



Maplecroft
Maplecroft House
Bath Road
Bradford on Avon
BA15 2PE
United Kingdom

T +44 (0) 1225 863 882
F +44 (0) 1225 864 950
<http://www.maplecroft.net>

Company report review

Standard Chartered

Corporate Responsibility Report 2004:
'Making a World of Difference'

Presented by: Maplecroft
May 2005

Contents

1	Introduction	3
1.1	Company background	3
1.2	Structure of the report	3
1.3	Assurance	3
2	Highlights in 2004-5	3
3	Review of main areas of activity.....	4
3.1	Customers.....	4
3.2	People.....	4
3.3	Environment.....	5
3.4	Suppliers	5
3.5	Communities	5
4	Our comment	7

Note

This review is based on information contained in the electronic version of Standard Chartered's Corporate Responsibility Report 2004 which is available at: <http://www.standardchartered.com>. This review is intended as a summary only and does not provide full and complete discussion of all the issues contained in the report.

1 Introduction

1.1 Company background

Standard Chartered is historically and today amongst the world's most international banks. Indeed, the bank's 38,000 employees are spread across 56 in Asia Pacific, South Asia, the Middle East, Africa, the United Kingdom and the Americas. Standard Chartered serves both consumer and wholesale banking customers. The bank sees its future growth prospects as tied to the emerging markets where it is establishing a strong presence, particularly following two major acquisitions in 2000 and 2005.

1.2 Structure of the report

The report follows the conventional structure, opening with statements from the Chairman, Bryan Sanderson, and Group Chief Executive, Mervyn Davies and an introduction to the business, its approach to corporate responsibility and recent stakeholder feedback. The main sections of the report are based on the five key stakeholder groups, namely customers, people, environment, suppliers and the community. It ends with a review statement by external consultants.

1.3 Assurance

External consultants assessed the report against AA1000 principles. A review statement covers the bank's overall accountability and the completeness and materiality of the report. No formal assurance of claims and data was carried out.

2 Highlights in 2004-5

The following are among the main highlights of the bank's activities in 2004:

- Held the first of what will become a regular series of Corporate Responsibility fora in order to engage with key stakeholders. Communication and the need to ensure corporate responsibility activities are relevant and aligned with the bank's competencies were identified as important challenges. This year, Standard Chartered is developing a comprehensive plan for stakeholder engagement.
- Creation of a Corporate Responsibility and Community Committee which will involve both executive and non-executive directors, as well as draw on outside expertise.
- Training of 420 relationship managers in 21 countries on social and environmental risks in lending decisions, in line with the bank's commitment to the Equator Principles.
- On-going development of a Global Health and Safety Management System.
- Establishment of a Diversity Council and first Executive Women's Forum.
- Launch of the 'Know Your Supplier' scheme to assess and manage social and environmental risks in the supply chain.
- Community programmes – 'Living with HIV, 'Seeing is Believing' and regional 'Community Partnerships.'

3 Review of main areas of activity

3.1 Customers

This section of the report covers customer service, customer feedback, shaping regulatory environments, responsible selling, socially and environmentally useful products and money laundering.

In 2004, Standard Chartered launched '**Outserve**', a methodology to improve customer service. Outserve incorporates six initiatives, such as the 'Voice of Customer' initiative which will gather feedback from customers, both externally and internally sourced, about the bank's performance in relation to its competitors. Outserve also includes a Complaint Management System, currently under development, and initiatives to improve customer retention, service delivery, customer management processes and employee engagement.

Responsible selling is another area highlighted in the report. In the context of more sophisticated financial products and services, Standard Chartered acknowledges its role in educating customers about better financial planning and has taken a number of steps to address the risk of mis-selling. These include setting up a Product Reputational Risk Committee to review consumer product risk issues. A range of monitoring programmes are also currently being implemented, details of which will be provided in the next report. According to Standard Chartered, the biggest challenge is to create incentives for sales' staff to meet growth targets while adhering to policies against mis-selling.

Socially and environmentally useful products are also covered in this section of the report. Standard Chartered has recently acquired a small renewable energy portfolio and is also beginning to look at ways to develop its microfinance offering, for example by using Community Partnership programmes (see below) to fund small businesses through donations or by working in partnership with an experienced microfinance company. Standard Chartered also reports that it is the only bank with a team devoted to serving development organisations, such as aid agencies and non-government organisations. In 2004, as much as 90% of the bank's business in Afghanistan was with development organisations.

Money laundering is the final area addressed in this section of the report. In 2004, Standard Chartered introduced various courses on money laundering prevention and up-dated nearly half a million accounts following recommendations by the Financial Action Task Force. It is now looking at more sophisticated technology to track unusual movements in accounts, though no details are provided.

3.2 People

This section of the report addresses five main areas of the bank's responsibilities towards employees, namely diversity and inclusion, training and development, with an emphasis on team-building, recognition and reward, health and safety and employee representation.

In 2004, Standard Chartered recruited 140 graduates from 19 different countries, with the largest intakes from China and India. The report emphasizes the importance of **diversity**, interpreted in the 'widest possible sense' through the identification of 16 strands of diversity from age and gender to thought styles, religion and education. In 2004, the bank established a 15-strong Diversity Council to report directly to the Board. Initially, attention will focus on gender and nationality: while the female to male ratio at the bank is close to even, women account for only 15% of senior management; further, while the workforce is comprised of over 80 nationalities, senior management is less reflective of the local population in the Middle East and Africa than in other areas. In 2005, Standard Chartered aims to agree a three-year plan of action for diversity and inclusion across the bank.

Through various **employee feedback** mechanisms, Standard Chartered is able to report some very positive results regarding employee attitudes. In 2004, 97% of employees voluntarily completed the 'Q12' survey, a confidential tool to measure the engagement of teams each year. According to the surveys, the number of teams classed as 'engaged' trebled between 2001 and 2004. Further, more than two thirds of employees say they plan to work for the bank in three years time.

In the area of **health and safety**, Standard Chartered has recently appointed two health and safety professionals to develop a global Health and Safety Management System. There are a total of 53 Health and Safety Co-ordinators at the bank.

With regards **employee representation**, Standard Chartered states its belief that it is for employees to decide whether and how to represent themselves collectively. The report indicates that 4,600 employees in 15 countries are currently unionised but does not provide further details.

3.3 Environment

Standard Chartered focuses in this section of the report on two key tools for the protection of the environment, namely a **Global Environmental Management System (GEMS)** with 19 key performance indicators and GEMS-Lite, an e-learning package for smaller offices and branches. In 2005, Standard Chartered plans to align the GEMS performance indicators more closely with those of the Global Reporting Initiative and the World Resources Institute. The bank maintains, however, that indicators in some areas, such as bio-diversity, are not appropriate given the nature of its operations.

Standard Chartered aims for GEMS to be rolled out to 70% of operations worldwide, generally covering larger buildings with over 200 employees. By the end of 2003, coverage had reached 50.8% by employee numbers and little progress was made in 2004 for various reasons.

Data for energy use, greenhouse gas (GHG) emissions, paper use, waste and water show decreases in all areas except GHG emissions, primarily due to increased air travel. Standard Chartered plans to set a GHG emission reduction target, together with relevant initiatives, in 2005.

3.4 Suppliers

Standard Chartered's total spend on procurement amounted to around US\$1 billion in 2004, mainly on Information Technology, professional services and travel. The supply base is comprised of around 20,000 suppliers, 50% of whom are concentrated in the bank's largest markets of Hong Kong, Singapore and in the UK.

In 2004, Standard Chartered began to manage risk in the supply chain more proactively, with the creation of a corporate responsibility questionnaire as part of a **'Know Your Supplier' (KYS)** scheme. The scheme puts suppliers into either a high or low social and environmental risk category, largely depending on the sorts of processes they are involved in (use of natural resources, energy consumption, low skilled labour etc.). The KYS process is used to assess suppliers when contracts are reviewed or renewed. High risk suppliers are rated according to a traffic light system on the basis of any evidence of non-compliance (red light). In the case of a red light, Standard Chartered will seek an alternative supplier.

Standard Chartered has begun a phased roll out of the KYS, beginning with Hong Kong, Singapore and the UK in 2004, India and the US in 2005 and Malaysia and the United Arab Emirates in 2006.

While emphasizing the importance of price in outsourcing decisions, Standard Chartered indicates that it wants to be more aware of the consequences of its decisions for suppliers. The bank operates a scoring system to weigh up considerations other than price, including social and environmental factors among others.

Environmental purchasing is left to the judgement of local managers. In 2004 in the UK, Standard Chartered converted to recycled stationery and aims to encourage local managers elsewhere to follow suit in 2005.

3.5 Communities

Standard Chartered reports to have re-evaluated its approach to community investment in 2004, aiming to be more focused about the projects it supports and align programmes more closely with business goals. Standard Chartered has also recognised the need to capture all the work it is doing in this area in order to measure its impact more effectively.

The bank's community programmes operate at three levels: global, regional and local. At the global level, 'Seeing is Believing' and 'Living with HIV' aim to tackle issues considered key across all areas of operation. 'Living with HIV' is a peer education project encompassing a variety of initiatives. The backbone of the project are the 250 trained HIV Champions in 39 countries who manage the ongoing education of employees on HIV and AIDS, and provision of testing and treatment for all staff and their families. In 2004, Standard

Chartered also appointed HIV/AIDS Ambassadors from within senior management to speak publicly about the need for business to take action against the spread of the disease.

Regionally funded campaigns aim to create opportunities for staff and customer engagement with community initiatives. These Community Partnerships operate in Africa, India and the Middle East South Asia – a number of case-studies are covered in the report. In 2004, Standard Chartered piloted an impact assessment tool for its Community Partnership for Africa which it intends to improve and roll out to other community initiatives. The pilot assessment was based on a review of the programme across four 'critical success factors', as follows: impact on the community, staff engagement, relationships with stakeholders, and the bank's overall reputation. Each country's activities in these areas were rated on a scale of 1-5, compared to before activities commenced.

4 Our comment

Rating: ★★☆☆☆

The present report is Standard Chartered's first Corporate Responsibility report, building on Environmental reports produced since 2001. In his opening statement, the Chairman, Bryan Sanderson, emphasizes that this does not mark the beginning of corporate responsibility activities. This is reflected in the bank's support of the Equator Principles, membership of the UN Global Compact and FTSE4Good Index, as well as its on-going community initiatives. However, recent developments covered in the report indicate an important shift towards a more strategic approach to corporate responsibility. This approach is underpinned by new management structures and procedures, more structured stakeholder engagement and efforts to improve communication. Indeed, Standard Chartered has put in place the crucial framework to carry its corporate responsibility programme forward, and the prospects of an additional star(s) rating in the next report are very promising.

Standard Chartered emphasizes its geographical diversity, with operations in over 50 countries, and in particular its strong presence in emerging markets. The report would benefit from more structured information gathering and analysis of the risks associated with doing business in different countries, and how these risks are being managed. In particular, more detailed disclosure on how the Equator Principles are being implemented would be a mark of distinction in corporate responsibility reporting in this sector. In 2004, Standard Chartered carried out training on environmental and social risks in lending decisions and it would be of great interest in future reports to follow up with information and case-studies of the challenges being faced. Issues such as government relations, tax management and corruption could also be addressed.

The report follows a logical structure and is clearly presented. However, it is quite dense and the areas of particular interest are not effectively highlighted to the reader. Selected quotes and pictures are also arguably not as interesting as they could be.



Maplecroft
Maplecroft House
Bath Road
Bradford on Avon
BA15 2PE
United Kingdom

T +44 (0) 1225 863 882
F +44 (0) 1225 864 950
<http://www.maplecroft.net>