code of Conduct

At the heart of our approach is the Bank's Code of Conduct, which sets Group-wide standards of behaviour that employees must follow with each other, and with their customers, communities, investors and regulators, to ensure the right culture of fair treatment is instilled across Standard Chartered.

In September 2008, Standard Chartered launched the refreshed Code of Conduct. It was accompanied by a multilingual training programme which is mandatory for all existing and new employees. Employees are required to make the Code an integral part of how they work as it is essential for the Bank's continued success.

Training

All staff in Consumer Banking are required to complete training on Treating Customers Fairly (TCF) within three months of joining the Bank. It covers the whole product life cycle, which includes testing different aspects of fairness applied to practical banking scenarios.

Our direct sales representatives undergo further training which, along with robust performance standards, ensures that the customer experience and fairness issues are managed effectively.

A total of 20,267 Consumer Banking employees had completed the TCF e-learning by the end of 2008.

Reward

Today, Consumer Banking uses revised balanced scorecards for remuneration to ensure customer satisfaction is included as a performance measurement score. The scorecard measures quarterly and annual incentive compensation factors such as the Bank's values, customer satisfaction and customer complaints. This achieves a better balance between creating the right approach to sales and serving the best interests of our customers. We intend to standardise the balanced scorecard approach with segment-specific differences across all sales staff during 2009.

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Responsible selling and marketing

Sales processes

In 2007, the Bank introduced the Important Information Document which provides customers with the key features of each of our products such as any charges applying and helpline details in a format that is easy to read and understand.

We are investing in a substantial initiative to standardise global customer documentation. The first stage is to simplify the account opening process for key transaction and lending products in our main markets. Efforts will continue throughout 2009 to standardise our global product suite.

Lending responsibly

By applying credit scorecards and credit bureau information, we can assess loan applications to ensure that we lend to people who can afford to borrow. These tools are critical to responsible lending as they allow the Bank to gain insight into the entirety of the customer's financial commitments, including those outside the Bank. As such, they allow the Bank to make more informed decisions about the customer's financial circumstances and ability to repay the debt.

A key element of ensuring appropriate credit controls is through continued engagement with regulators on increasing the use of credit bureaus. Credit bureaus are used in all countries where available, including Singapore, India, Hong Kong and South Korea. In countries where credit bureaus are not available, the Bank uses other methods such as requesting customers to declare their loans with other banks to assess their ability to service the debt.

Our lending book is often governed by loan-to-value (LTV) ratios set by individual country regulators which mean LTV ratios cannot exceed that considered appropriate by the state. Through our consumer credit assessment, we can achieve sustainable LTV ratios to ensure customers are not overextended.

Meeting customer needs

Product suitability assessments and explanation of product features, benefits and risks are embedded in the sales process for all investment products across both Consumer Banking and Wholesale Banking. These identify the customer's and client's financial needs and allow sales staff to meet those needs with appropriate financial solutions from the Bank's range of products.

Across Wholesale Banking, the definition of appropriateness and suitability have been tightened up and the number of products that are being classified as complex or sophisticated, and as such, subject to audit approval, has been increased. In addition, the second phase of improvements will see random checks on appropriateness and post-sale checks on clients implemented.

In Consumer Banking, certain complex products may require a customer call-back from an employee who is independent of the sales process as a condition for distributing the product. The purpose of the call is to monitor sales quality and to confirm that the customer received a clear explanation of the features, risk and fees for the transaction.

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Education and financial literacy

The Consumer Banking business in Singapore engages in consumer education programmes to increase customers' financial literacy. It organised five investment seminars for its customers in 2008 on a range of investment topics.



Assisting vulnerable customers

The Bank has instituted specific processes to ensure that the Treating Customers Fairly principles are closely considered when undertaking sales of investment products to potentially vulnerable customers. The Bank has defined vulnerable customers as those with no prior investment experience and who are elderly or have limited formal education. A suitability assessment is conducted for all customers, taking into account their investment experience, age, risk appetite, concentration risk and other relevant factors. Where a customer is considered suitable, the product is sold with clear and transparent risk disclosure, including guidance that investors should be prepared to hold the investment to full term, and the potential risk of loss of investment capital in certain circumstances.

Responsible selling and marketing

Complaints handling

Consumer Banking has reviewed the approach to complaint management and has standardised the complaint metrics in Consumer Banking.

The Complaints Management Guide sets out principles covering transparent complaints channels, efficient complaints resolution, and identifying and resolving root causes of complaints. The complaints management information system provides a global approach to complaints tracking and allows monitoring and reporting of data to the Voice of Customer Committee and Consumer Banking Risk Committee.

Country champions drive lessons learned and management actions to ensure the root causes of complaints in the country are addressed. A monthly report on overall trends and complaints by each business segment, including root cause analysis, is compiled in the country, and reviewed by heads of each business segment.

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Enhancing customer communications

In India and Pakistan there have been a number of problems experienced with the local postal system. After analysis of the root cause, the end of 2008 was dedicated to confirming up-to-date contact details with customers who contacted the Bank, to ensure the most efficient and convenient communication option was open




to the customer to work round difficulties relating to the local postal system.

In addition, Consumer Banking has made it easier for customers to update contact details via a simple telephone call, rather than requiring written instructions. It has also accelerated the deployment of customer-friendly technology such as email and SMS alerts to assist customers in managing their transactions and accounts.

Responsible selling and marketing

Data and trends

Our goals and achievements in 2008

Our goals for 2008	Status	What we have done
Consumer Banking aims to sustain its Loyal and Positive Index above 80 per cent	 Ongoing	In 2008, we achieved a 76 per cent favourable score in the Loyal and Positive index. We reaffirm our commitment to return to above 80 per cent in 2009
Continuously improve processes to reduce complaint rates, and to re-engineer solutions into the underlying processes	 Ongoing	<p>Market survey data methods and customer feedback has been analysed by the new Voice of Customer Committee to ensure we make best use of this intelligence to understand the main issues that concern our customers</p> <p>Enhanced governance approach to increase the focus on product controls, management information and process improvement</p> <p>Completion of the first stage of standardising global customer documentation and simplifying the account opening process for key transaction and lending products</p> <p>Revision of balanced scorecards for remuneration to ensure customer satisfaction is included as a performance measurement score in specific Consumer Banking areas</p>
Strengthen financial literacy programmes	 Ongoing	CB Singapore engages in consumer education programmes to increase customers' financial literacy. India's Banking Association is driving financial literacy programmes and we are a member bank on the Customer Service Committee. The Bank has created a financial counselling website in India with accessible information on financial products for customers

Our priorities in 2009

- Global CB Voice of Customer Committee held monthly to discuss key service issues and root causes to implement the required service improvements
- Country Voice of Customer forums set up to identify the root cause of specific local issues and implement service improvement plans for the year, which are compiled using Voice of Customer data
- Embed our recent reorganisation of the Consumer Banking governance structure to achieve greater ownership of specific customer segments
- Consolidate Consumer Banking's contact centres into global hubs to achieve increased customer satisfaction via sales and service consistency improvements. This is a longer-term ongoing project
- Complete standardisation of customer documentation and account opening processes for the remainder of the global product suite
- Standardise the balanced scorecard approach for remuneration to ensure customer satisfaction is included as a performance measurement score with segment-specific differences across all sales staff
- Continue engagement with regulators in our markets on increasing the use of credit bureaus to ensure appropriate credit controls

Highlights

- ▶ **20,267**
employees trained in Treating Customers Fairly
- ▶ Investment seminars for customers held in Singapore
- ▶ **SMS**
alerts to help customers manage their accounts

Data

Wholesale Banking

Number of complaints per 1,000 customers per month: 10.3

Complaints resolution time: average 76 per cent within two days

Complaint type	2005	2006	2007	2008
Customer communication	7%	18%	22%	18%
Staff service quality	5%	5%	11%	11%
Operations process and procedures	76%	61%	62%	64%
Sales and marketing	n/a	n/a	n/a	0%
Pricing	n/a	n/a	1%	0%
System/channel design and functionalities	10%	12%	2%	5%
Others	2%	4%	3%	2%

Consumer Banking¹

Complaint metrics	2008 December	2009 Metric Targets
Complaints/000 accounts	1.2	< 1 complaint/ 000
Inappropriate sales	452	< 5 complaints per country
First time resolution (FTR)	40%	> 50%
Overall satisfaction with complaint resolution (OS)	65%	> 80%
Complaint resolution turnaround time < 2 days	61%	>95%

1 Standardised complaint reporting includes:

1. Global standard metrics applicable to country reporting
2. Standardised Service Level Agreements (SLAs) /Turn Around Times (TATs) for complaint resolution and closure
3. Setting service targets for the countries
4. Monthly reporting for tracking and improvement
5. Global and Country voice of customer forum conducted monthly for top complaints and service resolution

Responsible selling and marketing

Our stories



Education and financial literacy

The Consumer Banking business in Singapore engages in consumer education programmes to increase customers' financial literacy. It organised five investment seminars for its customers in 2008 on a range of investment topics.



Assisting vulnerable customers

The Bank has instituted specific processes to ensure that the Treating Customers Fairly principles are closely considered when undertaking sales of investment products to potentially vulnerable customers. The Bank has defined vulnerable customers as those with no prior investment experience and who are elderly or have limited formal education. A suitability assessment is conducted for all customers, taking into account their investment experience, age, risk appetite, concentration risk and other relevant factors. Where a customer is considered suitable, the product is sold with clear and transparent risk disclosure, including guidance that investors should be prepared to hold the investment to full term, and the potential risk of loss of investment capital in certain circumstances.

Focus Groups on customer service

As part of continuous improvement to meet customers' needs, the Bank frequently engages external parties to conduct customer focus group surveys before launching a new product to better understand the needs of the target market.



Enhancing customer communications

In India and Pakistan there have been a number of problems experienced with the local postal system. After analysis of the root cause, the end of 2008 was dedicated to confirming up-to-date contact details with customers who contacted the Bank, to ensure the most efficient and convenient communication option was open to the customer to work round difficulties relating to the local postal system.

In addition, Consumer Banking has made it easier for customers to update contact details via a simple telephone call, rather than requiring written instructions. It has also accelerated the deployment of customer-friendly technology such as email and SMS alerts to assist customers in managing their transactions and accounts.

Great place to work



We strive to make Standard Chartered a great place to work by creating an engaging, inclusive and safe environment that rewards success and encourages employees to take control of their personal development.

At the core of the Group's people strategy is our focus on employee engagement. Engagement is a key driver of productivity and performance, which creates the foundation of our performance culture. We encourage and focus on the behaviours that bring out the very best from every employee, assessing their performance not just on results but on how those results were achieved. To further embed these behaviours we have a remuneration programme in place, carefully designed to incentivise our employees to live our values every day. We have always taken a view that our remuneration policies should support and drive our business strategy and reinforce our values. We believe these are sound and aligned to external best practice standards with risk-based and robust governance structures. Our annual performance bonuses are discretionary and are delivered in a combination of cash and deferred shares. They are set with regard to an assessment of risk and other factors such as achievement of our management agenda, risk management and economic backdrop, as well as profit.

“The Standard Chartered values place great emphasis on collaborative working, creativity and innovation.”

Corporate Research Forum, 2007

For senior employees, a proportion of variable pay is delivered in shares, with part being a deferred annual performance bonus and part being a performance share award linked to long-term business performance. We review remuneration policy on a regular basis against significant regulatory developments and market practice. In 2009, we will continue to make enhancements.

In 2002, we articulated the Bank's five values – Courageous, Responsive, International, Creative and Trustworthy. We believe that our behaviours and culture are a source of competitive advantage. They are why our customers bank with us and why our employees stay with us.

As one of the world's most international banks, with a unique presence in Asia, Africa and the Middle East, we provide career opportunities to an enormously diverse workforce. Our size and reach provide employees with opportunities for international experience, operating across many countries, interacting and learning from other cultures. Our employees represent 125 nationalities, 68 of those among senior management. This reflects our drive to create a diverse and inclusive environment where all employees can contribute to our success. In 2008, we introduced further measures to increase the number of women in senior management, including mentoring and development programmes. We also increased our focus on attracting prospective employees with disabilities.

Workplace health and safety is a continuous priority and in 2008, we held workshops to further embed positive safety behaviour. Our commitment extends beyond the working environment and we have reached out to support community health and safety campaigns. Our HIV/AIDS work has also been recognised as world class by UNAIDS.



Sri Lanka
State-of-the-art crèche in Sri Lanka



Asia
India-China talent exchange



Taiwan
AEB employees welcomed into Standard Chartered

Highlights

- ▶ **73,800**
members of staff
- ▶ **125**
nationalities represented across the Bank
- ▶ **Over 9,900**
managers attended the Great Manager Programme
- ▶ **56**
Diversity and inclusion champions across the markets



Gallup Great Place to Work 2008, Hong Kong



Employer of Choice Award, Hong Kong

Great place to work

Background

We employ over 70,000 people representing 125 nationalities in over 70 markets. Our culturally diverse, global workforce means we adopt a flexible approach to managing the wide variety of issues faced by our employees. For example, while raising employee awareness of HIV/AIDS is a global priority, in parts of Africa the situation is particularly acute. In other markets, for example Afghanistan, security is the most important issue.

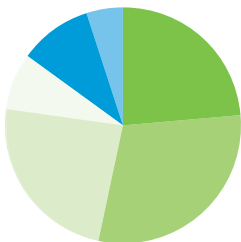
As part of our organisational philosophy, we aim to:

- Attract, develop and retain talent
- Create a strengths-based organisation
- Maintain a diverse and inclusive workplace
- Drive performance through increased engagement

Highlights

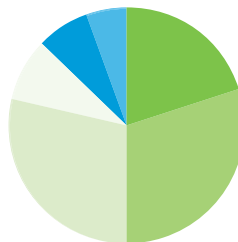
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Employee distribution by region (per cent)



- South-East Asia and other South Asia
- North-East Asia
- India
- Africa
- Middle East and Pakistan
- Americas, UK and Europe

Nationality represented by geographic region (per cent)



- South-East Asia and other South Asia
- North-East Asia
- India
- Africa
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Great place to work

Diversity and inclusion

As a global bank, the variety of markets in which we do business makes us inherently diverse. Our success is made possible by our people and the broad range of talents that they bring to the Bank.

Gender diversity

Women make up 46 per cent of our total workforce and the number of women in senior management roles has increased. To increase female representation amongst senior management we focus on creating a pipeline of high-potential female employees at middle management. In 2008, we developed a mentoring programme for our middle management talent, with a specific focus on women. We will measure the impact and success of this programme throughout 2009.

There is strong female representation in our global talent pools. In 2008, women made up 51 per cent of the International Graduate intake, 42 per cent of our junior high-potential talent pool and 32 per cent of our middle management high-potential talent pool.

The Bank actively supports International Women's Day. Across our markets, we organise a variety of activities to recognise the achievements of women and highlight role models for women in the Group.

Employees with disabilities

In 2008, we put a renewed focus on attracting and supporting prospective employees with disabilities. Over the last 12 months, the Group trained and hired a number of blind employees in Pakistan, employed our first visually challenged employee in Indonesia and welcomed our first employees with disabilities in Sri Lanka.

In India, we partnered with a non-governmental organisation (NGO) to improve job prospects for people with disabilities. We identified candidates, sourced suitable positions, improved training for employees with disabilities and raised awareness across the Group. In China, the Bank has also increased its focus on recruiting individuals with disabilities, for example, by attending targeted recruitment events.

We also have global standards to ensure the health and safety of all individuals, including those with disabilities. For example, a personal emergency evacuation plan is agreed for every disabled employee with his/her manager.

Balancing work and personal commitments

In 2008, we introduced a number of measures to assist employees to balance both their personal and professional commitments. These also contribute to increased employee motivation and productivity. 'Happy Fridays/Thursdays' were launched in 23 countries in 2008. Every Friday/Thursday, employees are discouraged from beginning internal meetings late in the afternoon, so they can leave promptly at the end of the day. Employees are also encouraged to plan a fun activity at least one Friday/Thursday afternoon each month.

We also launched initiatives to support employees with family responsibilities, and new maternity and paternity leave policies were rolled out in Bangladesh, Lebanon, US and Australia in 2008.

Further to our initial pilot in 2007, a flexible working policy was extended to nine countries in 2008. We are also piloting home working arrangements which benefit employees, the business and the environment. The initiative has been well-received and in the US, UK, Singapore, Malaysia and India, over 800 people currently have working from home arrangements.

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State-of-the-art crèche in Sri Lanka

Our unique KidKare Centre in Colombo, Sri Lanka, has helped employees balance their work and family commitments. The centre provides day care services and educational activities throughout the working day for children aged between six months and 12 years.

Activities include arts and crafts, gardening and cooking. The centre offers supervised homework sessions for older children already at school and additional activities focus on developing conversational and social skills.

The centre is run in collaboration with Seekers Research, an educational research organisation. They provide regular staff training and monitoring to ensure the centre continues to provide the highest standards of care.

Great place to work

Health and safety

The health and safety of our employees is of paramount importance and we are vigilant in addressing workplace health, safety and environmental risks. We also work to protect employees outside the office including, for example, personal security and health.

Our Health, Safety and Environment (HS&E) Standards set out the minimum requirements to ensure a safe working environment. Site audits and inspections are conducted periodically to ensure the standards are maintained and risks controlled. Through case studies and practical risk assessment exercises, regular training ensures HS&E co-ordinators have a thorough understanding of evolving health and safety risks.

In 2008, we launched a centralised incident reporting system which records and analyses accidents to improve our understanding of how we can prevent their reoccurrence. We also launched an online induction course on workplace HS&E which is mandatory for all new employees.

HIV and AIDS

As part of our Group-wide HIV and AIDS policy, we are committed to educating employees about HIV and AIDS and have pledged to educate one million people by 2010. All new employees are required to complete an online module on HIV and AIDS within three months of joining the Bank. Our network of employee volunteer HIV Champions provide face-to-face peer education sessions as part of induction programmes for all new joiners. This is an award-winning programme which earned us recognition as a world leader in HIV education by UNAIDS in 2008. As part of our commitment to the Clinton Global Initiative to educate one million people on HIV and AIDS by 2010, we are freely sharing this with organisations.

We encourage our employees to attend voluntary counselling and testing for HIV and we operate a non-disclosure policy. Where testing is not free, the Bank covers the costs of these services, as well as the costs of subsequent treatment in the event of testing positive for our staff and their dependents.

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Great place to work

Learning and development

Attracting the brightest talent and then further developing their skills is vital to the Bank's success. Our talent development programmes identify and develop people across all levels of the Group, grooming future leaders and creating local talent pools.

We believe that building on our employees' innate strengths is the best way to help them achieve their potential and we encourage them to take control of their development.

We have been recognised for our talent and learning practices by Harvard Business Review 2008 (HBR). We were also one of the three organisations featured in the November issue of the HBR on 'Winning the Talent Race in Emerging Markets'.

Developing local talent

In 2008, we launched a number of programmes to improve students' banking and finance skills in some of our key markets. In China and India, we partnered with universities to design a curriculum that develops students' skills while raising awareness of career opportunities within the Group. In Qatar, we partnered with the Ministry of Labour to provide training and development for high school graduates and in Singapore, we partnered with the country's top three universities to provide a 12-month structured training programme for undergraduates.

Great Manager Programme

We need great managers to engage and inspire employees to achieve stretching individual objectives. The Great Manager Programme is our internal talent development programme for all people managers, providing the tools and support to engage their teams. By the end of 2008, over 9,900 managers (4,000 unique participants) had attended over 510 sessions across 35 countries.

"It is really interesting to see this programme delivering results for our Bank and accelerating the development of our people. It goes to show what can be achieved when we harness the power of our international workforce."

David Lynch,
Head of Wholesale Banking Operations, China



India-China talent exchange

In 2008, we launched a talent exchange programme between China and India to forge stronger working relationships and cultural understanding between these two strategically important markets.

The programme represents an exciting opportunity for participating employees to advance their careers and experience a new culture. For the Bank, it is an opportunity to facilitate the sharing of best practice, ideas and new ways of working between two of our key markets.

Ten employees from each country participated in the first exchange, spending up to three months working on projects in their host countries. A second exchange is currently being planned.

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Great place to work

Reward and recognition

Our success depends upon the performance and commitment of talented employees at all levels. Guided by the Group's remuneration policy, our reward programmes support our strategy and reinforce the Bank's values. The remuneration policy is designed to:

- Support a Group-wide performance-orientated culture, ensuring that individual rewards and incentives relate directly to the performance and behaviour of the individual, the operations and functions in which they work or for which they are responsible, the Group as a whole and shareholders' interests
- Maintain competitive reward that reflects the international nature of the Group and enables it to attract and retain talented executives of the highest quality. Many of the Bank's employees bring international experience and expertise and our approach recognises that we recruit from an international marketplace

The Group adopts a similar approach to reward regardless of location, business or seniority. For example, employees' base salaries are determined in a similar way to those of executive directors. The Group's approach is to ensure that target total compensation is benchmarked to the relevant market in which the individual is employed. Potential total compensation is set at upper quartile or higher for excellent individual and business performance.

In 2008, the Bank conducted a broad review of reward. One important change resulting from the review, which has since been implemented, is the introduction of a new Group-wide deferral arrangement that covers all employees (including directors) with a proportion of annual performance-related pay above a certain threshold level being deferred into shares for up to three years rather than solely as a cash bonus. One feature is a series of progressive rates of deferral, i.e. the higher the performance bonus award, the greater the level of deferral. In implementing this deferral mechanism we aim to drive sustainable performance from our employees, aligning with our shareholders' long-term interests.

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Great place to work

Employee engagement

Continuing to build employee engagement remains one of the Group's key priorities, particularly during challenging and uncertain times for the financial services industry. We have measured employee engagement for the last eight years, with a consistently high employee participation rate of 95 per cent. Analysis conducted in the Group's three largest markets in 2008 demonstrates that highly engaged employees are more productive in their roles, with a clear link to increased business performance. We focus on supporting managers to build and maintain individual and team performance through high engagement.

Engagement and retention

Engaging employees is crucial to retaining talent and while our annual survey shows excellent progress, we continue to invest in developing great managers who engage their teams. In 2008, we introduced a pilot to understand and address the root causes of employee turnover in the growth markets of India and the UAE. In India, employee attrition has reduced by seven per cent since the approach was introduced.

Our values

In 2002, we articulated our five values: Courageous, Responsive, International, Creative and Trustworthy. We are convinced that our values are a source of competitive advantage, helping us attract and retain customers and talented employees. In these turbulent times for our industry, they are a compass, guiding our employees in the way they act and behave.

In 2008, the Bank launched a programme of activities to bring the values to life for our employees all over the world. Initially 250 employees in ten markets participated in refreshing the way we define the values and the behaviours that describe them in more detail. 'Blue and Green' week featured a range of imaginative and entertaining activities across the Bank to bring the values to life and build greater understanding about what they mean. We also updated our induction programme for new employees and held workshops to help managers have discussions about the values with their people.



Integrating employees

Integrating employees from American Express Bank (AEB) was a priority after its acquisition by Standard Chartered in 2008.

In Taiwan, Synergy Workshops were organised for AEB and Standard Chartered employees to celebrate the histories and successes of both

organisations. Through the use of visual scrolls, depicting the key milestones of the two banks before the integration and, then discussing the current market positioning, the participants gained a consensus and committed to work together as a team toward the vision of the Bank.

The employees also took part in a number of activities, which highlighted the culture and values of Standard Chartered, and it provided an opportunity to network and to share best practice.

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Great place to work

Data and trends

Our goals and achievements in 2008

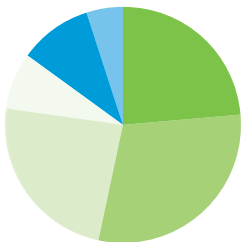
Our goals for 2008	Status	What we have done	Priorities in 2009
Meet the growth agenda by tapping into diverse talent pools both inside and outside the Group	 Ongoing	<p>We developed ties with a number of universities in India and China, resulting in 120 undergraduates being selected to enter the programme. We also improved talent management programmes for new hires and senior management</p> <p>Scope India launched an 'Off Ramp' project which encourages housewives to return to work while based at home and, so far, 30 have returned to work in India.</p> <p>Achieved significant increase in the number of employees hired with disabilities</p>	<ul style="list-style-type: none"> • Drive performance in turbulent times through greater levels of engagement • Build the effectiveness of our leaders • Further embed our values and culture • All existing employees to renew their education on HIV/AIDS by taking the revised e-learning course
Continue to drive employee engagement by strengthening our people management using the Great Manager Programme	 Ongoing	Completed rolling out the Great Manager Programme with a focus on improving management leadership skills. Over 9,900 managers (4,000 unique participants) attended over 510 sessions across 35 countries	
Roll out diversity and Inclusion (D&I) awareness-raising programme across all markets	 Completed	Launched a Bank-wide D&I awareness-raising workshop, attended by approximately 800 employees, and worked with 56 diversity and inclusion champions to develop their country action plans	
Expand implementation of flexible working to include new markets and/or new kinds of flexible working arrangements	 Completed	In 2008, we introduced flexible working in five more countries, and home working arrangements in four more countries	
Ensure all new employees are educated in HIV/AIDS	 Completed	All new employees are required to complete an e-learning course on HIV/AIDS within three months of joining the Group. Face-to-face training is also offered. 85 per cent of staff members have completed their HIV e-learning	

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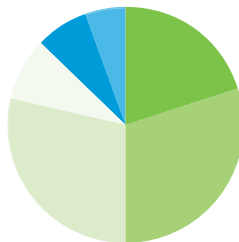
Number of employees	2006	2007	2008
Global ¹	58,821	69,612	73,802
Consumer Banking	25,610	34,798	34,978
Wholesale Banking	8,832	9,490	12,337
Employee distribution by region	2006	2007	2008
South-East Asia and other South Asia	20%	20%	24%
North-East Asia	30%	30%	30%
India	26%	28%	24%
Africa	8%	8%	8%
Middle East and Pakistan	12%	11%	10%
Americas, UK and Europe	3%	3%	5%
Nationality representation by geographic region	2006	2007	2008
South-East Asia and other South Asia	22%	18%	19%
North-East Asia	26%	28%	28%
India	27%	30%	27%
Africa	10%	8%	8%
Middle East and Pakistan	11%	8%	7%
Americas, UK and Europe	4%	4%	5%

Employee distribution by region (per cent)



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- Africa
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Nationality represented by geographic region (per cent)



- South-East Asia and other South Asia
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	2006	2007	2008
Recruitment			
Employee growth rate – growth in headcount, adjusted for joiners and leavers	15%	20%	5%
High-potential growth rate – growth in high-potential headcount, adjusted for joiners and leavers	7%	3%	8%
Number of international graduates (IG) joining	260	332	329
Number of nationalities represented in IG programme	25	28	32
Diversity and inclusion			
Percentage of female representation globally	47%	46%	46%
Percentage of female senior managers	16%	15%	17%
Number of nationalities represented globally	105	115	125
Number of nationalities represented at senior management	56	61	68
International mobility			
Number of employees on international assignment	735	776	882
Employee engagement			
Percentage participation	97%	95% ¹	95%
Engagement score (/5)	3.99	4.02	3.99
Attrition			
High performers and high-potential employees	3%	3%	4%
Performance management			
Percentage eligible employees receiving a performance rating	98%	100%	100%
Percentage reviewed against agreed objectives ²	90%	90%	89%
Shares			
Number of employees receiving discretionary share awards	3,077	3,167	5,337
Percentage in Sharesave scheme ³	47%	42%	37%
Learning and development⁴			
Total learners ⁵	418,174	534,777	657,164
Learning days	361,523	353,634	325,948
Percentage employees receiving training	75%	86%	91%
Average training days per employee	4.3 days	4.1 days	3.5 days
Percentage of high-potential employees receiving training	94%	95%	97%

1 Includes all wholly-owned subsidiaries of the Bank, including SC First Bank and American Express Bank.

2 Annual survey conducted in April of each year.

3 Data taken at year end.

4 Figures updated since previously published to include SC First Bank.

5 Total number of learning courses attended (includes e-learning).

* In line with age legislation introduced in the UK in 2006, we no longer report either internally or externally on the age distribution of our employees.

Great place to work

Our stories



State-of-the-art crèche in Sri Lanka

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The employees also took part in a number of activities, which highlighted the culture and values of Standard Chartered, and it provided an opportunity to network and to share best practice.

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Diversity and inclusion champions across the markets

Community investment



Social or economic exclusion can be as potent as disease in limiting opportunities for people to contribute to their community's success. At Standard Chartered, we believe we have a role as an international bank, working in some of the world's most challenging markets, to use our skills and experience to help address some of the issues which adversely impact social development. We contribute to the sustainability of our business by helping to create healthy and economically vibrant communities.

"I don't think education's role in sustainable development is explored enough. Without a focus on education, the social development dimensions of the strategy seem something of an afterthought, perhaps even a little gratuitous."

Jo Beale,
London School of Economics, Development Studies

We can best achieve these goals through action linked to our core business and through our employees. We support three main international programmes as well as activities in individual countries:

- Seeing is Believing, a global initiative to tackle the causes of avoidable blindness that has restored the eyesight of over two million people in 17 countries. In 2008, we launched A New Vision, to bring eye-care services to a further 20 million people in 20 cities across the world by 2015
- Living with HIV, a global HIV and AIDS education programme that aims to reduce the number of new HIV infections and meet our Clinton Global Initiative commitment to educate one million people about HIV and AIDS by 2010. Our HIV Champion network of peer educators more than doubled in size in 2008. We also launched Living with HIV programmes for small and medium-sized enterprises (SMEs) in Africa, significantly expanding our education outreach
- Nets for Life, a regional programme to tackle malaria, has distributed over one million anti-malarial nets in 14 countries across Africa since the project began in 2006. We have begun training employees as 'malaria agents' to educate communities about the disease and to achieve our goal of supplying a further five million nets by 2013

Highlights

- ▶ **2 million**
people's vision restored
- ▶ **1 million**
mosquito nets distributed in 15 countries
- ▶ **150 per cent**
increase in number of HIV Champions



Standard Chartered wins President's Social Services Award – Singapore – Community Investment – 2008



Plaque of Appreciation at the 10th Anniversary Celebration of the Community Chest of Korea



International Center for Research on Women (ICRW) Champions of Change recognition for GOAL, recognising Global Leadership for Advancing Health and Education of Women and Girls



Best Local CSR Initiative, Japan



Sichuan signing ceremony

Standard Chartered committed over \$3 million towards reconstruction efforts following the devastating Sichuan earthquake in China, which claimed the lives of tens of thousands of people, and left hundreds of thousands homeless.

In addition, the Bank set up a relief fund for donations from our employees in China, and in keeping with the Standard Chartered spirit, many employees from around the world also wanted to help. A number of markets, including Hong Kong, Singapore and the UK also set up accounts for employee donations.



South America

Living with HIV 'Train the Trainer workshop'



Bangladesh

Eye hospital sees benefits of volunteers



China

Over \$2 million donated for earthquake reconstruction

Community investment

Background

Avoidable blindness, HIV and AIDS, and malaria have a significant impact on the economic and social fabric of the communities where we do business. We have chosen to focus on programmes that tackle these challenges as they are some of the most pressing issues in our markets and we can make a difference. Over 75 per cent of all blindness is avoidable, many people still lack accurate information on how to avoid exposure to HIV and AIDS, and simple measures can protect people against malaria.

We believe we can make the greatest impact through raising awareness in our markets and making a tangible difference to those most vulnerable. Our approach is to maximise the impact of our investment, both through the issues we choose to address and by using our core business skills to enable wider involvement. Our employees feel proud to be engaged in these programmes.

We also work to promote gender equality to help communities realise the potential of all their members. Societies in which women have traditionally been discouraged or prevented from taking an active role are often associated with low economic growth.

Highlights

- ▶ **2 million**
people's vision restored
- ▶ **1 million**
mosquito nets distributed
in 15 countries
- ▶ **150 per cent**
increase in number of
HIV Champions

Community investment

Seeing is Believing

Seeing is Believing is our global programme to help tackle preventable and curable blindness. We launched the programme to celebrate our 150th anniversary in 2003, and by the end of 2008, it had reached over five million people in 17 countries, contributing to over two million sight restorations.

In 2008, we launched A New Vision, our latest commitment to Seeing is Believing. We will invest a further \$20 million to provide sustainable eye-care services for 20 million people in deprived communities in 20 cities.

Our contribution

A New Vision marks an evolution in our strategy as we progress from funding surgeries and medicine to developing systems and processes to ensure the long-term sustainability of the programme. This builds on the Bank's strengths and more closely integrates Seeing is Believing with our business and brand. The move responds to feedback from our partners, the International Agency for Prevention of Blindness (IAPB) and the World Health Organization (WHO).

We take an active role in Seeing is Believing projects. For example, we work closely with the IAPB to develop our strategy on how we can best meet the eye-care needs of local communities and work together to select the projects which meet these needs. All Seeing is Believing projects are developed in partnership with the Bank's country teams and local non-governmental organisations (NGOs).

In each country we have a Seeing is Believing co-ordinator to manage the relationships with local NGO partners. Country CEOs ensure projects are visited twice a year and are required to approve projects during the planning phase. Many employees support Seeing is Believing by volunteering their time and professional skills to help on projects, as well as fundraising.

In 2008, we surveyed employee opinions on Seeing is Believing in eight countries. The feedback was positive, showing that 87 per cent of employees feel Seeing is Believing is closely linked with the Standard Chartered brand, 44 per cent of employees have been personally involved in the programme with 92 per cent of those saying it makes them proud to work for the Bank.

Seeing is Believing credit cards

We launched the first Seeing is Believing credit cards in Pakistan and Sri Lanka in 2008, following a successful launch in Thailand in 2007. The cards are an example of how we are using our core expertise to support the programme and integrate it with our business. Card users in Sri Lanka can donate their loyalty points from purchases to Seeing is Believing, which Standard Chartered matches.

Highlights

- ▶ **\$20 million**
pledged to Seeing is Believing – A New Vision
- ▶ **17**
countries benefiting from eye care programmes
- ▶ **2 million**
people's vision restored



Volunteering and improving eye-care services in Dhaka

Standard Chartered volunteers saved Islamia Eye Hospital in Dhaka thousands of dollars, using their core skills to advise on an upgrade of their information technology systems. Other Standard Chartered employees spent a day volunteering by assisting doctors, answering patients' queries

and accompanying them to and from the hospital.

The hospital is one of four in the Bangladeshi capital to benefit from a five-year partnership with Seeing is Believing. The partnership will fund corrective surgeries, along with improved training for hospital staff and better eye-care support services for over 270,000 visually impaired people in the city. Dhaka is one of 20 cities across the world to receive support as part of A New Vision.

For more information visit the Seeing is Believing website (www.seeingisbelieving.org.uk).

Community investment

Living with HIV

AIDS remains a global killer with no cure or vaccine. Over 33 million people are infected by HIV and AIDS, with 6,800 new infections each day¹; 15-24-year-olds count for 45% of all new HIV infections.

This pandemic has a devastating impact on many communities where we do business. The virus cannot be cured, and greater access to treatment can only be sustained if there is substantial progress in reducing the rate of HIV infections². Education is a key component of prevention strategies.

The Bank's Living with HIV programme aims to reduce the spread of this virus by promoting behavioural change through education, to help protect not only our employees, but the one million people we will educate through this programme.

HIV Champions

We have a network of employee volunteers that we call HIV Champions. They work to raise awareness of HIV and AIDS in the Bank and with external organisations.

HIV Champions deliver face-to-face workshops supplemented by a range of HIV education materials that cover the basic facts about the virus and are easily adapted to suit the needs of different audiences and cultures. Our HIV Champions work with external organisations to help them develop a tailored workplace HIV education programme and train volunteers inside the organisations to be peer educators.

All our HIV Champions received refresher training in 2008 and regional 'train the trainer' refresher sessions were held in Asia and South America.

Highlights

- ▶ **850**
HIV Champions
- ▶ **2,811**
peer educators trained
- ▶ **400,000**
people to be educated by partners



Living with HIV 'Train the Trainer workshop'

In August 2008, Standard Chartered conducted 'Train the Trainer' training for our South American region covering seven countries. This was set up to coincide with AIESEC's 2008 International Congress and 60th anniversary celebrations, where 600 AIESEC students from 100 countries

gathered in Brazil with the event themed around "Responsible for Sustainable Future". Newly trained HIV Champions conducted a practical one and half hour workshop to a group of 30 AIESEC students, covering the five key areas at the heart of our HIV education programme.

Many of the students were already involved in HIV education with Standard Chartered in their own countries, and this was reflected in the high level of knowledge demonstrated in the pre-workshop quiz, although knowledge levels increased for everyone after the session. The workshop gave an opportunity to discuss many issues surrounding HIV, supporting our advocacy that face-to-face education provides a friendly, non-threatening environment to discuss challenging topics and will more likely encourage behaviour change than online education alone.

Clinton Global Initiative

We are on track to meet our Clinton Global Initiative commitment to educate one million people about HIV and AIDS by 2010. In 2008, we more than doubled our network of HIV Champions to 850 across 50 countries. Our target is to train 7,000 peer educators in other companies who will go on to educate 150 people each. So far, we have trained over 4,000 peer educators. By the end of 2008 we had commitments from organisations to educate over 400,000 of their people.

As issues such as the economic crisis and climate change move up political agendas, we need to maintain awareness of the threat posed by HIV and AIDS. We have put renewed focus on raising awareness among partner organisations, especially targeting vulnerable age groups (such as 15-24-year-olds in schools and universities)³ and participating in international, regional and national AIDS conferences. Our Group chief executive officer, Peter Sands, is on the executive board of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria and we participate in many country coalitions.

¹ UNAIDS, 2008 Report on the global AIDS epidemic.

² UNAIDS, 2008 Report on the global AIDS epidemic – Executive summary, p.17.

³ 15-24-year-olds count for 45% of all new infections – See UNAIDS, 2008 Report on the global AIDS epidemic – Executive summary, p.13.

Achievements from around the Group

Our achievements in the fight against HIV and AIDS in 2008:

- In Cote d'Ivoire, our HIV Champions educated 10,000 students on HIV and AIDS
- Standard Chartered India worked with small businesses to educate over 200 long-distance lorry drivers and their families, traditionally a high-risk category
- Our employees in Nigeria, led by the country Chief executive officer, visited a Lagos clinic for pregnant women with HIV to increase awareness about the virus
- In Singapore, the Bank provided free HIV testing coupons to 1,000 readers of a popular monthly women's magazine
- In Sri Lanka, our Chief executive officer initiated the country's Business Coalition on HIV and AIDS and arranged for three local celebrities to participate in an HIV and AIDS awareness campaign for World AIDS Day
- Across many of our markets including Thailand, Malaysia and Dubai, we used ATM machines to communicate information on local HIV and AIDS testing centres and 'know your status' messages

Community investment

Malaria

Malaria kills one million people each year. One child under the age of five dies every 30 seconds in Africa. About 40 per cent of the world's population are at risk of malaria in over 90 countries and the disease is particularly prevalent in sub-Saharan Africa where 90 per cent of deaths occur. It is estimated that malaria costs sub-Saharan Africa more than \$12 billion a year through lost economic activity.

Nets for Life

At Standard Chartered, we are working with partners to save lives by reducing and controlling the incidence of malaria. We are doing this through Nets for Life, a regional project started in 2006, that aims to distribute Long Lasting Insecticide Treated Nets (LLITNs) across sub-Saharan Africa. Nets treated with insecticide are the most effective and cost-efficient form of protection against malaria. Used properly, mosquito nets have been shown to reduce child mortality rates by up to 35 per cent.

By the end of 2008, the first phase saw over one million nets distributed to 14 countries throughout Africa, helping protect the vulnerable, including children, pregnant women, the ill and elderly. An education programme has trained over 6,000 local people about the causes and effective treatments for malaria, and how to use the nets to prevent mosquito bites. Evaluation data shows the programme is having a real impact.

In 2009, Nets for Life will enter its second, more ambitious phase. Standard Chartered will commit \$5 million to help supply a further five million nets by 2013, across 18 African countries. We will also invest in training 'malaria agents' within our markets and encourage them to assist directly in the distribution of nets and education in their local communities.

Highlights

- ▶ **1 million**
mosquito nets distributed
in 14 countries
- ▶ **6,000**
people educated about malaria
- ▶ **\$5 million**
committed in second
phase of Nets for Life

Community investment

Women's empowerment

In many parts of the developing world women lack the opportunities and role models to take control of their lives and contribute to society. Empowering women is part of our strategy for improving social and economic development in our markets.

GOAL

GOAL aims to empower young women for personal and economic development in underprivileged areas of India, where the government has identified improving gender equality as a priority.

It uses a combination of education and netball to increase confidence, self esteem and develop key skills such as communication, decision-making, and leadership. The programme educates girls on important topics such as health and wellbeing, sexual health and rights, and financial literacy. Each community has its own netball team so the girls can engage in regular physical activity and learn to play as a team in a safe environment.

By the end of 2008, over 360 girls had taken part in the programme in six communities in Delhi and Mumbai. In total, more than 7,000 people, including 3,500 young women, have been reached through various GOAL awareness-raising events and activities.

In 2008, 14 young women who completed the GOAL programme were trained to be 'GOAL Champions', continuing the empowerment process and helping to secure the long-term sustainability of the project. They use their experience of the programme and our training to deliver GOAL to new members of the programme.

GOAL is run in partnership with the International Federation of Netball Associations, the Naz India Trust Foundation and various local non-governmental organisations (NGOs).

Highlights

- ▶ **360**
girls taken part in GOAL in Delhi and Mumbai
- ▶ **7,000**
people reached through GOAL awareness-raising events
- ▶ **14**
young women trained to be GOAL Champions

Community investment

Employee volunteering

Employees want to contribute to their communities and we encourage volunteering to forge stronger relationships between Standard Chartered and the communities we operate in.

Volunteering gives employees the opportunity to use their skills to make a unique contribution to the organisations and causes they support. It also allows them to develop and learn new skills. Under the Bank's Employee Volunteering programme, we provide employees with an extra two days paid leave a year to volunteer on projects aligned with our community and environmental programmes. The number of employees volunteering continues to climb, totalling more than 23,000 days in 2008, an increase from 11,000 in 2007.

Country initiatives

In 2008, we ran an award scheme for countries with the highest volunteering rates. A small number of nominated employees per winning country were rewarded with an additional five days paid volunteering leave. Employees in seven countries were rewarded, including Jordan, Malaysia and Uganda, by visiting our community projects in India. Whilst this incentive has proved a great way to recognise staff in countries doing the most to promote employee volunteering, its reach is relatively small. In 2009, we intend to develop a new approach to reach a larger number of employees.







Highlights

- ▶ **2 million**
people's vision restored
- ▶ **1 million**
mosquito nets distributed
in 14 countries
- ▶ **150 per cent**
increase in number of
HIV Champions
- ▶ **23,000**
days volunteered by
employees in 2008

Community investment

Data trends

Our goals and achievements in 2008

Our goals for 2008	Status	What we have done	Priorities in 2009
Launch Seeing is Believing – A New Vision (Phase IV)	Completed 	Committed to invest \$20 million to provide sustainable eye-care services for 20 million people in deprived communities in 20 cities where we are present	<ul style="list-style-type: none"> • Achieve our fundraising and reach targets for Seeing is Believing – A New Vision • Make significant progress towards achieving our target to educate one million people about HIV and AIDS • Increase employee volunteering measured by employee time • Continue to meet our commitment to invest 0.75 per cent of the previous year's pre-tax operating profit in community programmes
Roll out a reward programme for employee volunteering in more countries	Completed 	Reward programme rolled out to seven countries	
Implement Disaster Response guidelines	Completed 	<p>Our guidelines help us determine the right level of response from immediate relief to working with partners on long-term reconstruction efforts.</p> <p>We committed over \$3 million to reconstruction work following the Sichuan earthquake in China, and worked with NGOs to fund immediate relief in Myanmar and India</p>	
HIV Champions to grow by 100 per cent to 700	Completed 	The number of HIV Champions rose by more than 150 per cent from 350 to 850 across 50 countries	
Implement Living with HIV Clinton Global Initiative commitment	Ongoing 	Received commitments from external organisations to educate 400,000 people	
Commence measurement of community programme outputs and impacts	Ongoing 	Key performance measures in place for global and regional programmes	

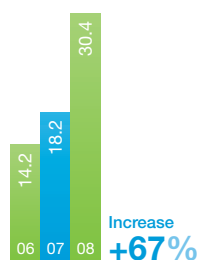
Data

The Bank's community investment for 2006-2008 is shown below. We use the London Benchmarking Group model, a comprehensive and consistent set of guidelines to classify, measure and benchmark our community contribution, including cash, employee time, fundraising and in-kind donations, as well as management costs.

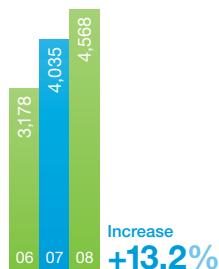
The Bank's increase in reported cash investment in 2008 results from some existing programmes having acquired a new community or charitable component, thereby becoming eligible to be classed as community investment for the first time; funding of extraordinary events, such as the Sichuan earthquake reconstruction efforts; and improved reporting. Contributing to our overall investment, there has been a significant increase in employee volunteering time and in 2008 we have captured employee fundraising for the first time.

Measure	2006	2007	2008
Cash contributions	\$14.2m	\$18.2m	\$30.4m
Employee volunteering and time	\$4.0m	\$2.8m	\$7.2m
Gifts-in-kind	\$0.08m	\$0.0m	\$1.0m
Management costs	\$2.8m	\$3.4m	\$4.8m
Leverage (funds raised)			\$5.1m
Total	\$21.2m	\$24.5m	\$48.5m
Profit before taxation	\$3,178m	\$4,035m	\$4,570m
Percentage of same year's operating profit	0.67%	0.61%	1.09%
Per cent based on previous year's operating profit (PYOP)	0.79%	0.77%	1.20%

Cash contributions



Profit before taxation



Community investment

Our stories



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Get more online

As part of our policy to minimise our environmental impact, the bank's Sustainability Review is also available online.

 www.standardchartered.com/sustainability

Up-to-date investor information

www.standardchartered.com/investor-relations



To minimise paper use, the Sustainability Review 2008 is not printed but is presented as an integrated online report. Visit our sustainability website for the Review and up-to-date news, video and interactive content about our activities.

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