

# Environmental and Social Risk Assessment

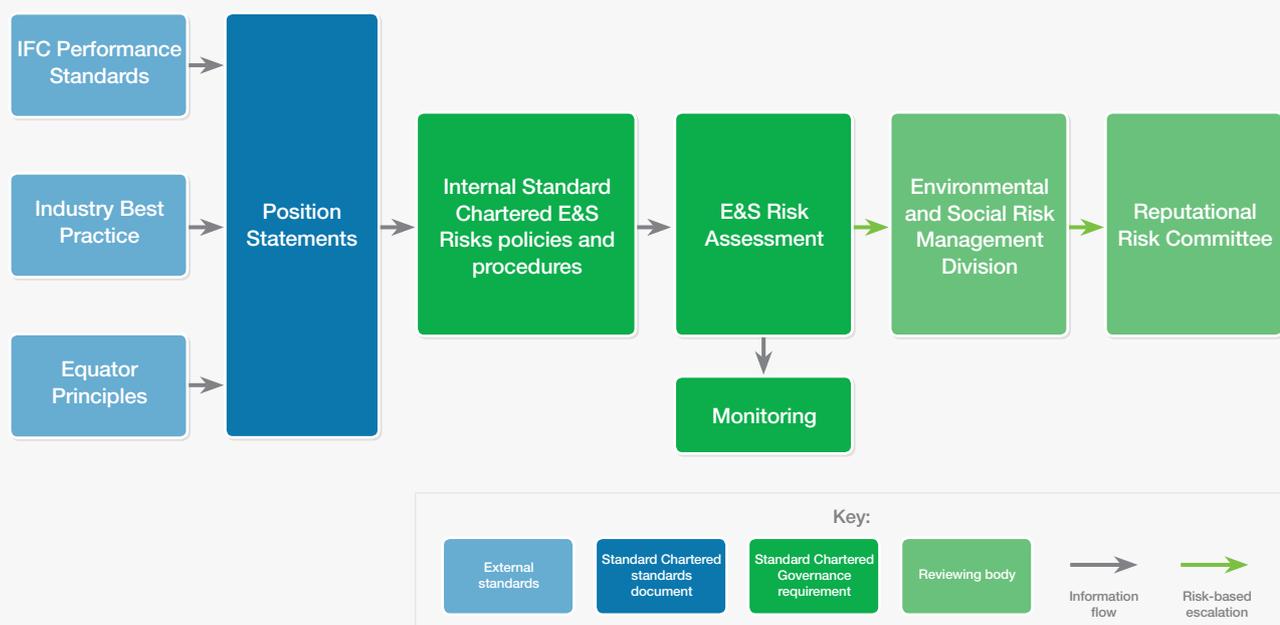
Standard Chartered is a leading financial institution focused on banking the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. For us, sustainability is about creating long-term value for our shareholders, working in partnership with our clients to make a positive economic and social contribution in the markets where we operate. We recognise that our success as a bank is intrinsically linked to the health and prosperity of our markets.

The biggest impact we have is through the businesses we finance. By providing finance efficiently and responsibly,

we can generate value for our shareholders while creating value more broadly for society. We want to be a force for good by working with our clients to improve their sustainability performance.

In recognition of this, we have developed and implemented a comprehensive approach to managing environmental and social ('E&S') risks that arise as a result of our provision of debt, equity and advisory services for Corporate and Institutional Clients, and lending to Commercial Clients and Business Clients in our Retail segment.

**Fig.1 – Our policy and procedure framework**



In order to manage E&S risks we have implemented and maintained a robust E&S framework since 1997. Our framework is regularly updated, most recently in 2014, and is overseen by the Brand, Values and Conduct Committee (BVCC) which is a committee of the Board. The Committee reviews the Group's sustainable business priorities, and oversees the Group's development of and delivery against public commitments regarding which activities and/or businesses it will and will not accept in alignment with our Here for good brand promise.

Our sector-specific **Position Statements** outline the criteria we encourage and expect our clients to align to, and are applied through our internal Policies and Procedures. They reference appropriate industry wide benchmarks such as the IFC Performance Standards and Equator Principles. Our Position Statements have been publicly disclosed since 2009, and were updated in 2013 to reflect the development of industry best practice and include additional sectors, taking the total number of Position Statements to 20.

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E&S risk management is an integral part of our credit process. There are four distinct stages to our lending and E&S risk management processes:

### 1. Initial risk assessment

All clients, and transactions meeting specific criteria, are assessed against the criteria in our relevant Position Statement(s) using internal environmental and social risk assessment tools (ESRAs). ESRAs are an adaptable, yet simple, tool allowing relationship managers and front line bankers to assess a client's E&S and reputational risk performance including potential human rights impacts. They highlight specific issues of note that might require further analysis or consideration, and guide conversations with clients on E&S risks associated to their operations or projects.

All within-scope transactions with a project component are categorised and assessed against the [Equator Principles](#).

### 2. Detailed due diligence

Where necessary following initial risk assessment, we use multiple avenues for collecting and reviewing evidence. These may include: a) existing ESIA's, local and international certifications, permits and approvals obtained by the client, b) where necessary site visits and reviews by internal experts and c) independent third party due diligence to identify the E&S impacts of a transaction and recommend a time-bound action plan to mitigate any associated risks.

Where specific risks are identified, including misalignment with our criteria, our credit and relationship teams may refer the transaction to our specialist internal Environmental and Social Risk Management (ESRM) team for support, established in 2006. The team comprises seven individuals with specialist environmental and social risk management knowledge, including practical experience across a range of sectors.

### 3. Approval

All client and transactional environmental and social reviews require approval from our credit department. Clients or transactions that warrant an additional level of scrutiny are escalated to the Group Reputational Risk Committee, chaired by the Group Head, Corporate, Public and Regulatory affairs and including senior representatives from key functions. The Committee is empowered to turn down transactions, which primarily occurs where a client is not committed to taking all necessary steps to manage E&S risks in alignment with Equator Principles or our relevant E&S criteria.

### 4. Monitoring

If necessary, E&S conditions are included in the loan documentation, and clients commit to a time-bound action plan to meet these conditions. This aims to address E&S risks that have been identified, or bring the client into alignment with our E&S criteria where there is misalignment, as part of our provision of financial services.

## Supporting and maintaining our framework

All our Corporate & Institutional and Commercial relationship managers are offered training to assist them in fulfilling their responsibilities, covering the Bank's environmental and social standards and how these are applied through our risk management framework. In addition, we deliver targeted training on subjects such as Equator Principles, or revisions to our approach to managing environmental and social risks.

We are also a member of [relevant industry bodies](#), believing that collaborative action is necessary to bring about environmentally and socially sustainable development. These bodies include [UNEP-FI](#), the [Climate Group](#) and the [Banking Environment Initiative](#). Additionally, we engage in an ongoing dialogue with civil society organisations to benefit from their perspectives and experiences.