

# **SPEECH FOR CHRISTOPHER KNIGHT, CEO STANDARD CHARTERED BANK NIGERIA ON SUSTAINABLE FINANCE: OPPORTUNITIES AND CHALLENGES FOR WEST AFRICAN FINANCIAL INSTITUTIONS WEDNESDAY, 21ST OF MAY 2008**

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The Representative of the Executive Governor of Lagos State, the Honourable Commissioner for Economic Planning and Budget, Mr. Ben Akabueze, the Head UNEP FI, Paul Clements-Hunt, the COO West Africa, Nigeria International Bank Limited, Funmi Ade-Ajai, fellow Bankers , Members of the Press, Ladies and Gentlemen.

Good morning.

There is a widening chasm between the very rich and very poor in the world. There are shortfalls in money and shortfalls in the way this money is used sustainably. I know this because I have witnessed it first hand. I am in the privileged position of being the CEO of Nigeria's franchise of a truly International organization.

For those of you that don't know Standard Chartered, we are a British Bank but one with a unique footprint stretching across Asia Africa and the Middle East. The bank operates in more than 70 markets, in some of the world's most rapidly growing economies and where these inequalities are starker.

Neither Global Companies, nor national Governments are insulated from Global issues such as poverty.

What does Sustainability mean for Standard Chartered? We focus on activities that not only enhance our business performance now and for the long term, but which enhance the economic development of the countries we operate in, have a positive impact on the environment and society, as well as contributing to good governance.

Understanding and responding to social and environmental considerations within lending activity has been consistently highlighted as a key area for the bank in stakeholder research we undertook in 2005.

## **Our Vision**

We recognize that our lending activity has the potential to impact in a positive and negative way on communities, economies and on the environment. We also understand that identifying and managing sustainability considerations in lending provides an opportunity to differentiate our brand while protecting our reputation.

Key to achieving this is the use of our core skills and services to make the right sort of change happen. There will be times, especially when operating in developing markets, that a position that balances the need for economic development with social impact and environmental protection is required.

We recognize that a great opportunity exists to promote awareness of sustainable development. There are often no clear solutions. Knowledge and experience remains the key

to influencing and shaping transactions into a more sustainable structure.

## **Approach**

For our approach, we have identified seven sustainability priorities by consulting key stakeholders such as government, academics, socially responsible investors (SRIs), non-governmental organizations (NGOs), and our peers.

These seven pillars span the areas of Sustainable Finance, Protecting the Environment, Community Investment, Access to Financial Services, Great Place to Work, Tackling Financial Crime and Responsible Selling & Marketing.

Building a sustainable business is important to us because we operate in a rapidly changing world, with multiple stakeholders, and global challenges, such as climate change and poverty. Building a sustainable business is our response to these issues – ensuring we have a positive long term impact on the world and to continue to be high performing.

## **Responsible and sustainable lending to be a force for good**

With a significant presence in Asia, Africa and the Middle East, Standard Chartered plays an important role in economic growth. Aware that there can be conflict between economic growth and communities as well as challenges in protecting the environment, we will be a force for good, encouraging sustainable development wherever we operate or have influence.

Lending is one of the key areas where we believe we can promote sustainable development.

We assess all our lending decisions to make sure we are doing everything we can to minimize social and environmental damage. To do this we need robust policies and procedures, as well as a deep knowledge of markets and risks at many levels within our organization. That is why training our employees to understand and handle these challenges is a key priority for us.

To help us identify key social, ethical and environmental risks in lending, we work with external experts where necessary. Our lending policies are closely linked to initiatives such as the Equator Principles.

### **The Equator Principles**

The Equator Principles, as mentioned by Ms Funmi Ade-Ajayi are a voluntary set of guidelines for managing the social and environmental impacts of lending to development projects. We have used the guidelines since their inception and we adopted the revised Equator Principles 2 (EP2) in June 2006.

In line with the Principles, we will only provide loans to projects that are run in a socially responsible way with sound environmental management practices. Sometimes this means having to turn business away, a risk we also have to manage.

The Equator Principles apply to all projects with a capital value in excess of US\$10 million, including project finance advisory work. They also apply to existing projects that have been significantly expanded and to projects funded through the bond markets.

In furtherance of our sustainability objectives, we announced three separate commitments to help alleviate poverty across Asia and Africa at the 2<sup>nd</sup> Clinton Global Initiative in New York on the 21<sup>st</sup> of September 2006.

The Clinton Global Initiative is a catalyst for action bringing together a community of global leaders and headed by former President Bill Clinton to devise and implement innovative solutions to global problems. Present at the annual meeting was Mervyn Davies, our current Chairman (but then, he was our CEO). Mr. Davie said “The bank is committed to building a sustainable business and we can make the greatest difference by using our core skills, services and talent. The Clinton Global Initiative is a great opportunity for Standard Chartered to scale up our existing partnerships in the areas where the need for micro-finance, HIV/AIDS education and women’s empowerment is most acute.

Earlier in my speech, I mentioned our seven sustainability priorities and now, I shall summarize them:

### **1) Sustainable Finance:**

We integrate social, environmental and ethical risk criteria into our lending decisions. We are a “force for good” in the countries we operate in. Some examples from 2007:

After adopting the Equator Principles (EP), 34 EP projects were approved in 2007.

2,000 staff completed sustainable lending e-learning in 2007.

Twelve sector position statements were developed covering Wholesale and Consumer Banking, for issues and Industry sectors with higher social, environmental and ethical risks e.g dams, forestry e.t.c.

A major achievement of the Clinton Global Initiative is the pledge to finance US\$8-10 billion over five years in renewable energy and clean technology projects.

## **2) Protecting the Environment:**

We recognize that many of our markets will be the most affected by climate change. Our response to this issue includes:

- Managing and reducing our own direct operational impact.
- Engaging employees, customers and suppliers to reduce waste.
- Making lending decisions that help protect the environment.
- Developing products and services that promote the reduction of carbon emissions.
- We have just created a site tagged [greenstorming.global.standardchartered.com](http://greenstorming.global.standardchartered.com) specifically for environmental social networking purposes. This new site aids sharing and learning about the environment across the bank in a very informal way.

## **3) Community Investment:**

We utilize our expertise, networks and resources to support our communities. Our focus areas are health, education and diversity.

We invest a minimum of 0.75% of previous year's operating profit. This includes direct financial contribution, management time, employee time and gifts in kind.

#### **4) Access to Financial Services:**

This involves reaching the world's 'unbanked' population – those who have no access to financial services. We contribute to greater financial inclusion and help to generate grassroots enterprise in the markets we operate in by:

- Disbursing USD500m through microfinance institutions (MFIs) to help 4 million people become economically empowered by end 2011 and by
- Providing technical assistance to partner micro finance institutions.

#### **5) Great Place to Work:**

Our focus is to ensure the most talented people join and stay with the bank by creating a great place to work for employees. Our employees in turn play a role in helping to address societal and environmental challenges through employee volunteering and through how they do business.

#### **6) Tackling Financial Crime:**

We take measures to prevent our services from being used for criminal purposes, such as money laundering, terrorist

financing, bribery e.t.c We are committed to exceeding legal requirements in detecting financial crime by using robust detection systems, and through a rigorous Customer Due Diligence approach.

## **7) Responsible Selling and Marketing:**

We build customer loyalty by providing excellent service, adopting strict policies on mis-selling and ensuring customers are treated fairly.

We provide products and services that customers value as well as safeguard their interests. To reinforce the culture of responsible selling, sales scorecards ensure a balance between sales, service and regulatory compliance to ensure a sustainable, long term relationship with customers.

## **Conclusion**

We intend to deliver on our sustainability agenda by using the core skills and talents of our employees, providing quality financial services and leveraging our geographical footprint and international status to be a “force for good”.

Our global sustainability activity is governed by a Board-Level Corporate Responsibility and Community Committee whose agenda is driven using stakeholder research and feedback. In order to have a significant impact on sustainability in Africa, the bank's work in this area has shifted from traditional philanthropy to looking at how Standard Chartered's core business can contribute to addressing Africa's challenges.

In Africa, we have identified four key areas in which our core business can assist sustainable economic development: namely our governance, environment, social and economic contribution in our markets and we intend to achieve all our objectives in these areas in the near future.

We have taken a strategic business decision to support the Sustainable Financing agenda in order to leverage the bank's position to create real change not only in Africa but also in markets within Asia and the Middle East. We will appreciate more allies in this drive for positive change.

Thank you for listening.

Christopher Knight  
MD/CEO  
Standard Chartered Bank, Nigeria