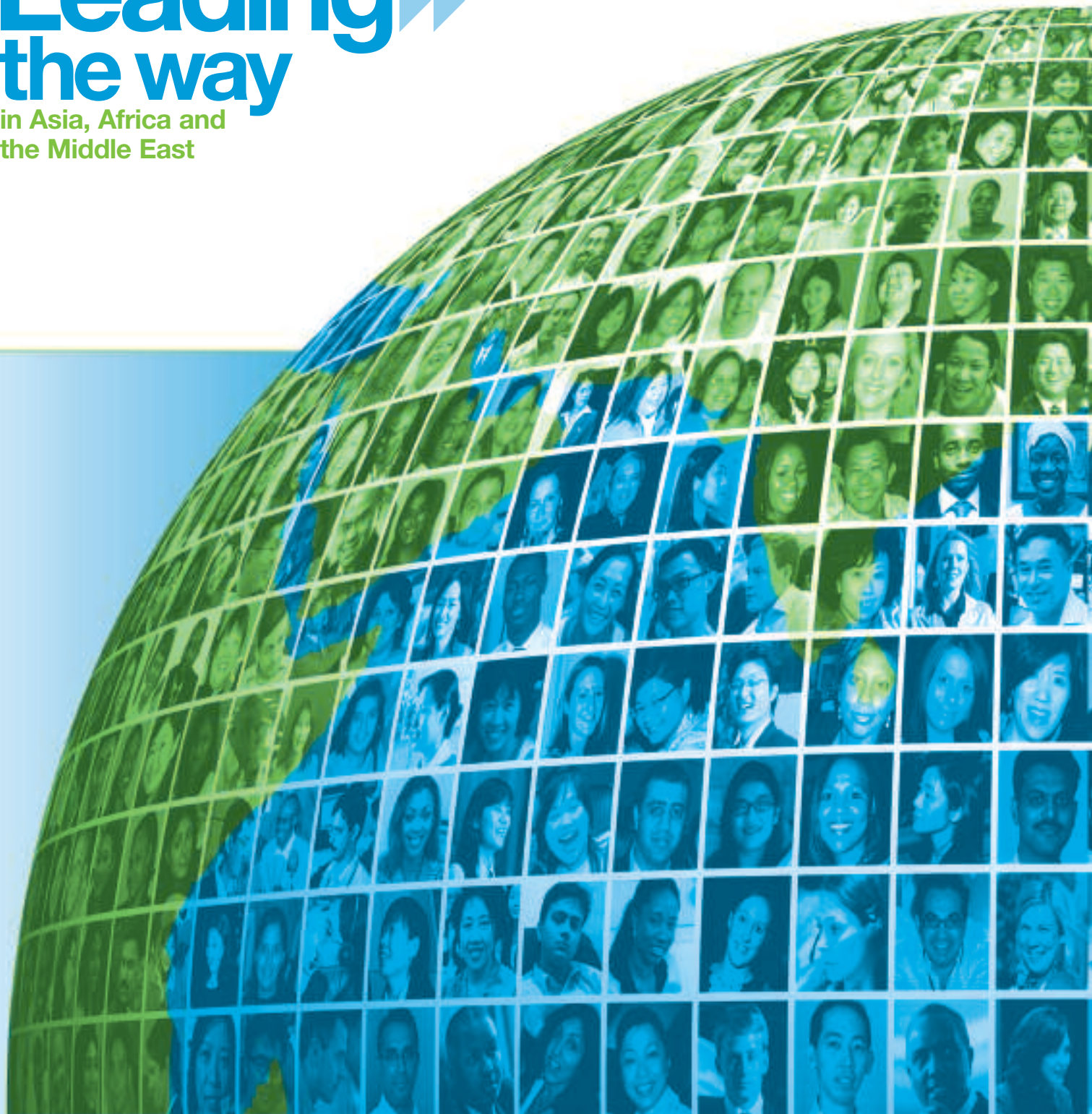


Sustainability Review 2006

# Leading the way

in Asia, Africa and  
the Middle East



Standard  
Chartered 

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# Building a sustainable business

This is our first sustainability review, following on from previous corporate responsibility and environmental reports. In this Sustainability Review we report against the framework set out in our Sustainability Strategy which was developed in 2006. Standard Chartered has grown significantly and good progress has been made across a number of areas during the year.

In preparing this report, and the more detailed information available on our website, we have taken account of the following:

- ▶▶ The Global Reporting Initiative and UNEP Finance Initiative recommendations for financial sector reporting; and
- ▶▶ The UN Global Compact guidelines for Communication on Progress.



For more information visit  
[www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)

Throughout this document unless another currency is specified the word 'dollar' or symbol '\$' means United States dollar and the word 'cents' or symbol 'c' means one-hundredth of one United States dollar.

### Business Overview

Profit before tax

▲ 19%

**\$3,178m**

2005: \$2,681m

Staff costs

▲ 38%

**\$2.9bn**

2005: \$2.1bn

Taxes paid

▲ 48%

**\$903m**

2005: \$611m

Countries and territories

**56**

2005: 56

Employees

**59,205**

2005: 43,899

Nationalities

**105**

2005: 89

# A rapidly changing world

**The drive for economic growth and prosperity from a rapidly increasing global population does not come without a cost. The world is presented with major environmental, social and governance challenges**



The World Bank has estimated that the economic cost of environmental degradation in developing countries is 4-8% of Gross Domestic Product annually. Climate change is one of the biggest issues facing the world today, and will become increasingly important with greater impacts on society, governments and economies.

Society needs to respond positively to change if growth is to be sustainable and the communities where we live and work must learn to cope with new challenges. The world is changing rapidly and the cost of this change is significant, for instance, in 2006 a UN sponsored report showed the impact of HIV/AIDS in India, and associated costs will take a percentage point off India's average annual growth each year for the next decade.

Regulatory responses to a rapidly changing world also come at a cost. The terrorist attack of 9/11 fundamentally changed the way banks do business. Banks which operate in the US introduced new systems, employed more people and changed procedures.

To respond to these vast challenges and to support our diverse stakeholders, we have to ensure our own business is sustainable. We must continue to build a sustainable business reflecting the need to take a longer term view of the consequences of our actions and to generate value for our shareholders.

We need to build on the significant steps we have already made in supporting the communities in which we operate. In October 2006, we launched the next phase of our blindness prevention programme, Seeing is Believing. Over the next four years, we will

work with the World Health Organization, national governments, customers, suppliers and NGOs, reaching out to ten million people to help eliminate preventable blindness by 2020.

In September 2006, on behalf of the Group, I made several major pledges at the Clinton Global Initiative. The first was to commit to a \$500 million microfinance facility. Over the next five years, this facility will help to lift an estimated four million people out of poverty. My second commitment was to take our Living with HIV awareness and training programme to another million people over the next three years. The third was to support the Vital Voices Global Partnership. Recognising the critical role played by women in socio-economic development, the Global Partnership aims to foster the development of emerging women leaders worldwide, equipping them with the professional skills and networks they need to achieve their full potential.

In 2006, the Group also concluded a major review of our response to protecting the environment and 2007 will see us embark on a new environment and climate change programme. As a member of the Corporate Leaders Group on Climate Change, and representative to Premier Wen Jiabao on behalf of the China Task Force, I am passionate about making a positive contribution to the environments we live in.

The pace of change the world is experiencing will create major social and environmental challenges. These changes will pose risks, but also significant opportunity. Business, governments and regulators will increasingly need to work together to manage these challenges, and we are ideally placed to be the right partner. Through the development of innovative products and services, we can lead by example to build a sustainable business that sets us apart from our competitors.

The activity you will read about in this report and the strategy we are embarking on are ambitious but we are committed to making our vision happen.

**Mervyn Davies, CBE**  
Chairman  
27 February 2007

## Awards



The Banker Awards 2006 – Standard Chartered won the Bank of the Year Global CSR (Corporate Social Responsibility).



Total Caring Company Award awarded by the Hong Kong Government's Social Service Department to a company demonstrating corporate citizenship and commitment to Hong Kong as a great place to live and work.



# Leading the way through sustainable business practices



**“We want to be recognised for delivering a sustainable business and to lead by example in our markets.”**

**Peter Sands**  
Group Chief Executive

Using our core skills, services and talent we want to make a positive contribution to society. Our ‘building a sustainable business’ strategy is Standard Chartered’s response to a rapidly changing world, multiple stakeholder needs and global challenges such as climate change and poverty.

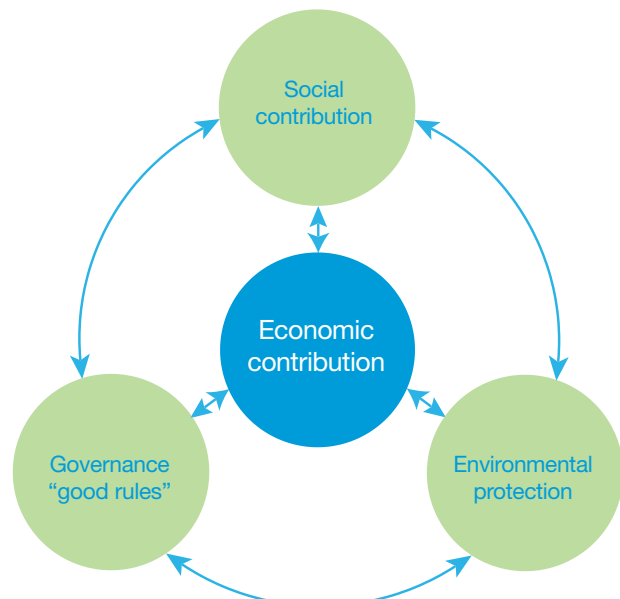
We want to be recognised across Asia, Africa and the Middle East as a leader in building a sustainable business and a more sustainable society. We believe we have the determination, as well as the right values, policies and procedures, to achieve this ambition.

## Our approach

The business of banking makes a major contribution to the economic growth of countries, personal development for people and business growth of companies. A bank’s fundamental function is to aggregate and deploy savings to support trade, enterprise and investment, to drive economic growth. A well-functioning financial services system plays a fundamental role in facilitating and supporting such growth.

At Standard Chartered, building a sustainable business is about viewing all our actions in terms of their environmental impact, and economic and social contribution. Our aim is to meet our own and our stakeholders’ needs, but most importantly it is about securing our long term future as a successful, sustainable, business.

## Building a Sustainable Business



## Sustainable Business Priorities

### Creating value

I believe our approach to building a sustainable business has and will create value for Standard Chartered. It will mean we can recruit the best staff; develop stronger stakeholder relationships; have an engaged and motivated workforce; generate new commercial opportunities and manage new types of risk. It will also provide us with an excellent opportunity to differentiate our brand from our competitors.

### Our role

Our primary role is to generate value for our shareholders. We face a changing operating environment, shaped by issues such as climate change, terrorism or pandemics like HIV/AIDS. To continue creating shareholder value, we need to take a long term view of the consequences of our actions. We believe that we can lead by example, by building a business that will benefit our shareholders, society, the environment and local economies.

Our values – responsive, trustworthy, creative, international and courageous – will help us make sure we take this sustainable approach across the business and our activities.

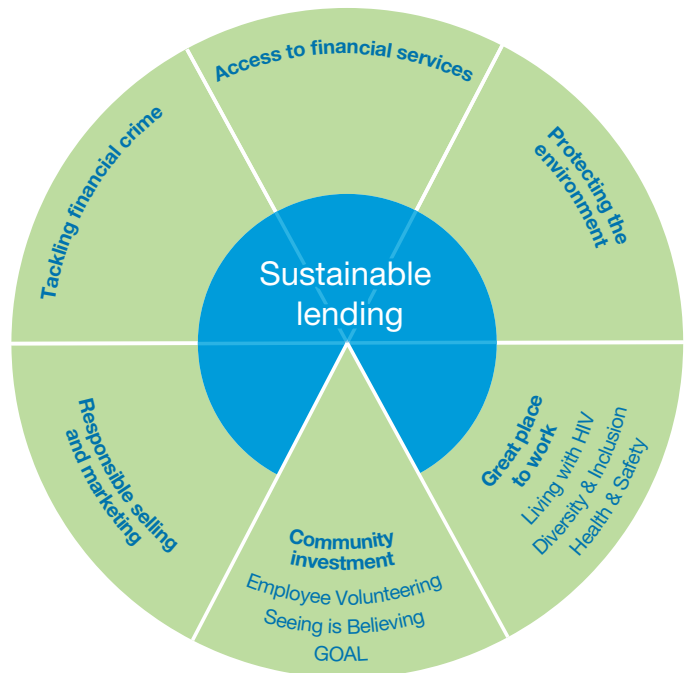
We can influence sustainable development on three levels: through leading by example in terms of our operational practices, through the products and services we provide; and in our interaction with stakeholders such as governments, customers, employees and suppliers. In formulating our approach and areas of focus, we have sought the views of a wide range of stakeholders from across our markets to better understand the key risks, impacts and market opportunities we have in promoting sustainable development. The diagram to the right highlights our priority areas which are reported on in greater detail throughout this report.

### Our focus

Standard Chartered is in a unique position to contribute to, and benefit from, the sustainable development of the countries where we operate.

Tackling financial exclusion is crucial to alleviating poverty. As part of our four year commitment, in 2007 the Group will assist one million people in 14 countries in Africa and Asia by channelling \$200 million through identified microfinance institutions. Through these partners we can broaden financial access and capabilities to extend our reach. Our products can help grassroots enterprise develop.

Treating customers fairly is already a priority for us, but it is in an area where we need to exceed current industry practice. We want to set the standard for openness and transparency with our customers. Money laundering is a growing risk in many of our markets. The increasingly assertive use of international sanctions and regulation means we have to move from simply meeting the regulatory requirements to leading by example.



Our people are passionate about contributing to the communities we live and work in. We will collaborate with governments and NGOs to deliver on our ambitions for Seeing is Believing, Living with HIV and women's empowerment. Our employee volunteering programme gives our employees the opportunity to make a difference.

As a bank, our own environmental impact is relatively small, though we are strongly committed to minimising them. The environment and climate change agenda offers major commercial opportunities through new markets in carbon trading, renewables and clean technologies. Financial institutions working with the UN predict that carbon trading could be worth \$2 trillion a year by 2012, with a significant proportion of the carbon 'credits' originating in Standard Chartered markets. Through our lending practices, we have a real opportunity to be a force for good by encouraging our customers to adopt sustainable practices.

The 'building a sustainable business' strategy I have outlined will be the foundation of our activity going forward. I believe it will strengthen our position as the right partner to our stakeholders.

**Peter Sands**  
Group Chief Executive  
27 February 2007

# Engagement drives progress

Understanding our operating environment is central to making progress with our 'building a sustainable business' strategy

For us, engagement means:

- ▶▶ Raising awareness internally of what 'building a sustainable business' means;
- ▶▶ Working closely with the people and organisations that influence and use our services to develop or promote more sustainable services; and
- ▶▶ Using our influence and geographic reach to promote the need for sustainable development

During 2006, engaging stakeholders was a priority, one which will continue in 2007.

The development and publication of our 'building a sustainable business' strategy represented a significant evolution in our approach to managing the social, environmental and governance-related impacts of our business. Our focus for 2006 was therefore to make sure senior management across the business was made fully aware of what building a sustainable business means. A range of internal communications took place ahead of the formal launch of our strategy at the Business Leadership Team meeting in January 2007. This important meeting brought together 500 of the most senior people in the Bank. Internal communication to all our employees will be a hallmark of our work in 2007. For example, educating and engaging new employees is now embedded in our induction programme.

## Broadening our stakeholder network

Throughout 2006, we worked hard to build a better picture of our global stakeholder audience including government departments and agencies, socially responsible investors, academic organisations, business associations and NGOs. This builds on the external and employee engagement work we have been undertaking for some time.

In developing our 'building a sustainable business' strategy, feedback was sought from 60 of the most influential groups and individuals globally. Their responses were extremely useful. Extracts from some of these responses are used in this document. Discussions with stakeholders helped us further prioritise the areas we believe we should focus on to make the greatest contribution. The five identified by stakeholders as areas where Standard Chartered can make a significant contribution are:

- ▶▶ Sustainable lending;
- ▶▶ Tackling financial crime;
- ▶▶ Access to financial services;
- ▶▶ Responsible selling and marketing; and
- ▶▶ Protecting the environment

Two further areas have also been identified as highly important to stakeholders such as our host governments and employees:

- ▶▶ Our approach to community investment and employee volunteering; and
- ▶▶ People related activity such as employee wellbeing, diversity and inclusion and HIV/AIDS

Developing a relevant global stakeholder network, which can help us develop our vision and approach is challenging, particularly in markets where few such networks exist and where understanding of sustainability is less developed. We believe it is important to build and develop these networks and we will continue to do so in 2007.

**"How are you contributing to long term value creation? How are your sustainability activities driving business value?"**

Tomoko Smidt-Olsen  
Innovest Strategic Value Advisors

## Key stakeholder messages

- ▶▶ Focus on material issues that add to business value
- ▶▶ Show leadership on themes that are relevant to the Bank's markets
- ▶▶ Recognise the greatest influence we can have is through the Bank's core financial activities
- ▶▶ Lead on delivery and internal engagement as well as reporting
- ▶▶ Deliver more detailed information on specific issues, such as our report on sustainable lending



# Sustainable lending

## Maximising the positive impact of lending



“Sustainable lending is the critical discipline for implementing a view on dynamic risks such as climate change. Demonstration of how well this is embedded within the organisation will provide an indication of how well the Bank is assessing its exposure to risk arising from this global challenge.”

Melissa Brown  
Executive Director Association of Socially Responsible Investment, Asia

Highlights	
<b>1,500</b> staff completed sustainable lending e-learning package	Risk review of sensitive sectors completed
<b>280</b> graduates trained on social and environmental risk	Adopted the revised Equator Principles (EP2)  20 Equator Principles projects approved



**By providing financial services, we help bring to market the natural resources and manufactured products that drive economic growth. At times, there is conflict between economic growth, communities, the environment and the rules of good governance. We believe our role is to minimise this conflict and, wherever possible, to be a ‘force for good’.**

We take a sustainable approach to all our lending rather than just to Project Finance initiatives. Of our total Wholesale Banking loans and advances portfolio of \$62 billion, \$29 billion is to sectors such as finance, governments and commerce where social and environmental risks tend to be relatively low. Lending to, for example, forestry, manufacturing, mining or agriculture sectors, elements of which may be considered to be higher risk, makes up 54% of our total portfolio<sup>1</sup>.

Applying integrated social and environmental guidance to our lending decisions is challenging. It requires a broad range of people in Standard Chartered to understand and apply sustainability across many different sectors and countries.

Due diligence undertaken by our client relationship and credit teams on existing or prospective customers is one way we try to protect ourselves and our customers from social and environmental risk. We no longer rely solely on analysing customer balance sheets to address these risks. Instead, we undertake three levels of due diligence. First we verify the information we find when visiting customers which, combined with good industry knowledge, helps our staff ask the right questions to test the information provided. Relationship managers make assessments utilising the expertise of other departments in the Bank, including Corporate Affairs and Group Risk. Additionally our lending teams seek third party sources of information as additional confirmation such as industry peers, industry experts and/or specialist consultants.

When we acquire the lending portfolios of other companies who may not have taken a similar approach to sustainability and where contracts may not be open to renegotiation, we have an opportunity to implement more progressive approaches to social and environmental risks in lending.

<sup>1</sup> However, it should be noted that this is broad based and that not all exposures within such categories should be considered to be high risk.

## Loans and advances (\$m) to customers by each principal category of borrowers' business or sector

Principal category	2004	2005	2006
Agriculture, forestry and fishing	656	646	793
Construction	615	713	1,072
Commerce	6,325	7,077	9,567
Electricity, gas and water	1,394	1,527	1,701
Financing, insurance and business services	9,012	8,886	11,987
Loans to governments	2,105	4,874	6,997
Mining and quarrying	1,527	1,128	2,495
Manufacturing	9,326	11,343	17,988
Commercial real estate	2,126	3,480	3,296
Transport, storage and communication	2,962	3,390	4,125
Other	948	1,293	1,636
Wholesale Banking	36,996	44,392	61,657

### What we have done in 2006

We have continued to embed our existing approach to sustainable lending as a core business practice and have started to focus on specific sectors and issues, where risks and opportunities are greatest. This includes research and developing sector position statements, reviewing and responding to the Equator Principles and communicating our approach to sustainable lending.

#### Sector Guidance

Banks often come under scrutiny for investing in high risk sectors or activities with high social and environmental risks. We aim to understand complex, high risk sectors and to improve social, environmental and economic outcomes.

In 2006, we reviewed the risks of our lending activity to bolster our lending policies and practice. This risk assessment aimed to identify the high risk sectors and develop a formal approach to lending in these sectors. The sectors included: nuclear; forestry; gaming and gambling; palm oil; tobacco; freshwater infrastructure and hydroelectric power; oil and gas; mining and metals; and ship breaking. Each sector was then given a priority of high, medium or low. In 2007, workable policies and practices will be published for these three sectors. The issue of the use of child labour was also reviewed to ensure the Bank has the right framework to comply with international labour laws. Further sector guidance will be produced in 2007 and we will also consider our approach to managing risks and opportunities associated with climate change (see Environment section).

### Training in Social and Environmental Risk

In 2006, we continued training on sustainable lending with more than 1,500 staff trained through the Bank's e-learning system. In total, over 4,500 staff have now been trained through this process. Training of front line relationship managers has also continued. In September 2006, as part of the graduate programme, 280 graduates took part in an induction programme that included a specific module on Social, Environmental and Ethical Risk (SEE). Once graduates have been at the Bank for one year, they take part in a sustainability day which includes the opportunity to work with the Project Finance team to review a live project. After two years on the programme, all graduates attend a final week-long programme that includes case studies aimed at understanding all risk types.

In addition, we have carried out SEE training seminars in Mumbai and China for approximately 40 employees. Some 20 individuals were trained on the Equator Principles in 2006 by Sustainable Finance, an external specialist training consultancy. The majority trained came from the Project and Export Finance team. Staff from the following areas also attended: Global Markets, Risk, Structured Trade Finance and Corporate Affairs.

### Communicating our Policies

In 2006, we sought feedback from external stakeholders on the information we provide on our sustainable lending practices. Following this research, we began a process to communicate our policy implementation. We therefore published our first specific issue report on sustainable lending and the Equator Principles in 2006, and as sector specific policies are introduced in 2007 we will make these publicly available.

### Equator Principles

We took part in the revision of the Equator Principles re-launched as EP2 in June 2006. The revised principles were adopted by the Bank on their launch day. The new principles apply to all projects financed with capital costs above \$10 million and include project finance advisory work. They also apply to existing projects which have been significantly expanded (see data table for detail on Project Finance and Equator Principle projects) and to projects funded through the bond market.

As well as opportunities, we also encounter the costs of turning business away, a risk we also have to manage. For example, we decided not to back a proposed \$55 million petrochemical deal in Asia because it carried high sustainability and governance risks.

## Integrating sustainability into core lending service

### Activity

#### Acquire basic understanding of client business

Before making a site visit or holding a meeting with a client, we research and understand related regulations and industry guidelines. Advice is also sought from our industry specialist team regarding specialised businesses.

### Outcome

This prepares us for an informed discussion with relevant counterparties within the customer group.

### Activity

#### Observation and Inspection

Many of our customer groups are engaged in manufacturing or industry, so we will visit plant facilities and verify our desk-based research. Our visits involve in depth discussion with the client's senior management and various levels of customer employees (e.g. factory workers) and inspection and observation. Our standard factory report is used as a checklist to raise relevant questions.

### Outcome

Verification of desk-based research against on-site practice.

### Activity

#### Site visit report

Presentation of findings and points for follow-up. Obtain relevant documents issued by government/industry bodies/buyers in respect of environmental/ethical issues (e.g. buyers' factory audit report, SA 8000 and ISO 14000 accreditation).

### Outcome

An assessment of the customer's management of environmental/ethical risks and any reputation risks we may be exposed to.



**Breakdown of 20 Equator Principle projects approved in 2006 by Risk Category A,B,C**

Project classification	Number of projects approved	% of total projects approved	% of Bank share of project value
A	5	25	6.22
B	12	60	4.69
C	3	15	3.04

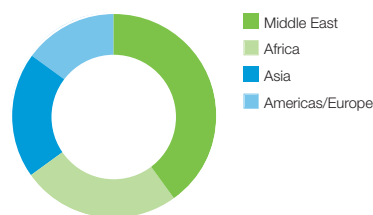
**Geographic locations of the 20 projects signed or closed in 2006**

Project classification	Middle East	Asia	Africa	Americas/ Europe
A	1	2	2	0
B	7	2	2	0
C	0	0	1	3

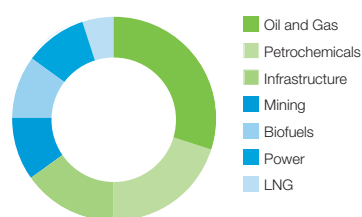
**Sector breakdown of 20 project finance deals concluded in 2006**

Sector	%	Project value \$	Standard Chartered share \$
Oil & Gas	30	2,040m	235m
Petrochemicals	20	7,016m	173m
Infrastructure	15	71m	80m
Power	10	2m	88m
Mining	10	336m	114m
Biofuels	10	505m	40m
LNG <sup>1</sup>	5	1,500m	21m

**Geographical location %**



**Industry breakdown %**



Further information on the Bank's sustainable lending can be found in our specific issue report at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)

Goals for 2006	Status	What we have done
Complete a full review of the Bank's approach to the assessment of social and environmental risks	Completed	Four key sensitive sectors/issues we have commenced work on are forestry, ship breaking, palm oil and child labour, all of which will be formalised in lending policy during 2007
Continue to roll out sustainable lending training within the core training for Relationship Managers	Ongoing	Ongoing process in 2006
Setting up a centre of expertise at Head Office for ongoing support	Ongoing	Started in 2006 and will be completed in 2007
Upgrade intranet with specific policy and sector guidance material	To do	Not achieved yet, will update as part of an overall review of the intranet in H1 2007
Extend training to all Project Finance staff by the end of 2006	Ongoing	All Project Finance staff have received training on Sustainable Lending. Additionally, Over 1,500 staff trained in SEE risk through our e-learning package
Report against GRI Financial Services industry requirements for 2006	Ongoing	Progress has been made in reporting against G3 in 2006
Produce a specific report on the implementation of the Equator Principles	Completed	Sustainable lending and Equator Principles special issue report published in July 2006

Going forward in 2007
<ul style="list-style-type: none"> <li>Focus on high risk sectors (identified sectors that will have specific policies), completing a policy review of social and environmentally sensitive business sectors to introduce any changes within the business</li> <li>Embed sustainable lending training in core risk management training programmes as appropriate</li> <li>Upgrade the e-learning package in 2007 and seek external stakeholder input for graduate sustainability days</li> <li>Review our approach to climate risk, including raising levels of awareness amongst appropriate staff on how to assess climate risk</li> </ul>

<sup>1</sup> Liquid Natural Gas



# Tackling financial crime

Protecting against the impact of financial crime

“We would like to understand the Bank’s policies and programmes on communication and internal training of staff. We’d like to see the Bank offer advice to the recipients of the money to minimise financial crime.”

Jayn Harding  
Head of CSR Responsible Investment Unit FTSE4Good

## Highlights

### Upgraded

anti-money laundering monitoring systems in UK and US

### Improved

sanctions screening systems operational in major payments centres



Corruption and financial crime continue to outpace international cooperation to fight it, with annual estimates of money laundering exceeding \$500 billion<sup>1</sup>. Bribery, corruption, fraud and financial crime affect the ability of economies to grow, impacting on the communities we do business in by fuelling poverty and inequality.

All banks face the risk of their products and services being used by those involved in crime. To protect the Bank and its customers and reduce the impact of crime in the communities we serve, we continuously review the changing threats faced by the industry. While financial crime can take many forms, the problems are closely linked. We address these risks by really understanding our customers and their business, actively monitoring transactions and creating a clear set of values for our employees.



Our reputation depends on us operating to the highest standards of conduct, as set out in our Code of Conduct. We want to be known for our ethics and governance wherever we do business. Our challenge is to maintain the same high standards of conduct across the world.

### What we have done in 2006 Anti-Money Laundering

Money laundering is the process through which the proceeds of crime are disguised and concealed. Banks provide a gateway into the formal financial sector that, unless effectively controlled, can be misused by criminals.

We use a multi-layered approach to managing money laundering risk. This starts with risk based 'Know Your Customer' procedures when a customer opens an account, and includes increasingly sophisticated systems to screen for suspicious transactions. Staff training and awareness is critical: in 2006, we launched a series of new e-learning programmes focused on wholesale banking products and how they could be misused by launderers. As a result of our new systems, and the continuing vigilance of our staff, significant numbers of potentially suspicious transactions were passed to the relevant authorities during 2006.

We also worked with others in the industry to ensure that our anti-money laundering procedures continue to reflect international best practice. The Norkom Alchemist monitoring system we acquired in 2005 became fully operational across our UK and US businesses and will be launched in Hong Kong, Singapore together with other major centres in 2007. Through international industry bodies such as the influential Wolfsberg Group, we now actively share the knowledge and experience we have developed in building our anti-money laundering regime.

We also provided direct input to the development of new laws and industry guidelines by several of our regulators, such as the new 'Know Your Customer' and transaction disclosure requirements launched by the Korean authorities.

### Terrorist Financing

Since 9/11, banks have devoted enormous amounts of time, resources and investment to minimise the risk that their systems could be used to move funds that may be linked to terrorist activity. Standard Chartered is no exception. By the end of 2008, Standard Chartered will have spent in excess of \$90 million enhancing the

systems we use to detect money laundering and terrorist financing. The Norkom systems for anti-money laundering also support our surveillance work on terrorist related transactions. In addition, new systems implemented in our key payments processing centres in 2006 have made us better at identifying any sanctioned terrorist names that may be linked to a Standard Chartered transaction and stopping the payment before completion.

### Fraud and Corruption

Any organisation as large and complex as Standard Chartered faces the ever present, ever changing, threat of the risk of loss through fraud. Regrettably, new fraud techniques are being developed continuously and we aim to keep pace with more sophisticated systems and procedures. At the same time, we continue to depend heavily on the experience and vigilance of our own staff as the first line of defence against fraud and corruption. Maintaining and constantly reinforcing our values and our employee Code of Conduct is critical in this respect. It also explains the importance we attach to our 'Speaking Up' programme. This provides employees with a secure and confidential means to raise any concerns they have about possible malpractice, including allegations of corruption. In 2006, we received more than twenty reports which helped us to identify possible areas of weakness in our controls. We will be launching a new awareness campaign in 2007.



Further information on our employee Code of Conduct can be found at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)

### Going forward in 2007

- ▶ Migrate Norkom Alchemist monitoring system to other major centres including Singapore and Hong Kong
- ▶ Deliver an anti-fraud action plan across Africa
- ▶ Complete the roll-out of the improved sanctions screening systems to all payments centres



# Access to financial services

Improving access to finance to aid economic development



## Highlights

**\$70m**

loans extended to Microfinance Institutions

**\$500m**

Islamic project finance deal in United Arab Emirates

**World 1st**

microfinance foreign currency swap in Uganda

**PKR1,100m**

Sole lead arranger for the First Corporate Sukuk in Pakistan

“Regarding its operations in wholesale microfinance, I would encourage the Bank to report on the amount of funds it invests, estimates of its market share by country, profitability, and what new products and services it offers MFIs.”

Robert Bailey  
Policy Advisor Oxfam GB

When we talk about increasing access to financial services, we are talking about reaching the ‘unbanked’. These are people who, due to their geographic location or social situation, have no access to financial services such as savings, credit, money transfers, insurance or pensions.

Improving access to finance will aid economic development, help reduce poverty and improve living standards. It will also open up profitable market opportunities for the Bank as more people become financially independent. Microfinance and Islamic banking are both commercial opportunities which have the potential to make a real contribution to broadening social inclusion.

But there are some significant challenges to overcome in providing access to financial services. These include:

- ▶▶ The need for face-to-face contact. In the case of Microfinance, clients may be illiterate, or may have no access to bank branches. Banking services must be taken to them;
- ▶▶ Products are often smaller in amount, less sophisticated and repayments may be more frequent (weekly as opposed to monthly);
- ▶▶ The process of evaluating credit is different. An absence of credit history, the small scale and the very nature of the borrower has led to the growth of self-help groups; and
- ▶▶ Women have traditionally been excluded, even though women are viewed as a lower credit risk



### ►►Nepal Microfinance Initiatives

The Rural Microfinance Development Centre is the leading institution in Nepal providing wholesale funds to viable MFIs for the development of this sector. In 2006, we contributed \$250,000 in equity and took a seat on the organisation's board as it upgraded its capital base significantly. We aim to help bring better credit management practices to the organisation. We also want to take advantage of our strong relationships with Development Organisations, many of whom are our customers, bolstering their work with the rural poor by providing them with sustainable microfinance on a commercial basis.

### ►►Bangladesh Microfinance Initiatives

We signed an agreement in July, 2006 with Bangladesh Rural Advancement Committee (BRAC), the largest MFI in the World. Under this financing arrangement, \$15 million in equivalent local currency will be disbursed to BRAC as a revolving loan. Funds will be used to bring changes to the living standards of 600,000 people all over Bangladesh. BRAC has developed an innovative relationship with its borrowers, purchasing their products at competitive prices and making sure the products have proper access to market. This helps borrowers sell their produce and services in a more dependable way, increasing their chances of improving their standard of living.

The World Bank estimates that about 3 billion people lack access to financial services. Only 25% of the population in developing countries have access to banking services, compared with 90% in the developed world. An IFC study suggests that between 21-30% of people in developing economies have access to semi-formal financial services.

#### What we have done in 2006 Microfinance

Our involvement in the Microfinance sector is a commercially sustainable initiative. We support Microfinance Institutions (MFIs) by providing them with debt finance and innovative solutions. We also support these organisations by helping them to build their own capacity and by offering training in association with partners.

We developed a formal Microfinance strategy in 2005. Last year we focused on:

- **Channelling funds to the Microfinance sector:** Our network across Asia, Africa and the Middle East allows fund managers to access those regions that have the most acute need for Microfinance. The Bank now partners with 35 MFIs in India, Bangladesh, Nepal, Tanzania, Uganda, Zambia, Kenya, Botswana, South Africa and Ghana;
- **Commercialising innovative solutions to enhance Microfinance credit:** We are providing local currency funding in our markets, including a broad range of other innovative solutions such as foreign currency hedging which reduces currency risk for Microfinance institutions; and
- **Building MFI capacity and technical capability:** Standard Chartered is working on technical and financial training with established Microfinance experts for our MFI partners. We also provide opportunities for MFI partners' staff to spend time in Standard Chartered offices, especially in areas such as credit operations as well as balance sheet and liquidity management

We recently renewed our commitment to Microfinance by pledging to channel funds worth \$500 million over five years to MFIs in Africa, Asia and the Middle East. The Microfinance fund aims to benefit four million people over this period.

In 2006, the Bank provided \$70 million to MFIs giving approximately 600,000 people across Africa and Asia access to financial services. It is estimated that approximately 90% of borrowers are women.

#### Islamic Finance

In the last three years, we have built the capacity and capability to offer Islamic banking services. A dedicated Islamic Banking Unit in Dubai, with teams based in Pakistan, Bangladesh and Malaysia, leads the work in this area. As a result, we are one of the leading foreign providers of Islamic Banking services, providing a full array of Islamic Consumer and Wholesale Banking products in the UAE, Pakistan, Malaysia and Bangladesh. From this strategic base, we are also able to offer Wholesale Banking products such as syndications, Sukuk and other Islamic capital market products to our customers in countries such as Qatar and Bahrain. Through our experience of working closely with other Islamic banks, we are able to structure transactions to meet the requirements of Sharia boards of Islamic banks both in the Gulf Cooperation Council and Far East Asian markets.

We have now developed a comprehensive suite of services in this area, including 10 Consumer Banking products and 16 Wholesale Banking products.

In 2006 we were:

- Awarded 'The most improved International Islamic Bank for 2006' by Euromoney magazine;
- Awarded 'The Pakistan and Qatar Deal of the Year' for our involvement in the Sitara Sukuk Deal in Pakistan and QREIC Deal in Qatar; and
- Facilitated Singapore's first Islamic Project Financing deal



Further information on Access to Financial services can be found at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)

#### Going forward in 2007

- To develop and implement a training programme for our Microfinance customers in East Africa and South Asia, in partnership with Microfinance experts and accelerators
- To originate and distribute Microfinance assets up to \$200m across Africa, Asia and the Middle East
- To penetrate new markets for both Microfinance and Islamic Banking



# Protecting the environment

## Making progress through our new environmental strategy



“Business leaders in the UK and emerging markets need to provide thought leadership on climate change and the environment. The Bank has an opportunity to influence governments and public policy to make sure regulations achieve more effective results by mobilising the ability of business to deliver environmental improvements.”

Kirsty Jenkinson F&C Asset Management



### Highlights

**\$800m**  
invested in renewable energy projects

**€50m**  
invested in a Carbon Fund

**\$25m**  
wind power project financed in South Korea

**43**  
major offices reporting on environmental impacts

In 2006 we reviewed our activities in response to growing environmental challenges in our markets, including access to clean water, climate change, pollution and deforestation. The result is a new strategy that focuses on areas where we can have the greatest influence – through our products and services – and recognises the need to make greater progress in future in relation to our direct impact on the environment.

In 2006 the World Bank estimated that the economic costs of environmental degradation in developing countries had reached 4-8% of Gross Domestic Product (GDP) annually<sup>1</sup>. In China alone, environmental pollution cost \$64 billion in 2006<sup>2</sup>. This century's challenge will be to find new forms of economic growth that do not degrade the environment. We recognise this is particularly difficult for some of the countries that we operate in, where the pressure for economic growth is great and may result in

<sup>1</sup>Environment Matters, World Bank 2006

<sup>2</sup>China State Environmental Protection Administration (SEPA) and the National Bureau of Statistics. Sept 2006

**“We would like to see Standard Chartered Bank using its presence in emerging markets to talk with local governments and other businesses in those countries about collective action on climate change.”**

**Aled Jones**  
Corporate Leaders Group on Climate Change

harm to the environment. These countries will also feel the effects of global climate change most acutely, and regrettably will often be least able to adapt.

In response, we developed a global environment strategy this year. It builds on the work already undertaken on our direct environmental impacts and recognises that our products and services also affect the environment indirectly. In future, we plan to focus on:

- ▶▶ Better understanding and taking action to reduce our direct operational environmental impact;
- ▶▶ The environmental impacts of our lending decisions;
- ▶▶ Financing of renewable energy projects;
- ▶▶ Investment in low carbon technology;
- ▶▶ Supporting our markets to adapt to environmental change; and
- ▶▶ How to influence others, including customers, governments and employees to take the right environmental action

We aim to have significant influence over our indirect impacts by, for example, investing in renewable energy or reviewing lending decisions. We also need to understand and act on our direct impacts. In encouraging employees to act on energy, waste, water and travel we aim to raise the profile of all environmental risks and opportunities for Standard Chartered.

### **Lending decisions and the environment**

The Bank has had an environmental risk policy for more than 10 years. In 2006, we worked hard to better understand the sustainability of the sectors we support through our commercial activity. We also factored some significant risks into our research, such as climate change, impacts on biodiversity, deforestation, air and water pollution. The section in this report on sustainable lending covers our progress in 2006 and future ambition in greater detail.

### **Renewable energy and low carbon technology**

As regulation of environmental issues, especially on climate change, evolves, we will experience new business opportunities in all markets, particularly in Asia. Financial institutions working with the United Nations Environment Programme predict that trading in greenhouse gas emissions could reach \$2 trillion

a year by 2012 and that financing clean energy technologies could reach \$1.9 trillion by 2020. Our strategy commits us to developing commercial opportunities such as renewable energy funds, environmental innovation funds, emissions trading and consumer products.

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

In 2006, key achievements included:

- ▶▶ A \$25 million wind power project finance deal for a South Korean customer;
- ▶▶ Advised a customer in India on the acquisition of the shares of a wind turbine manufacturer in Finland;
- ▶▶ A €50 million investment in a Carbon Fund designed to initiate carbon saving projects within the Bank's footprint to enable purchase of carbon reduction certificates; and
- ▶▶ An advisory agreement with a fund manager to use the Bank's networks to source renewable energy projects across our footprint

### **Influencing others**

We must work with others to meet the environmental challenge. Our global reach and strong partnerships provide us with a real opportunity to influence others, including customers, governments and employees.

We continue to be involved at a UK and international level in influencing policy makers and as a regular speaker on environmental issues. Mervyn Davies, Chairman, is a member of the Corporate Leaders Group on Climate Change, for example. One of the main aims of this group is to break the environmental 'Catch 22' – where governments resist introducing new policies fearing they will be unpopular with business, and where business is unable to scale up investment in low-carbon technologies because of a lack of government direction and support. We believe it is

### » UK case study

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

### » Malaysia case study

In Malaysia, we implemented an office machine rationalisation project, reducing a combined total of some 200+ photocopiers, fax machines and printers by replacing them with centralised multi-function machines and a new fax management system allowing PC's to fax via the network directly. The project resulted in:

- » A reduction of 121 machines;
- » Energy reduction due to fewer machines and energy saving devices built-in to new machines;
- » 25% overall savings in total office paper consumption; and
- » Reduction in incoming fax print-outs by 70% by converting incoming faxes into digital format

essential the UK government takes an ambitious line on tackling climate change at home. This will convince other key players, including rapidly developing countries such as China and India, that the UK and its EU partners are serious about solving the problem.

We are trying to exert influence in our markets as well, particularly China and India. As an example of this, Mervyn Davies addressed Premier Wen Jiabao on the issue of climate security, in October 2006 on behalf of the China Task Force. We spoke on various platforms around the world on environmental issues. For example, Peter Sullivan, CEO Hong Kong, spoke at the 'Business for Clean Air' conference, hosted by the Hong Kong General Chamber of Commerce and Shane Bush, Director of Renewables, spoke at a range of renewable energy conferences across Asia.

It is also very important that all staff in the Bank are aware of the need to protect the environment and think about how they can reduce their own impact at work and at home. In 2007 we will run a major internal campaign to raise awareness of our environment strategy and provide guidance to our employees on how they can make a difference.

### Direct impact

In 2006, we continued to widen our coverage of properties using our Global Environmental Management System (GEMS) from 34 eligible offices in 2005, to 43 in 2006, a significant achievement whilst the Bank continues to expand. Reviews of GEMS properties were undertaken in South Korea, the Philippines and Zambia.

GEMS has been expanded in United Arab Emirates, India, China and Malaysia. Kenya is able to report again this year, and has expanded its office portfolio from 1 to 2 reporting sites.

Expanding GEMS coverage during 2006 resulted in a 36% increase in staff covered. However, during the year, the Bank has expanded by 16% in terms of staff numbers, resulting in a net decrease in the total population covered by GEMS from 55% in 2005 to 48% in 2006.

In 2006, most areas of performance remained consistent with previous years. Notable exceptions include a significant release of refrigerant gases in two offices in South Korea during routine maintenance. The implementation of paper saving initiatives in priority markets has helped decrease paper consumption per full time employee by 25% in 2006. Improved accuracy of reporting

has demonstrated that our waste reuse/recycling figures are not as high as previously reported; however, this provides us with a sound baseline for further improvement in this area. This year we have given considerable focus to energy management planning in established GEMS properties, and we anticipate that this will impact energy efficiency positively in 2007.

An important component of our environment strategy in 2007 will be to continue to manage our direct impacts effectively. We are planning to expand GEMS coverage to all remaining eligible properties (12 properties), and establish methods to obtain our global footprint (small offices and branches) covering key areas of performance, including energy use, greenhouse gas emissions, water and paper consumption.

We have seen an increase in transport related CO<sub>2</sub> emissions in absolute terms, but per capita this is largely unchanged from 2005 at 1.58 tonnes CO<sub>2</sub>e/year. We recognise travel as one of the more significant sources of CO<sub>2</sub> emissions and seek alternative means of communicating and working across the Group.

### Energy

In 2006, our country environmental representatives prepared energy management plans for all GEMS properties. In each location, the environmental representative was asked to consider energy procurement options with a specific focus on the availability of energy from renewable resources, energy monitoring, energy efficiency measures currently adopted and possible future reduction measures. Each energy action plan included an energy reduction target.

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



Further information on our Environmental Strategy can be found at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)



Goals for 2006	Status	What we have done
Deliver an environmental strategy with a focus on indirect impacts such as carbon management, energy and water	 Completed	Environment strategy approved in December 2006
Expand GEMS coverage to 40 offices including South Korean and Philippines major offices	 Completed	GEMS expanded to 44 offices, although Philippines did not report this year. GEMS implementation continues
Report updated environmental information collected in 2006	 Ongoing	We have continued to collect and report environmental performance data across our global GEMS offices throughout 2006
All offices eligible for GEMS to implement energy management plan	 Completed	Energy management plans developed and country reduction targets established
Achieve a 20% reduction in paper use across the Bank	 Completed	We achieved a 25% reduction in paper consumption per full time employee in the buildings covered by GEMS
Travel and transport has been identified as a key issue that needs to be addressed	 Ongoing	Through the development of our Environment Strategy we have identified the scale of the issue and measures to be implemented to reduce these impacts
Deliver a focused internal awareness campaign on environment	 To do	We are already planning our Internal awareness raising communication strategy and will deliver a comprehensive campaign in 2007
Report on achievements against country targets	 Ongoing	Where accurate baselines exist we have developed country targets for reductions in waste, energy and paper consumption. These are reported internally
Set a global target for reduction in greenhouse gas emissions	 Ongoing	Work is ongoing to determine the carbon footprint of our operational activities and we will be setting reduction targets in 2007
We aim to understand more about the environmental implications of our procurement, especially relating to paper purchasing*	 Ongoing	Review of paper purchasing undertaken. Unable to specify paper with recycled content globally as price differentials in some markets are excessive (e.g. Hong Kong 15% more expensive). However we are able to specify paper is sourced from manufacturers with ISO 14001
Increase amounts of paper sourced from sustainable and recycled sources or, where virgin pulp is concerned, from sustainably managed forests*	 Ongoing	We have addressed this issue across our supply chain

\*From supplier section in 2005 CR Review.

## Going forward in 2007

- ▶ Implement the Bank's environment strategy
- ▶ Embed consistent policies and procedures to screen environmental risk and maximise opportunities in sensitive sectors including forestry, palm oil and ship breaking
- ▶ Complete the roll-out of GEMS to eligible buildings
- ▶ Implement a minimum set of environmental standards and checklists for each country as part of GEMS lite
- ▶ Launch an environment communications campaign



# Great place to work ▶▶▶▶

**Attracting, engaging and developing our talent**

## Highlights

**16%**

net growth in global headcount

**105**

nationalities represented globally

**740**

employees on international assignment

**25**

nationalities represented in our international graduate intake

**97%**

voluntary participation in our employee engagement survey

**47%**

female representation across the Bank, 16% at senior management

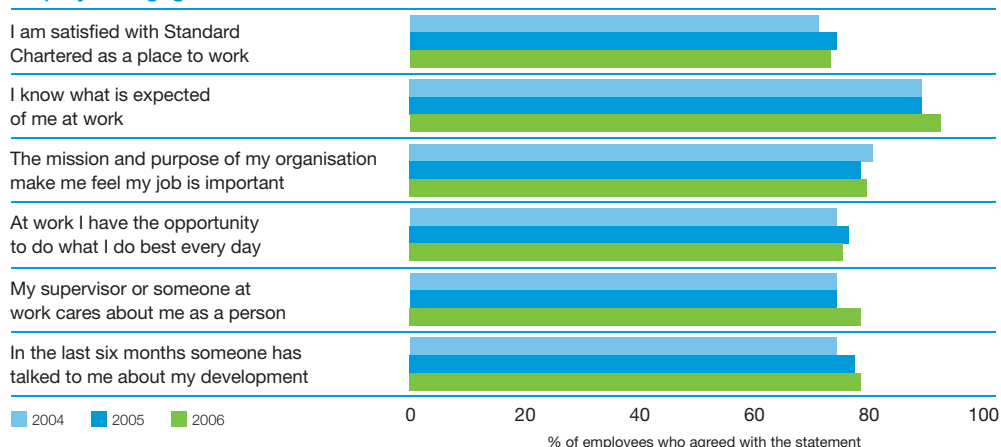


Standard Chartered employs almost 60,000 people in over 50 countries and territories. As we continue to grow, we believe our inclusive approach provides engaging opportunities for our employees to develop, both as individuals and as part of a team.

### Diversity through Inclusion

We are already a very diverse organisation. More than 100 nationalities are represented throughout Standard Chartered, over 50 are represented within our most senior 500 employees. However, the competition for talent across many of our markets is intense. Our approach to Diversity and Inclusion (D&I) can provide us with a distinct advantage over our competitors, creating a much larger talent pool for recruitment. Diverse teams help to fuel creativity and innovation, supporting the development of cutting-edge products and services for our customers. We believe diversity alone is not enough. We work hard to create an inclusive working environment to help deliver even better results.

## Employee engagement (Source: The Gallup Organization, 2006)



We focus on three strands of diversity – nationality, gender and disability (with a particular focus on visual impairment). We have made great progress on D&I throughout 2006. However, we recognise more work is needed to achieve our goals. D&I will remain a clear priority in 2007.

Over 300 people across Standard Chartered now have a formal D&I role. Jaspal Bindra, General Manager, South and South-East Asia, was appointed Chair of our D&I Council in early 2006, reflecting the importance we give to D&I and the strong support and sponsorship from Group Management. We also created a D&I Ambassador role for a number of senior employees, to raise awareness of D&I across our business. Many D&I issues are market specific. To address this, we appointed 50 D&I Champions across 48 markets and territories. In addition, we established 28 Country Councils to support the Champions.

In 2006, D&I Champions and Councils took part in a review and action-planning process, listening to employees in order to determine local D&I issues. Examples of the issues raised include:

- ▶▶ Employees would welcome the opportunity to work more flexibly;
- ▶▶ Greater opportunities to gain international experience without relocation; and
- ▶▶ Unintentional exclusionary behaviour often goes unnoticed

Our goal for 2007 is to put these plans into action.

### Creating an inclusive culture

We want to be sure that all of our employees are aware of and understand our approach to D&I and the role they can play in helping us to create a truly inclusive environment. In 2006, we piloted a D&I awareness programme in Singapore, Thailand and the UK and will extend the programme throughout the Bank in 2007. We also held awareness-raising sessions at each of the global leadership team meetings to help deliver the message to each business area.

The gender balance at Standard Chartered is broadly equal, 47% of our employees are female. 16% of senior managers are women (increasing from 15% in 2005). One of our priorities is to increase that percentage by 2008.

### Valuing our employees

The rapid growth of financial services in our markets, coupled with demographic trends and strong competition makes employee retention a key management priority. We are implementing an integrated retention strategy. Early implementation at the Global Shared Service Centres in India saw a 3% reduction in the number of staff leaving in 2006. We are proud that only 2% of high potential and high performing employees chose to leave the Bank in 2006.

### Engaging employees

Effective employee engagement leads to increased productivity and revenue, and lower employee turnover. We have been measuring employee engagement globally for six years and we continue to see an increase in engagement each year. In 2006, 97% of employees voluntarily took part in the survey. We provide team-specific data to each manager, enabling each to design their own engagement action plan. Following the acquisition of SC First Bank in Korea in 2005, 98% of employees chose to participate in our employee engagement survey in both 2005 and 2006.

### Health and safety

The Bank is committed to creating a healthy, safe and fulfilling environment in which people can work. We continue to drive changes in behaviour to develop safe working methods across our markets. During 2006, we initiated a Zero Tolerance safety process for identifying risks. All of our offices were inspected using this process, including recent acquisitions. As we grow, maintaining high standards can be a challenge. Regular inspections and ongoing training will ensure an embedded health and safety awareness culture.

### Mitigating security risks

We put a high priority on security risk management to ensure we can respond to today's security and environmental challenges. Failure to do so puts the safety of our staff and customers at risk and could expose senior management and our business to legal action for breaches of their fiduciary and legal responsibilities.

We operate in an environment that is increasingly hostile; attacks are increasingly frequent and the nature and scope of risks is constantly changing. New privacy, financial and governance legislation demands increasingly stringent action. Thanks to our security management activities, we received no reports of

▶▶ **Work-life balance**

We want to create a more flexible working environment so employees can balance their work and personal commitments. We believe that flexible working helps employees to maximise their potential and perform to their best.

▶▶ **China Health Alliance**

Standard Chartered joined the China Health Alliance as a founding member. The Alliance is a groundbreaking World Economic partnership between the Chinese Government, companies, UN agencies and NGOs to respond to the growing need for economies to respond to the social threat of HIV/AIDS and Tuberculosis in China.

▶▶ **Building Partnership in Labour Relations**

Labour relations in Korea can be challenging and we are proud to have built a trusting partnership with the labour union. As a result, SC First Bank is seen as exemplary in this area. SC First Bank manages relations with its union through information sharing and joint working on key issues. The Bank involves the union in projects to improve performance and offers opportunities to participate in initiatives, such as our recent employee Wellbeing Week, and social events which are highly symbolic and help to forge closer ties.

non-compliance with security regulations in any of our countries in 2006. We also use specific systems to help us, including:

- ▶▶ The Phoenix risk and loss database reporting system, rolled out in 45 countries in 2006, which collects risk and loss information each month for group, business and country managers; and
- ▶▶ The online travel management system, Travel Tracker, developed in 2006, allows us to monitor staff movements and locate individuals at a moment's notice. The system proved invaluable during crises in the Lebanon, Pakistan, the Philippines, Nepal and Thailand in 2006

We also monitor global threats and country risk ratings. We report the top five security risks, maintaining a list of potential future threats to our operations. In addition, we produce ad-hoc reports on specific risks or key challenges that Standard Chartered might face, such as Avian Flu or terrorism.

**Living with HIV**

Our response to managing HIV/AIDS in the workplace is born out of a commercial imperative to ensure a healthy and stable workforce. In 2006, we improved our workplace HIV/AIDS programme to ensure it was consistent with our comprehensive HIV/AIDS Policy. Alongside this, we made significant progress in encouraging employees to understand our approach to HIV/AIDS.

Our HIV/AIDS Policy is being incorporated into the Risk Management Framework and will be monitored through the Human Resources Business Risk Committee from March 2007. This will allow us to monitor performance of the Policy across Standard Chartered more effectively.

Zambia and Kenya have completed business impact assessments as an initial step to monitor the impact of HIV/AIDS in these markets. In most countries, where detailed data does not exist, we will identify ways to address this during 2007.

	Kenya	Zambia
National prevalence rate (est.)	7%	17%
Cost to business pa	\$300,000 (0.5% of total)	\$270,000 (1% of total)
Amount made up of:	62% healthcare 22% burial 13% recruitment 3% training	47% healthcare 24% burial 24% recruitment 5% training
Average additional cost per infected employee	\$4,700	\$4,200

We strengthened the HIV Champion's network, introducing a formal management and recognition structure. Our HIV Champions, numbering over 300, report into a senior member of the Bank's management team. Their responsibilities are included in objectives and performance reviews.

**Wellbeing**

Underlying our approach to employee wellbeing is our ongoing commitment to provide a supportive working environment for all employees. In 2006, we introduced employee volunteering on a global basis to support individuals' commitment to our community initiatives. We have also developed our global approach to flexible working and continued our annual family days across the Bank.

In November 2006, we launched a global employee Wellbeing Week for all employees. A variety of events were held across the Bank with record levels of employees involved in talks on different topics, such as physical activities, family days, health checks, healthy food, quizzes, competitions, comedy and even massages. In Singapore, for example, over 500 people had health screenings, while in Korea, 500 people attended a family wellbeing day and over 300 employees and customers received finger pressure therapy from visually impaired therapists.

 Further information on Diversity and Inclusion can be found at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)



Goals for 2006	Status	What we have done
Continue awareness and education of D&I issues across the Bank	 Ongoing	D&I sessions were held at each of the global leadership team meetings in 2006 and country-specific D&I action plans for 2007 were completed across 48 markets. A new D&I Ambassador role was created to help engage on D&I more widely across the Bank and a Group Management Committee member appointed Chair of the Group D&I Council
Develop and implement a flexible working framework	 Ongoing	Developed a global approach to flexible working focusing on flexible time and part-time working
Review all resourcing policies and processes from a D&I perspective	 Completed	Sponsored academic research project which explored recruitment and selection from a diversity perspective which resulted in a number of recommendations. Consequently a clear resourcing and D&I action plan is in place for 2007
Continue focus on developing talent already identified across the Bank	 Completed	The Interim Performance Review, talent identification and development planning processes were combined for the first time in 2006. 98% of the eligible employees were included in the process. We increased focus on structured development planning for high potential employees
Improve identification and development of talent at more junior levels	 Ongoing	Improved focus on identifying talent at junior levels, the proportion of employees classed as high potential rose by 3%. Our talent classification guidelines were sharpened and communicated to all managers, to aid managers in identifying talent
Introduction of one-day career workshops for high potential employees across the Bank	 Completed	One-day career development workshops were implemented targeting high potential employees at junior levels across the Bank
Implementation of development programme for International Graduates 3-5 years into their careers at the Bank	 Completed	All graduates completing the International Graduate Programme in 2006 have been introduced to the new post graduate framework. This represents 42% of the current 3-5 year graduate group. The post graduate framework will now be implemented as standard for all International Graduates
Implementation of MBA recruitment scheme to increase the middle management talent pool	 Ongoing	Recruitment of MBAs was extended in 2006 to include all business functions. A group-wide recruitment process for the 2007 MBA intake is underway
Continue monitoring impact and follow-through of Q12 engagement survey results and how they are used to improve how teams operate	 Ongoing	All employee engagement survey scores relating to action planning saw an increase in 2006, 73% of employees agreed their team used the results of the survey to agree actions and 66% agreed their team effectively followed through on these actions
Continue action planning by managers using the results of the engagement survey	 Ongoing	It continues to be a focus to ensure that Q12 results form the basis of team discussions to increase team engagement
Continue to support each business area to embed, interpret and track key human capital metrics produced globally on an annual and quarterly basis	 Ongoing	Human Capital Scorecards are produced quarterly for each business unit and significant market in the Bank through an automated process. The Scorecards provide comprehensive and standardised people-related data and analytics to help understand how well we are developing people to support our growth
Continuing evaluation of health and safety across the Bank	 Ongoing	A Zero Tolerance health and safety risk identification process was adopted in 2006. All offices and branches were inspected to ensure compliance with the Bank's minimum Health and Safety standards

## Going forward in 2007

- ▶ Launch the Great Manager Programme to improve manager capability, targeting 9,000 managers
- ▶ Implement country-specific Diversity and Inclusion action plans
- ▶ Roll-out our Diversity and Inclusion awareness programme globally
- ▶ Continue to support managers in fostering a flexible working environment
- ▶ Develop the Bank's disability strategy from a customer, community and workplace perspective
- ▶ Develop and implement an integrated approach to managing employee retention
- ▶ Continue to monitor threats and risks faced by the Bank. Take further steps to embed the new reporting process and ensure that the risk and loss database reporting of security issues introduced in 2006 is adopted by all countries



# Community investment

Contributing to the communities in which we operate

“Standard Chartered needs to ensure that community investment and volunteering is aligned with core business and has a strategic focus.”

Professor Alyson Warhurst  
Chair of Strategy and International Development,  
Warwick Business School



## Highlights

**\$21.2m**  
invested in the community

Clinton Global Initiative pledge to educate one million people on HIV/AIDS

**\$2m**  
raised for Seeing is Believing and \$1 million donated from Standard Chartered

Global Employee Volunteering programme launched

Women's empowerment initiative piloted in Delhi

Through our community investment strategy we develop and support initiatives that align our core business activities, expertise, networks and resources with key issues affecting the countries where we operate.

Community investment is particularly important to us because of our significant presence in developing countries. Our initiatives seek to strengthen the relationships between our business, local people, governments and customers while providing opportunities to involve our employees and develop their skills, all of which will help pave the way towards more sustainable growth. We operate three levels of community investment: global, regional and local. Our major initiatives are described here. Please see our website for examples of our local programmes.

## »Employee volunteering with Sightsavers International

In 2006 Michele Gourgey, a Director of Global Corporate Sales in Standard Chartered, spent two weeks working with Sightsavers International as a volunteer consultant. Drawing on her business experience, Michele and her team were able to complete an FX hedging review that Sightsavers needed to develop their treasury policy. Speaking of her time with Sightsavers Michele said, "it was rewarding to be able to use my risk management skills and experience to be able to help Sightsavers quantify and manage some of the market risks they are exposed to".

## Living with HIV

Living with HIV continues to be a key global programme for Standard Chartered. Our commitment developed from a desire to protect basic human rights, promote the health of our employees, keep the business costs associated with HIV/AIDS to a minimum and respond to what we see as a global challenge. In 2006 we focused on making sure our activities were consistently in line with our HIV/AIDS Policy, strengthening our thought leadership position on HIV/AIDS and involving our employees in our ongoing projects. Our highlights for 2006 were:

- ▶▶ We pledged our support to the Clinton Global Initiative ([www.clintonglobalinitiative.org](http://www.clintonglobalinitiative.org)). We made a commitment to extend our Living with HIV peer-education workshops to reach one million people over the next three years. We will achieve this by strengthening our commitment to existing partnerships, including those with customers, suppliers and NGOs;
- ▶▶ Launching an ATM HIV/AIDS awareness campaign across 41 branches in Thailand; and
- ▶▶ Supplying a senior member of staff as Chairman for the Global Fund to Fight AIDS, Tuberculosis and Malaria in the Gambia. By applying his business management skills the Chairman managed to increase accountability and communication between Fund partners and improve the delivery of HIV/AIDS and malaria projects

For information on how we manage the impact of HIV/AIDS on our workforce, please see the 'Great place to work' section.

## Seeing is Believing

Led by our employees, the Seeing is Believing initiative has proved hugely successful in engaging staff and raising the profile of Standard Chartered. Through fundraising, awareness raising and voluntary work with charities for the visually impaired, employees have raised over \$6.8 million since 2003. This money will contribute to one million sight restorations by World Sight Day 2007. Events in 2006 included a Gala Dinner in the UK which raised nearly \$1 million, walkathons in Nigeria and Nepal, and support at all Standard Chartered marathons.

On World Sight Day 2006 we announced our most ambitious programme yet. We will work with the International Agency for

the Prevention of Blindness and the World Health Organization to fund community and education projects to cure and prevent blindness for 10 million people across 20 countries. To support this target, we launched a Christmas appeal with the UK's Sunday Times newspaper which raised over \$2 million. Standard Chartered will match this as part of our commitment to contribute \$5 million to Seeing is Believing.

## Empowering women

The increasing size of Standard Chartered, along with the success of existing global initiatives and the value these have demonstrated for local communities and our business has led to a pilot of a third community programme. The third programme on empowering women links with our focus on female representation in Standard Chartered and seeks to help women to reach their full potential. To pilot the programme, we launched a project called GOAL in Delhi, India. GOAL uses the principles of sports-based-social inclusion to build women's self esteem, strengthen their leadership skills and provide access to education opportunities. Participants attend coached netball sessions and undertake a modular leadership course. Best performers will be rewarded with scholarships, microfinance opportunities and potentially, internships at our branches.

## Employee volunteering

Our success in building a sustainable business will depend largely on our success in engaging our employees. One way of getting staff more involved in our business is through volunteering. This year we focused on putting in place an employee volunteering programme that would raise awareness of the benefits of volunteering and measure its contribution to community investment. In 2006 we launched the foundation level of our employee volunteering programme, supported by a marketing campaign throughout the Bank to encourage people to get involved. The scheme gives each employee an additional two days leave each year for voluntary work they fund themselves. So far, over 1,000 employees have chosen to take this opportunity. We also launched a pilot of the reward level programme in five countries. This rewards employees who demonstrate outstanding business performance with an additional five days leave, sponsored by Standard Chartered, to spend on a project that ties in with our community strategy.

» **Disaster response**

Our response to natural disasters shows employees, customers and governments that we have a long-term commitment to the countries where we operate. In 2006 we donated \$450,000 in response to the May earthquake in Java, Indonesia. The money will fund new schools and a scholarship programme. In the days and weeks following the disaster, our staff raised an additional \$37,000 for employees who had lost their homes in the earthquake. In Nepal, we donated money to the emergency relief effort following floods and landslides.

**Regional programmes**

Standard Chartered supports two regional programmes in Africa. Through them we help create opportunities for staff and customer engagement, enhance Standard Chartered's reputation and strengthen relationships with stakeholders.






**Nets for Life**

This year we launched Nets for Life which aims to help reduce the incidence of malaria by distributing one million long-lasting insecticide treated nets across 16 countries in Africa by the end of 2008. Standard Chartered has donated \$1 million to the programme which is coordinated by Episcopal Relief and Development, and 16,000 nets have already been distributed. Working closely with governments, regulators and customers, Nets for Life is helping us to strengthen relationships with our stakeholders.

**Community Partnership for Africa**

In 2006 we continued to run this important regional community campaign, supporting 17 projects across nine countries. Activities included providing a clean water supply, improving health facilities in remote areas and awarding scholarships to deserving students.

 Further information on our community programmes can be found at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability) [www.seeingisbelieving.org.uk](http://www.seeingisbelieving.org.uk)

Goals for 2006	Status	What we have done
To set an annual budget for Group-wide community investment based on previous year's pre-tax profit and trading outlook	 Achieved	We agreed a new target of 0.75% of previous year's trading profit into community investment
Develop community investment reporting guidelines	 Ongoing	We are still working on the development of reporting guidelines for the outputs of our activities. We have, however, successfully adopted a more structured approach to allocating community expenditure
Measure the value to the community and the Bank of its investments	 Ongoing	Monitoring and evaluation built into GOAL and our employee volunteering scheme from the start – we are looking at how we can apply this methodology to our other initiatives. Assessments completed in Zambia and Kenya of the business impact of HIV/AIDS – we are planning to extend this work. We joined the London Benchmarking Group (a group of over 100 companies working together to measure corporate community investment)
To be recognised as leaders in key areas such as HIV/AIDS, employee volunteering and public and private sector partnerships	 Achieved	Involvement in Clinton Global Initiative and Global Fund to Fight AIDS, Tuberculosis and Malaria. We launched a comprehensive Employee volunteering programme
To improve internal awareness and engagement	 Ongoing	Monthly email summary of community activity launched in December 2005 and distributed to every employee. We continue to work on ways to raise internal awareness and engagement

Going forward in 2007
» Launch Clinton Global Initiative pledge to educate one million people about HIV/AIDS over the next three years
» Take 60 young women from under-privileged communities in Delhi through GOAL
» Assist a delegation of emerging Chinese female leaders to attend the 2007 Vital Voices Pan-African women's leadership summit in Cape Town
» Distribute one million long-lasting insecticide treated nets in Africa by the end of 2008 and increase staff engagement in the programme
» Pilot the employee volunteering development scheme and complete the reward scheme pilot
» Develop robust policy and guidelines for our response to disasters





# Responsible selling and marketing ▶▶

## Building loyalty through responsible selling and marketing

“Demonstrate how you engender responsibility in those selling through incentives. Providing indicators in this regard are a good way of showing how your sustainable business programme is embedded in individual outcomes.”

Kirsty Jenkinson  
F&C Asset Management



### Highlights

**97%**

Wholesale Banking Service Quality Index

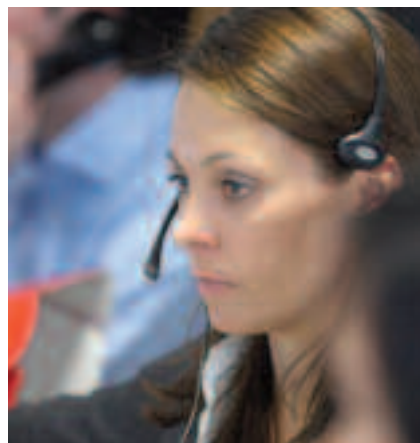
**83%**

Consumer Banking's Loyal & Positive Index in 2006

**Global** dashboard of performance indicators implemented to improve service

Competition can cause selling and marketing of products and services to become increasingly aggressive, resulting in the erosion of trust between financial institutions and customers. Our marketing and selling is underpinned by our core values of being trustworthy, responsive and courageous in order to protect our reputation and to maintain and grow a sustainable business. Providing excellent service and treating customers according to our values are at the heart of our drive to build customer loyalty, increase revenue and create value.

We are committed to strict measures on governance, assurance, data protection, complaints handling and mis-selling. Our work in this field is driven by our brand promise of being 'The Right Partner – Leading by Example' and guided by the FSA approach to Treating Customers Fairly as well as our own 'Outserve Plus' programme which focuses on customer service.



### What we have done in 2006

Building on a strong foundation of effective management of product development, sales practices and customer complaints, the Bank has refined its measures of service utilising Voice of Customer feedback as well as internal measures such as turnaround time and quality to improve its responsiveness to customers and develop products relevant to customers' needs. The result is that Consumer Banking's Loyal and Positive Index improved to 83% in 2006 whilst complaints decreased to 0.36% from 0.4%.

A new complaints management system was implemented in 2006 which provides a globally consistent end-to-end approach to complaints logging, tracking and monitoring through to resolution.

The Bank's senior management continues to review sophisticated or complex products to ensure that issues of appropriateness and mis-selling are addressed. A challenge is the ability to manage customers' expectations of product performance. With regard to certain investment products, we review product performance to anticipate potential issues and pro-actively engage customers on providing solutions.

To reinforce the culture of responsible selling, sales scorecards were revised in 2006. The revised scorecard ensures a balance between sales, service and regulatory compliance to gear sales towards building a sustainable, long-term relationship with customers. Pure product sales is de-emphasised as a dominant indicator of successful performance. The incentives and reward systems for sales staff incorporate indicators such as complaints or compliance breaches.

The sales force (including Direct Sales representatives) have undertaken further training, which along with robust performance management standards ensures that customer experience and compliance matters are taken into account.

### Outserve Plus

Outserve is the Bank's initiative to set high standards for customer service. To build on existing achievements, in September 2006 we began to develop Outserve Plus, which aims at delighting customers with our service quality. Outserve Plus focuses on ensuring scalable and sustainable operating models throughout the Bank to support its growth aspirations – and it provides a framework within which we can embed a culture of continuous improvement and operational excellence throughout the Bank.

As a result of becoming operationally excellent we aim to:

- ▶▶ delight customers with the quality of our service;
- ▶▶ make life easier for our staff and customers; and
- ▶▶ create capacity to enable the Bank to achieve sustainable growth

Achievements in 2006 include examples such as Wholesale Banking introducing 'Speed to Market'. The target is to reduce average time to market of a new product from 157 days to 40 days. In Consumer Banking in Hong Kong, it now takes 40 minutes instead of 48 hours to process a Hong Kong credit card application in our service centre in Chennai.

Outserve Plus and the initiatives running under it respond to customer needs. Key areas of focus include improvements in quality and appropriateness of products, as well as the continuous review of the end-to-end sales process to mitigate the risk of mis-selling.

Looking forward, our focus is on credit products in situations where consumer credit bubbles may develop. For example, in some of the markets where responsible selling or consumer protection is not legislated, irresponsible lenders may imprudently feed a growing appetite for consumer borrowing. This can lead to an inability of over-extended customers to repay their loans. The social and economic consequences can be severe. In these circumstances a measured response by the government balancing the stability of the financial system against the adverse circumstances suffered by the over-extended consumer can be difficult to achieve. The Bank's approach in these circumstances has been to practise prudent lending using available credit bureau data, engagement with the regulators to develop more sophisticated use of credit data, and consumer education. This is a challenge that the Bank has faced in some of its markets and may continue to face in future.

The Bank undertook a review of its approach to Treating Customers Fairly (TCF) in 2005. The Bank is currently conducting a further review of its framework around TCF issues.



Further information on our approach to Responsible Selling and Marketing can be found at: [www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)

Goals for 2006	Status	What we have done
Refine Outserve measures to ensure they are accurate and consistent	 Completed	We have established a globally consistent dashboard of internal and external (Voice of Customer) performance measures. These include, for example, measures of cycle time, service levels and error rates
Drive management behaviours to ensure that data is actually used to manage the business	 Ongoing	Regular Group reviews and in-country reviews are held to discuss findings, prioritise actions and monitor progress
Ensure all global standards are achieved, by improving processes in areas of the customer experience not meeting desired standards	 Ongoing	We have embarked on a Group-wide operational excellence programme to review all processes with major customer impact from end to end. Rapid improvements in turnaround time, error reduction and better quality have been achieved in a number of key processes
For Consumer Banking to maintain the Loyal & Positive Index over 80% and to improve our competitive position in every market	 Achieved	Consumer Banking's Loyal & Positive Index was over 80% in 2006
For Wholesale Banking to achieve and maintain Service Quality Index over 100% and to close the gap on competitors progressively in terms of core bank status with our clients	 Ongoing	Wholesale Banking will strive to maintain current Service Quality Index levels
To increase the scale and speed of process improvements	 Completed	Operational excellence initiatives aimed at improving processes have begun with significant momentum specifically in two of our key markets – Hong Kong and Singapore
From Voice of Customer, Complaints and Service Metrics data we now understand the main issues that concern customers. We now have to improve processes to remove these negative experiences	 Completed	The establishment of the global dashboard of measures is underpinning operational excellence initiatives to improve quality and reduce cycle time from the customer's perspective
Implement and market more service guarantees	 Completed	We have successfully rolled out service guarantees according to plan in countries such as Thailand and United Arab Emirates
Refining performance scorecards and incentives we offer to achieve a better balance between creating the right approach to sales and serving the interests of customers, whilst meeting profit requirements	 Completed	Global balanced scorecard and incentive principles have been designed which ensure a balanced focus on both sales and service. System development efforts have been implemented to enable us to achieve consistent data capture and reporting
Strengthen training by including appropriate feedback from customer sales experiences, complaints, operational or compliance failures	 Completed	Our global complaint management system 'loyalty manager' systematically tracks all customer feedback and country outserve champions drive management actions which include training for all staff. The Consumer Banking Outserve central team is proactively focused on customer issues taking into account the UK FSA's expectations for treating customers fairly
Increasing engagement with regulators on mis-selling issues	 Ongoing	We continue to remain engaged with our regulators across our footprint on responsible sales practices

## Going forward in 2007

- ▶▶ Consumer Banking aims to sustain its Loyal and Positive Index at over 80% and will focus on improving the share of 'loyalty' customers
- ▶▶ Through Outserve Plus we will seek to improve quality, reduce cycle time and increase productivity while maintaining effective controls
- ▶▶ In addition to the expected benefits of a superior customer experience resulting from our operational excellence initiatives, there will be increased focus on improving the post-sales experience of customers

## Our progress

Group			
Measure	2004	2005	2006
Operating income	\$5,382m	\$6,861m	\$8,620m
Profit before taxation	\$2,251m	\$2,681m	\$3,178m
Total assets	\$147bn	\$215bn	\$266bn
Return on equity	18.6%	18.0%	16.9%
Dividends per share	57.5 cents	64.0 cents	71.04 cents
Normalised earnings per share	124.6 cents	153.7 cents	170.7 cents
Staff costs	\$1,559m	\$2,145m	\$2,913m
Taxes paid	\$573m	\$611m	\$903m
<b>Income by region:</b>			
Asia	\$3,480m	\$4,940m	\$6,331m
Africa	\$584m	\$553m	\$640m
Americas and the United Kingdom	\$670m	\$556m	\$579m
Middle East and Other S Asia	\$648m	\$812m	\$1,070m

### Profit before taxation \$m



Sustainable Lending			
Measure	2004	2005	2006
<b>Social and environmental risks in lending</b>			
Number of people trained on sustainable lending	400	2,995	1,500
Graduates trained on sustainable lending	140	200	280
<b>Equator Principles</b>			
Number of people trained on the Equator Principles	–	65	20
Number of A category transactions approved	–	5	5
Number of B category transactions approved	–	10	12
Number of C category transactions approved	–	3	3
<b>Products and Services</b>			
Renewables investment		\$300m	\$800m
Number of new deals closed		4	8

### 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

Community Investment and Volunteering			
Measure	2004	2005	2006
Cash contributions	\$12.3m <sup>1</sup>	\$12.7m	\$14.2m
Employee time	\$4.6m	\$6.3m	\$4.0m
Gifts in kind	\$0m	\$0.05m	\$0.08m
Management costs	\$1.9m	\$3.4m	\$2.8m
Total	\$18.8m	\$22.4m	\$21.2m
Pre tax operating profit	\$2,158m	\$2,681m	\$3,178m
% same year's operating profit	0.87%	0.86%	0.67%
% based on previous year's operating profit (PYOP)	1.22%	1.04%	0.79%

### Cash contributions \$m



Notes <sup>1</sup>In 2004 a one-off donation of \$5 million was contributed to the Tsunami relief fund.

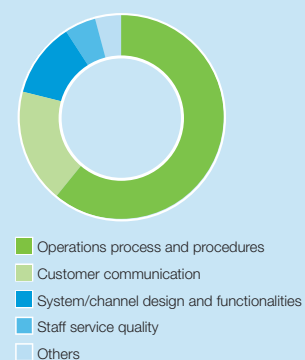


Tackling Financial Crime			
Measure	2004	2005	2006
Countries using advanced filtering and monitoring systems for sanctions/anti-money laundering	3	4	24

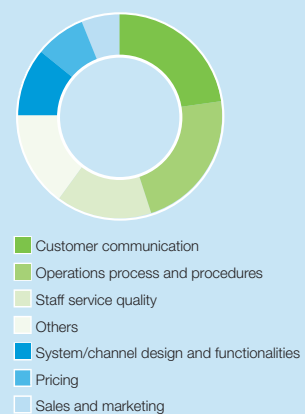
Access to Financial Services			
Measure	2004	2005	2006
Loans extended to Microfinance Institutions	–	\$24m	\$70m
Average size of loan	–	\$1m	\$2m
Number of individuals impacted	–	250,000	600,000
Number of Microfinance Institution partners	–	21	35

Responsible Selling and Marketing			
Measure	2004	2005	2006
<b>Customers – General</b>			
Wholesale Banking Service Quality Index (Greenwich Asia index)	99	93	97
Consumer Banking Loyal and Positive Index (independent Market Probe survey)	74%	80%	83%
<b>Customer Service</b>			
Number of complaints per 1,000 customers per month	–	WB: 3.5 CB: 4	WB: 5.6 CB: 3.6
Complaints resolution	–	Target 80% <2 days	Average 54% in 2 days
<b>Complaint Type</b>			
Customer communication	–	WB: 7% CB: 24%	WB: 18% CB: 23%
Staff service quality	–	WB: 5% CB: 12%	WB: 5% CB: 15%
Operations process and procedures	–	WB: 76% CB: 23%	WB: 61% CB: 22%
Sales and marketing	–	WB: n/a CB: 6%	WB: n/a CB: 6%
Pricing	–	WB: n/a CB: 7%	WB: n/a CB: 8%
System/channel design and functionalities	–	WB: 10% CB: 12%	WB: 12% CB: 11%
Others	–	WB: 2% CB: 16%	WB: 4% CB: 15%

Wholesale Banking complaint type 2006 %



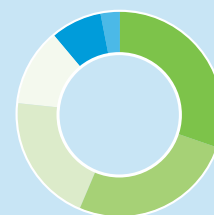
Consumer Banking complaint type 2006 %



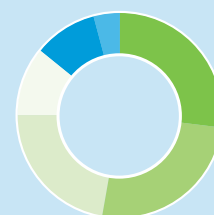
## Our progress continued

People			
Measure	2004	2005	2006
<b>Number of employees</b>			
Global	33,322	43,899	59,205 <sup>1</sup>
Consumer Banking	16,751	19,271	25,610
Wholesale Banking	6,710	7,944	8,832
SC First Bank	–	5,775	6,023
<b>2006 Acquisitions</b>			
Union Bank	–	–	1,560
Hsinchu International Bank	–	–	3,337
<b>Employee distribution by region</b>			
South-East Asia and other South Asia	26%	24%	20% <sup>1</sup>
North-East Asia	19%	30%	30% <sup>1</sup>
India	26%	23%	26% <sup>1</sup>
Africa	15%	12%	8% <sup>1</sup>
Middle East and Pakistan	9%	6%	12% <sup>1</sup>
UK/Europe/Americas	5%	4%	3% <sup>1</sup>
<b>Recruitment</b>			
Employee growth rate – growth in headcount, adjusted for joiners and leavers	9%	14%	15%
High potential growth rate – growth in high potential headcount, adjusted for joiners and leavers	6%	9%	7%
Number of international graduates	135	190	260
Number of nationalities represented by graduate intake	20	22	25
<b>Diversity and Inclusion</b>			
% female representation globally	47%	48%	47%
% female – senior management	15%	15%	16%
Number of nationalities represented	80	89	105
Number of nationalities represented at senior management	23	45	56
<b>International mobility</b>			
Number of International moves	248	272	335
Number of employees on international assignment	652	599	740
<b>Employee engagement</b>			
% participation in Q12 survey	97%	96%	97%
Engagement score (/5)	3.92	3.96	3.99
<b>Attrition</b>			
High performers & high potential employees (% attrition)	4%	4%	3%
<b>Performance management</b>			
% employees appraised	97%	98%	98%
% employees received feedback they feel will help their performance in the following year	83%	88%	n/a <sup>2</sup>
<b>Shares</b>			
Number of employees receiving discretionary share awards	2,524	3,100	3,077
% participation in Sharesave scheme	36%	41%	37% <sup>3</sup>
<b>Learning and development</b>			
Total learners <sup>4</sup>	98,917	124,979	418,174
Learning days	83,661	126,168	361,523
% employees receiving training	89%	80%	73%
Average training days per employee	2 days	2.4 days	3.4 days
% of high potential employees receiving training	94%	92%	94%

### Employee distribution by region 2006 %



### Nationality by geographic region 2006 %



**Notes** <sup>1</sup>Includes all wholly-owned subsidiaries of the Bank, including SC First Bank, Union Bank and Hsinchu International Bank. 2005 figures include SC First Bank. <sup>2</sup>Annual survey conducted in April each year. <sup>3</sup>2006 data only, taken at year end. <sup>4</sup>Total number of learning courses attended. \*In line with age legislation introduced in the UK in 2006, we no longer report internally or externally on the age distribution of our employees.

Environment and Climate Change				
Measure	Units	2004	2005	2006
<b>GEMS Coverage</b>				
Number of offices reporting		27	34	43
Net internal area of reporting offices covered	m <sup>2</sup>	241,093	300,602	401,185
Full time equivalent (FTE) employees covered	FTE	17,095	20,946	28,453
<b>Energy Consumption % GHG Emissions</b>				
Total energy consumption	mWh/year	89,607	113,142	152,020
Total energy consumption/m <sup>2</sup>	kWh/m <sup>2</sup> /year	372	376	379
CO <sub>2</sub> emissions associated with building management (energy + refrigerants)	tonnesCO <sub>2</sub> e/year	60,732	72,238	94,750
CO <sub>2</sub> emissions associated with transport (travel + freight)	tonnesCO <sub>2</sub> e/year	25,778	36,275	45,177
Scope 1 emissions (electricity generated on site)	tonnesCO <sub>2</sub> e/year	0	757	1,397
Scope 2 emissions (imported electricity)	tonnesCO <sub>2</sub> e/year	59,894	62,769	85,138
Scope 3 emissions (refrigerant gases, travel & freight)	tonnesCO <sub>2</sub> e/year	26,615	44,090	53,392
Total CO <sub>2</sub> emissions	tonnesCO <sub>2</sub> e/year	86,509	108,512	139,927
Total CO <sub>2</sub> emissions/FTE	tonnesCO <sub>2</sub> e/FTE/year	5.1	5.2	4.9
<b>Ozone depleting substances</b>				
Total ODS emissions/FTE	gCFC11/FTE/year	4	6	63
<b>Paper consumption</b>				
Total paper consumption	tonnes/year	1.2	1.7	1.7
Total paper consumption/FTE	kg/FTE/year	71	79	59
<b>Waste</b>				
Total solid waste	tonnes/year	2.0	1.8	2.8
Total solid waste/FTE	kg/FTE/year	118	88	98
Percentage solid waste reused or recycled	%	39	50	25
<b>Water</b>				
Total water consumption	m <sup>3</sup> /year	391,760	508,193	677,169
Total water consumption/FTE	m <sup>3</sup> /FTE/year	23	24	24
<b>Legal Compliance</b>				
Reported prosecutions		none	none	none
<b>Suppliers</b>				
Number of suppliers		24,053	24,000	23,373
Total spent on procurement		\$1.1bn	\$1.2bn	\$1.5bn

Total paper consumption per full time employee (kg)



Total solid waste per full time employee (kg)



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# Building a sustainable business ▶▶



**We have just re-launched the sustainability section of our website.  
On the site you will find:**

- ▶▶ Details of our approach to building a sustainable business
- ▶▶ Global Compact Communication on Progress
- ▶▶ Policies and procedures
- ▶▶ Progress against priorities



For more information visit  
[www.standardchartered.com/sustainability](http://www.standardchartered.com/sustainability)

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