

Standard Chartered Bank

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Introduction

In June 2019, Standard Chartered Bank (“Standard Chartered” or the “Issuer”) issued a sustainability bond aimed at financing three Sustainable Development Goals (SDGs): Affordable and clean energy; Decent work and economic growth; and Industry, innovation and infrastructure. In July 2020, Standard Chartered engaged Sustainalytics to review the projects funded through the issued sustainability bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Standard Chartered Bank Sustainability Bond Framework.¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between June 2019 and July 2020 based on whether the projects or the companies financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Standard Chartered Bank Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Standard Chartered Bank Sustainability Bond Framework.

Table 1 lists the Use of Proceeds Category, Eligibility Criteria, and Eligible Projects while Table 2 lists the associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and Eligible Projects

Use of Proceeds Category	Criteria	Eligible Projects
Renewable Energy Energy Efficiency	Generation of energy from renewable sources	<ul style="list-style-type: none"> • wind • solar • hydropower (< 25MW)
	Manufacture of components of renewable energy technology	<ul style="list-style-type: none"> • waste-to-energy • geothermal
	Construction / maintenance / expansion of associated distribution networks	<ul style="list-style-type: none"> • Grid expansion / development that enables the direct connection and integration of renewable energies
	Development of products or technology and their implementation that reduces energy consumption of underlying asset, technology, product or system(s) Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage. Examples could include wind turbines, solar panels, battery storage	<ul style="list-style-type: none"> • wind turbines • solar panels • battery storage

¹ Standard Chartered Bank, “Standard Chartered Bank – Sustainability Bond Framework”, at: <https://av.sc.com/corp-en/content/docs/sustainability-bond-framework.pdf>.

	Development, manufacture and/or installation of energy efficiency technologies and products such as efficient appliances, lighting, etc.	
Clean Transportation Affordable Basic Infrastructure	Development, construction and maintenance of quality transport infrastructure.	<ul style="list-style-type: none"> • Rail transportation projects for public use, • Rail transportation of goods (excluding transport dedicated to fossil fuels), • Development of roads in least developed and lower income OECD DAC² countries • Vehicle or rail fleet retrofit or replacement with technologies including electric or hydrogen • For all public mass passenger transportation not electrified the following thresholds should be met: 75 gCO₂ per passenger km (in 2020) and 56 gCO₂ per passenger km (2030) -these thresholds are only applicable if the data is available.
Energy Efficiency	Upgrade and retrofit infrastructure to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.	<ul style="list-style-type: none"> • Refurbishment of residential and commercial buildings to make them more energy efficient (minimum 30% energy efficiency improvements) • Energy-efficiency improvements in e.g. lighting, appliances, equipment, building design and heating with a minimum of 30% improvement (Climate Bonds Initiative standard) in energy use or carbon emissions • Substitution of existing heating/cooling systems in buildings or new installation of cogeneration/trigeneration/ combined heat and power plants that generate electricity in addition to providing heating/cooling • Waste heat recovery improvements • Train infrastructure upgrades
Employment generation including through the potential effect of SME financing and microfinance	<p>Investments that contribute to expanding access to affordable and responsible financial products and services to the poor and vulnerable populations.</p> <p>This includes microfinance as well as directly financing organizations that are often unable to gain access to financial products and services such as small- and medium-sized enterprises.</p>	<ul style="list-style-type: none"> • Financing Microfinance institutions via intermediaries (MFIs), and financing of smaller businesses in developing and emerging markets in which SCB operates. • To be eligible for the use of proceeds, one or more of the following populations should be specifically targeted: <ol style="list-style-type: none"> 1) Females 2) Rural populations who are focusing on agricultural production and agricultural value chains 3) Economically excluded individuals 4) Low-income populations 5) Populations in least, lower and lower-middle income DAC11 countries • Projects are classified as microfinance if they meet the following criteria as defined by the International Finance Corporation (IFC). End-

² OECD, "DAC List of ODA Recipients", at: https://www.oecd.org/dac/stats/documentupload/DAC_List_ODA_Recipients2014to2017_flows_En.pdf.

		<p>client should meet two of the three criteria to qualify:</p> <ol style="list-style-type: none"> 1) the number of employees <10; 2) turnover < USD 100,000; 3) total assets < USD 100,000; <p>If before mentioned data is not available, the end-client average loan size should be less than USD 10,000.</p> <ul style="list-style-type: none"> • To be identified as an SME, as defined by the International Finance Corporation (IFC), the end-client should meet two of three criteria to be eligible: <ol style="list-style-type: none"> 1) the number of employees < 300; 2) turnover USD 100,000 – USD 15,000,000; 3) total assets USD 100,000 – USD 15,000,000 <p>If data mentioned above is not available, then the SME average loan size should be between USD 10,000 or more, but less than USD 1,000,000 (10,000 < USD < 1,000,000)</p> <ul style="list-style-type: none"> • Women-owned MSME in least developed countries should meet following criteria: at least for 51% owned by a woman or by women, or (b) (i) at least for 20% owned by a woman or by women, (ii). with a woman as CEO, COO, President or Vice President and (iii) if such enterprise has a board of directors, with at least 30% of such board of directors comprised of women.
Affordable Basic Infrastructure	Activities that expand public access to safe and affordable drinking water	<ul style="list-style-type: none"> • Construction, maintenance and equipment for water supply infrastructure i.e. pipework
Sustainable Water and Wastewater Management	<p>Activities that provide access to adequate sanitation facilities</p> <p>Activities that improve water quality</p> <p>Activities that increase water-use efficiency through water recycling, treatment and reuse (including treatment of wastewater)</p>	<ul style="list-style-type: none"> • Water treatment facilities • Upgrades to wastewater treatment plants to remove nutrients • Wastewater discharge infrastructure • Water saving systems, technologies and water metering
Access to Health Services	<p>Activities that strengthen the capacity of all countries, in particular developing countries, for provisions of free or subsidized healthcare, and early warning, risk reduction and management of health crises</p> <p>Improved, sustainable and efficient long-term solutions for eye health.</p> <p>Access to healthcare for people in poverty, children, youth, people with disabilities</p> <p>Activities that drive sustainable health solutions and health interventions</p>	<ul style="list-style-type: none"> • Financing to construct, equip, operate: <ol style="list-style-type: none"> 1) hospitals, clinics and health care centres for the provision of public/free/subsidized health services 2) infrastructure and equipment for the provision of emergency medical response and disease control services • Provision / distribution of healthcare equipment and public services • Projects should improve access to public services for the wider population and promote inclusiveness. High standards in technology, health and safety as well as management processes should be provided in the project selection

Access to Education and Vocational Training	Activities that expand access to primary, secondary, adult and vocational education aimed to achieve women and minority inclusion in education and to improve the rate of student attendance	<ul style="list-style-type: none"> • Construction of public schools • Construction of public universities • Construction of Campus for public schools and universities
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Table 2: Key Performance Indicators

Use of Proceeds	Environmental Indicators	Social Indicators
Renewable Energy	Capacity of renewable energy plant(s) constructed or rehabilitated in MW Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (where possible)	
Clean Transportation and Energy Efficiency	Number of trains financed CO2 equivalent saved Energy saved through upgrades of infrastructure	
Employment generation through the potential effect of SME financing and microfinance		Number of loans to SMEs Number of loans to microenterprises Regions in which Micro and Smaller Businesses were financed
Sustainable Water and Wastewater Management	Number of water treatment facilities built or upgraded Households connected to water infrastructure and /or wastewater discharge infrastructure m3 of water saved annually	
Access to Health Services		Number of public hospitals, clinics and health care centres financed
Access to Education and Vocational Training		Number of schools financed Number of universities financed Number of Campus for public schools and universities financed

Issuing Entity's Responsibility

Standard Chartered is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Standard Chartered's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Standard Chartered employees and

review of documentation to confirm the conformance with the Standard Chartered Bank Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by Standard Chartered with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Standard Chartered.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Standard Chartered's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Standard Chartered Bank Sustainability Bond Framework. Standard Chartered has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of July 2020.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond between June 2019 and July 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Standard Chartered Bank Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond between June 2019 and July 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Standard Chartered Bank Sustainability Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Sustainalytics notes that the sustainability bond impact reporting accounts for disbursements which include 100% of net sustainability bond proceeds from the Standard Chartered issuance in June 2019 plus disbursements of funds from other sources connected to its sustainable finance program and associated balance sheet. The Issuer issued a EUR 500 million sustainability bond and maintains a total of approximately USD 4 billion in 'sustainable finance' assets including the sustainability bond net proceeds.

Green Project Financing:

Category	Type of Project	Country	Number of Projects	GHG Emissions Avoided (tonnes CO2 emissions) ⁴
Renewable Energy	Wind	Australia	1	84,721.16
		India	2	44,028.13
		Jordan	1	25,102.85
		Taiwan	3	313,000.59
		UK	2	124,707.13
	Solar	Bangladesh	1	22,053.10
		China	1	25,043.85
		Hong Kong	1	56,030.32
		India	1	28,571.79
		Jordan	1	8,375.17
		Malaysia	1	1,164.04
Grid Expansion ⁵	Angola	1	203.15	
Waste to Energy	UAE	1	372.02	
Energy Efficiency	Green Buildings	Singapore	2	5,625.59
Total:			19	738,998.90

Category	Type of Project	Country	Project Description	Impact Indicators
Clean Transportation Affordable Basic Infrastructure	Rail Transportation	Cameroon	Financing of 9 passenger locomotives for the deployment on the national transport grid	9 trains financed
		Australia	Construction of 10.2-kilometre rail link	Expected to reduce private vehicle kilometres travelled by 526,000 km per day by 2036; Increases the mode share of public transport in the region from 6.8% currently to 11.2% in 2036; Increases the proportion of the population in metropolitan area within 30 minutes of employment to 20% in 2026 from 15.2% in 2015.

⁴ Emissions avoided are proportional to Standard Chartered Bank's amount of funding to each project.

⁵ This project enables the direct connection and integration of a hydroelectric power station to the national grid.

		Australia	Twin 9 km rail tunnels and 5 new underground stations	Enable over half a million additional passengers per week
Affordable Basic Infrastructure Sustainable Water and Wastewater Management	Access to Safe and Affordable Drinking Water	Zambia	Improve the provision of adequate, safe, and cost-effective water supply and sanitation services.	Water produced increased from 56.6million m ³ /year to average water production of 69.1 million m ³ /year. In the distribution system, an additional 3,500 m ³ of water storage was added. More than 100 kilometres of sewer network was rehabilitated, and 1,940 water borne toilets were built.
		Zambia	Design and construction of a water supply system	Supply capacity of 330,000 m ³ /day

Social Project Financing:

Category	Type of Project	Country	Project Description	Healthcare Impact Indicators
Access to Health Services	Healthcare	Turkey	Integrated Healthcare Campus	2,682 beds 23,600 patients
		Oman	Construction and equipment supply of three hospitals	3 Hospitals 934 beds
		Sri Lanka	Construction and supply of equipment for a new neonatal unit	40 special incubators for newborns
		Zambia	Construction of general hospital, nurse training school and residence for medical workers	433 beds (including 50 ICU beds and 30 newborn beds) Nurse training school for 240 people 102 sets of residences for medical workers
	Healthcare (COVID 19)	Various	Manufacturing, logistics and distribution of personal protective equipment such as gowns, aprons, sterile gloves, protective goggles, face shields, surgical masks	<i>Impact indicators are still being calculated and will be included in the Issuer's 2021 report</i>
Clean Transportation Affordable Basic Infrastructure	Infrastructure - Road	Uganda	Financing of construction of an access road and workers' camp as supporting infrastructure to an Airport. Associated with the camp will be a 4.9 km paved access road connecting to a number of local villages. The camp will cover an area of 37.6 hectares	The construction to completion of the access road and the camp will be encouraging the employment in this area as the construction is estimated to take 36 months and will employ more than 700 full-time workers and 100 casual laborers Economic gain for local communities from sale of groceries and other consumable products

				Increase in demand of products will lead to creation of market for products thereby improving incomes and welfare in local communities
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Summary of SME financing and microfinance

Microfinance

Lending by country	Average Loan Size (USD)	Allocation (%)	Number of Loans
India	450	64.75%	633,653
Bangladesh	193	29.32%	668,980
Nepal	650	4.90%	33,195
Zambia	431	.47%	4,836
Tanzania	431	.37%	3,809
Kenya	450	.18%	633,653
Total:		100%	1,344,474

SME Lending

Lending by country	Average Loan Size (USD \$'000)	Allocation (%)	Number of Loans
India	145	81.01%	14,397
Bangladesh	78	8.64%	2,839
Nepal	336	4.21%	322
Kenya	43	3.37%	2,006
Pakistan	156	0.88%	145
Vietnam	242	0.85%	91
Sri Lanka	10	0.39%	1,043
Uganda	58	0.33%	147
Nigeria	739	0.16%	5
Zambia	61	0.14%	60
Total:		100%	21,056

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