Bankable Insights

Embracing the Sustainable Development Agenda

Moving to a low carbon future – why banks and other companies need to step up

Why sustainability should be at the forefront of finance

On the frontline of tackling the illegal wildlife trade
Contents

4 How are you embracing the sustainable development agenda?

5 Moving to a low carbon future – why banks and other companies need to step up

7 Why sustainability should be at the forefront of finance

10 On the frontline of tackling the illegal wildlife trade

14 2019: A tipping point for ESG investing?

18 Microfinance: Lifting families & communities out of poverty

21 Blending finance and sustainability

22 News in brief

Awards & Accolades
Foreword

How are you embracing the sustainable development agenda?

Conducting business in a sustainable and responsible way continues to be high on the agenda for businesses, large and small, around the world. For a number of years now, financial institutions like Standard Chartered have led initiatives to create new products and solutions that support responsible business growth, while building robust financial markets and contributing to developments in the regulatory framework. These range from sustainable financing solutions that protect our world, to microfinance programmes that drive financial inclusion, to initiatives to disrupt financial crime and better protect everyone within the financial ecosystem.

With unprecedented disruption seen in our industry, we are excited to better serve you by fully leveraging our market-leading solutions, capabilities and industry knowledge. It is a key and an ongoing priority for us to continue supporting you as you capitalise on the unique opportunities in your markets and beyond.

Across the Bank, we are working on many initiatives to be a responsible banking partner, driving effective action on global sustainability goals including sustainable finance and fighting financial crime. It is our hope that this collection of articles sparks discussion and action around some of today’s most pressing industry issues and opportunities.

We hope you find this issue interesting. If you have any queries, do contact your relationship manager.

Heidi Echtermann-Toribio
Global Head, Financial Institutions
Standard Chartered
Moving to a low-carbon future – why banks and companies need to step up

by Bill Winters, Group Chief Executive

We’re making progress on understanding our contribution to climate goals, but cannot go it alone

The clock is ticking on climate change. We currently have more greenhouse gases in our atmosphere than at any time in human history.

As a result of our increasing economic activity, scientists estimate that, under one potential scenario, average temperatures could rise by 6 degrees Celsius by the end of this century. The consequences of that would be catastrophic for humanity. And the most alarming thing is that scientists call this scenario ‘business-as-usual’.

But this does not have to be the outcome. The term ‘business-as-usual’ itself implies that there must be an ‘unusual’ alternative that leads to a different outcome. We at Standard Chartered are committed to helping our clients, communities, stakeholders and ourselves achieve the climate goals, as set out in the Paris Agreement, to keep warming below 2 degrees Celsius.

We have an obligation

We announced last year that we would develop a methodology to “measure, manage and ultimately reduce” the CO2 emissions from the activities we finance. We believe this is critical to enable us to meet these climate goals and support our clients through the low-carbon transition.

We can do this, but it won’t be easy. As a global bank, we operate in over 60 markets, many of which have fast-growing, increasingly prosperous economies which bring with them growing demand for energy, food, water and goods. We can help our communities meet that growing demand in a sustainable way, ensuring those markets have access to the capital they need to fund reliable, cleaner energy.

We must also help them to improve their resilience to the potential impacts of climate change, of which they are often on the frontline. At Standard Chartered...
Today we are making public the work we have done to date to build our methodology, to accelerate progress and prevent duplicated efforts.

Why we're making our work public
But like action on climate change itself, measuring emissions is complex and requires action from multiple parties. This is a challenge we cannot solve alone. Today we are making public the work we have done to date to build our methodology.

We want to use this to drive the conversation, to accelerate progress and to prevent duplicated efforts. As we see it, success depends on joint efforts among financial institutions to help collectively and continually refine this methodology, as well as widespread company disclosures of accurate and meaningful emissions data.

With the objective of refining our framework, we’re collaborating with four other banks – BBVA, BNP Paribas, Société Générale and ING – through the Katowice Commitment to develop the methodologies and tools the banking sector needs to assess our own contribution to climate goals. We are making some progress, but with more collaborators, we can do more.

We recognise that getting robust, verifiable data in many of our markets may take some time, but we are not waiting. We’ve joined forces with 2 Degrees Investing Initiative (2DII), a climate think tank to pilot a software tool which provides emissions assessments, the actions and findings of which can be found in our emissions white paper.

The pilot findings
Our pilot has shown a lot of promise, and with the help of other banks and stakeholders, we can make more headway and find answers to the challenges we have identified: getting the right data, validating it and scaling it up to cover 100 per cent of our portfolio.

Of course, none of our actions will matter without the efforts of companies across our markets. Disclosures are critical, to show current progress in the transition to a low-carbon future, and help us and other banks understand where capital is needed to complete this transition. There is much we can do in working with clients to assess, and improve, their emissions profiles.

Disclosures make perfect business sense – the Paris Agreement is expected to open up climate investment opportunities of USD23 trillion in emerging markets between now and 2030, according to the IFC. Much of this investment flow will be guided by and dependent on emissions data. When the private sector recognises its business case, disclosures on climate-related matters can become the new ‘business-as-usual’.

The stakes cannot be overstated. To ensure that the flow of capital reaches the places where it is needed most to achieve climate goals, the world must work together and fast. ‘Business-as-usual’ as we know it is no longer acceptable; let’s all come together to help ensure the sustainability of our planet.

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Why sustainability should be at the forefront of finance

by Simon Cooper, Chief Executive, Corporate, Commercial, and Institutional Banking

Sustainability and finance should go hand in hand if we’re to solve the world’s environmental and social challenges

Sustainability was once far from the top of the agenda for many in the finance world – but today everything has changed. The awareness of – and attitudes towards – the world’s environmental, social and governance (ESG) challenges has been transformed.

To take one recent example, the public in many countries has called for action on plastic pollution in our oceans; governments around the world have responded by banning or taxing single-use plastics.

As attitudes among the public and policymakers have shifted, the finance sector has responded, with sustainable finance now a hot topic for investors, banks and corporates around the world.

It is becoming increasingly sophisticated, with new frameworks, initiatives and financial products emerging, and a growing distinction between the use of risk filters (to do no harm) and impact financing or investing (to actively do good).

This change is critical to the future of our planet, as developments at a governmental and industry level are critical in helping sustainability gain traction. But individual financial institutions also have an important role to play in using their capabilities to promote economic and social development in a sustainable way; they can both further the development of sustainable finance and sustainability more generally.

Financial institutions have an important role to play in using their capabilities to promote economic and social development in a sustainable way.
By committing to deliver long-term value for their shareholders, society and the environment, banks can make a real difference while benefiting from an enormous opportunity: the International Finance Corporation (IFC) estimates there are USD23 trillion of climate-related sustainable finance opportunities in emerging markets alone in the years to 2030.

**Why sustainable finance is gaining ground**

Both investment managers and corporates increasingly accept that consideration of ESG factors does not hamper investment returns. In fact, it can deliver risk and performance benefits. A report by Boston Consulting Group shows that non-financial performance (captured by ESG metrics) is statistically significant in predicting the valuation multiples of companies in a variety of industries.

Other evidence confirms the significant financial benefits of ESG factors. The IFC analysis of 656 companies in its portfolio found that those with a good environmental and social performance outperformed others by 2.1 per cent in terms of return on equity.

Companies that focus on ESG issues are more highly valued and can perform better because they have a lower cost of capital due to their superior risk profile (they are more profitable and will outperform should unexpected events occur), according to an MSCI report. In short, even if one were to ignore any ethical imperatives for companies to commit to ESG and investors to consider ESG factors, there appear to be clear financial rewards from adopting ESG as best practice.

**The role of banks**

Public opinion will continue to drive the growth of sustainability. New regulations will also entrench sustainability for business and finance. The European Union plans to develop a climate mitigation classification system, a green bond standard, benchmarks for low-carbon investment, and guidance on corporate disclosure of climate-related information. And in China, all listed companies and bond issuers in China will have to disclose ESG risks by 2020.

Banks have a powerful tool – financing – to promote change. They can blacklist industries that contribute to climate change such as coal-fired power, agro-industries involved in deforestation, or sectors where there are human rights violations, for example. And they can support microfinance, renewable power, blended finance (which uses development finance to leverage private sector funds) and other financing that promotes sustainability.

To help solve world’s environmental and social challenges, I firmly believe that sustainability should be at the forefront of finance.

A version of this article first appeared in *The Asset* magazine. [Click here to read the full piece.](#)

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On the frontline of tackling the illegal wildlife trade

by Dr Niall McCann, Director of Conservation, National Park Rescue

We’ve been liaising with experts who can share their frontline experience on fighting the illegal wildlife trade. One of those is conservationist Niall, and here’s his take on the challenge

The illegal wildlife trade is a multi-billion-dollar industry run by the same organised criminals who are trafficking guns, people and drugs across international borders. My first experience of this convergence between different forms of crime was when I was studying the endangered Baird’s tapir – a species of tapir native to Central America – in Honduras. Over the course of my five-year study the amount of cocaine entering the country increased by 500 per cent, deforestation levels rose 700 per cent and tapir numbers dropped off a cliff.

This massive increase in drug trafficking had a terrible destabilising effect on Honduras, precipitating a security crisis that made the country one of the world’s most dangerous at the time. It also created an ecological crisis, where forests were razed, and animals killed and trafficked in a frenzy of destruction fuelled by the emergent drug market.

I was confronted by the reality that serious organised crime is not just about guns, people and drugs, it’s also about wildlife and wild places, and that if I wanted to leave the world in a better state than I found it in then I had to say goodbye to a comfortable career in academia and tackle these criminals head-on.

I started a community ranger programme in Honduras, began lobbying governments on environmental issues and training park rangers how to better protect their wildlife, and then went on to found National Park Rescue, an organisation dedicated to identifying and saving those national parks unable to cope with the poaching crisis.

In the decade before National Park Rescue started working in Zimbabwe’s Chizarira National Park, 2,500 elephants were killed, equating to 5,000 tusks.

We must be part of a global response by individuals, NGOs, corporations and governments to disrupt these criminal networks.
entering the market because of the failure to adequately protect this one national park. In the 18 months we’ve been there, investing in the dual pillars of law enforcement and community integration, not one elephant has been poached.

These victories have been hard won. The park rangers put their lives in danger every day they are out on patrol, I’ve found myself in a Mexican standoff and my staff have been injured while making arrests. The biggest threat, of course, comes from disrupting the lucrative illegal enterprises of powerful criminal gangs and corrupt officials, but this is a risk we must take if we are to ensure that elephants, rhinos and lions are a part of our future and not just of our past.

**Unprecedented levels of cooperation needed**

We have demonstrated that dramatic change can be achieved by cutting off the supply at its source, but we are well aware that to have a long-term impact on the illegal wildlife trade, we – and others like us on the front line – must be part of a global response by individuals, NGOs, corporations and governments to disrupt these criminal networks, cut off their access to finance, reduce the demand for wildlife products, and stop the plundering of our natural heritage.

This requires unprecedented levels of cooperation, but extraordinary circumstances call for extraordinary measures, and with one million species threatened by extinction and global wildlife numbers down 60 per cent since 1970, it cannot be denied that the circumstances we find ourselves in are extraordinary.

For decades wildlife crime was considered a fringe issue that was largely the responsibility of well-meaning biologists. We now know that wildlife crime is a serious organised crime, highly professionalised and fuelling corruption, poverty and regional instability across the world. It is a global issue that affects us all and it won’t go away by itself. It is beholden upon us all to make a united stand if we are to prevent this ecological, human and moral catastrophe: the destruction of the living planet and the extinction of species.

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**Pushing the illegal wildlife trade to extinction**

*By David Fein, Group General Counsel*

The illegal, brutal wildlife trade is reversing conservation gains and pushing species to the edge of extinction. However, it is not just a threat to biodiversity. It is the world’s fourth most profitable criminal trafficking enterprise, generating **USD7 billion** and **USD23 billion in revenues each year** with links to modern slavery, narcotics and the arms trade. It fuels corruption, impoverishes communities and inspires violence, reaching from the savannas of east Africa to the megacities of east Asia.

The illegal wildlife trade can no longer be treated as a conservation issue alone. We need to remove the financial incentives for criminal gangs and break up their business models. Standard Chartered, together with over 20 global financial institutions, have come together to form the Royal Foundation’s United for Wildlife Financial Task Force, chaired by former UK foreign secretary William Hague. We are collaborating with other global banks, law enforcement, regulators, and non-governmental organisations to map monetary flows, develop ‘red flags’ and spot patterns. We are tackling these crimes at every level: training bank branch tellers in source countries; channelling the efforts of our financial crime investigators, and applying artificial intelligence and machine learning tools.

We continue to liaise with experts such as Dr Niall McCann to understand the methods, effects and changing patterns of the illegal wildlife trade, and play our part in protecting our biodiversity and the communities we serve.
The poacher may pull the trigger, but it’s the money launderers who pull the strings.

Not good enough.

Criminal syndicates kill 30,000 adult elephants for their tusks every year, leaving orphaned calves to die too. It’s time for the financial sector to take a stand, making the financial system a hostile place for criminals. See how we’re working with partners to fight the money laundering that fuels the illegal wildlife trade at [sc.com/hereforgood](http://sc.com/hereforgood)

Because we’re not here for good enough. We’re Standard Chartered, and we’re Here for good.
2019: A tipping point for ESG investing?

There is notable growth and interest in responsible investment globally. Financial institutions need to be ready for the anticipated expansion of this market if they are to maximise its opportunities and tackle its challenges, such as a lack of common standards.

Investment that takes account of environmental, social and governance (ESG) factors is hardly new. Some institutional investors began to take a socially-responsible approach as long ago as the 1960s; UN Secretary General Kofi Annan wrote to over 500 CEOs in 2006 asking them to help integrate ESG into capital markets; and banks have increasingly embraced the concept over the past decade. However, in recent years there has been a groundswell of interest in ESG issues.

Interest in ESG investing is not growing at the same rate in all countries. In Asia, for example, developed markets such as Australia or Singapore are replete with ESG investment choices; in emerging Asia countries such as Indonesia things are at an earlier stage; and in frontier markets such as Bangladesh ESG is not yet on the agenda.

Nevertheless, global assets managed by UN Principles for Responsible Investment (PRI) signatories, one proxy for ESG investment, have grown steadily in recent years (see chart) to reach USD81.7 billion in April 2018. A tipping point, when the average retail or pension fund investor cares that their money does good, in addition to doing well, could be close.
Younger people in particular are attracted to ESG investing. According to one study, millennials are nearly twice as likely to invest in companies or funds that target specific social or environmental outcomes. While millennials are currently a small segment of the investment community, they are accumulating wealth and some institutional investors may be eager to gain an advantage by positioning themselves as ESG-friendly.

**Why is ESG gaining ground?**

What is driving the increased wave of interest in ESG issues? One explanation is the 24-hour news cycle, which has raised awareness of global issues; a tragic fire at a clothing factory that manufactures for global brands can quickly highlight – often via social media – poor working conditions. Similarly, corporate scandals such as falsified diesel emissions or race and gender discrimination at tech giants have also demonstrated the potential costs to shareholders of failing to take ESG issues seriously.

Public awareness of climate change in particular has increased in recent years as the threat has become more pressing. The UN recently pointed out that we have just 4,380 days (or 12 years) before the weather and environment will become catastrophic. The public’s growing concern about climate change is being reinforced by recurring extreme weather, which has become more frequent over the past 36 years, with a significant uptick in floods and other hydrological events compared even with five years ago.

As a growing number of people recognise the scale of the climate crisis facing the planet, as well as other ESG challenges, and seek to do something about them, there has been a significant change in the importance placed on ESG issues by governments. The adoption of the UN Sustainability Development Goals (UN SDG) in 2015 gave fresh impetus to government efforts to address the world’s greatest challenges. In addition, the Paris Agreement under the United Nations Framework Convention on Climate Change in the same year focused public attention on global warming.

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The adoption of the UN Sustainability Development Goals (UN SDG) in 2015 gave fresh impetus to government efforts to address the world’s greatest challenges.
There is growing recognition – both among the public and investment professionals – that consideration of ESG factors does not hamper returns. In fact, it can deliver benefits in terms of risk and performance. A report by Boston Consulting Group shows that non-financial performance (captured by ESG metrics) is statistically significant in predicting the valuation multiples of companies in a variety of industries.

Companies that focus on ESG issues are more highly valued because they have a lower cost of capital due to their superior risk profile (they are more profitable and will outperform should an unexpected event occur), according to an MSCI report. In short, even if one were to ignore any ethical imperatives for ESG investment, there appear to be clear financial rewards from adopting ESG as investing best practice.

Managing the practicalities
In many cases ESG investing is easier said than done. Because of the breadth of factors covered by the ESG umbrella, it is open to multiple interpretations. One simple approach (deployed by ESG’s forerunner, socially-responsible investing) is to exclude specific sectors such as tobacco, military equipment or coal mining from portfolios on the basis that they are unethical or unsustainable. The advantage of this method is its ease of implementation as a variety of indices exist to help investors narrow their investment universe. Consequently, the majority of ESG investors have adopted this approach so far.

However, other investors believe that such an approach has significant shortcomings, both in terms of investment returns and the benefits for society. They argue that some companies that might fail ESG criteria, because of environmentally-damaging manufacturing processes for example, should not be ignored. Instead, it is more beneficial to engage with such companies and encourage them to reform their operations. This approach has the potential to create shareholder value and deliver benefits for society. It requires a more activist mindset and until recently has been limited to boutique-type investors. However, in the past year some mainstream investors, including one of the largest index trackers, have committed to greater corporate engagement on ESG issues.

Another group of investors believe that ESG screening does not go far enough and investors should focus on impact, which considers the effect that a company’s goods or services have on the world. ESG investing and impact investing are aligned in some instances but not all. For example, tobacco companies may meet ESG guidelines because they pay fair wages and minimise the use of pesticides but fail the impact test as their products have a negative impact on the overall health of the community. This approach is gaining followers but, given the additional complexities associated with measuring impact, it is perhaps the most challenging to implement, and consequently the least widespread at the moment.

One additional challenge is that ESG suffers from a plethora of frameworks. Although the UN SDGs provide a useful way to consider the impact of potential investments, they are too imprecise to serve as practical guides. And while UN PRI signatories had assets under management of USD81.7 trillion as of April 2018, its principles for responsible investment are “voluntary and aspirational”, offering “a menu of possible actions for incorporating ESG issues into investment practice”.

A closely related problem is the lack of standardisation and coverage of ESG data and metrics. While 93 per cent of the world’s largest 250 corporations report their sustainability performance to the Global Reporting Initiative, this is a limited investment universe. Competing organisations aiming to bring coherence to
ESG considerations include the Financial Stability Board’s taskforce on climate-related financial disclosures and the International Integrated Reporting Initiative. For investors, such a range of standards creates complexity and is unhelpful.

Meanwhile, there are numerous ESG rating agencies with inconsistent and subjective criteria, according to a recent report. And although the International Capital Markets Association’s green, social and sustainability bond principles are gaining traction, they are voluntary. Banks have issued a multiplicity of so-called green bonds outside these frameworks. Bonds may relate to either company behaviour or a specific project, which makes it difficult to establish their ESG credentials; any system that allows coal-fired power plants to sell green bonds has questionable rigour.

**Change is underway**

Although there has been a raft of ESG regulations in Canada, Belgium, South Africa and elsewhere in recent years, the impact to date has been limited. New initiatives could change that. By 2020, all listed companies and bond issuers in China will have to disclose ESG risks. Initiatives underway in the European Union (EU) could also have a significant impact.

In January 2019, the European Commission (EC) published a report on climate-related disclosures as part of efforts to revise the current non-financial reporting directive. The EC plans to develop an EU classification system for determining climate mitigation activities, an EU green bond standard, benchmarks for low-carbon investment strategies, and guidance on corporate disclosure of climate-related information. Although non-binding, companies would need to consider if climate-related information is material in enabling stakeholders to understand their development, performance, position and external impacts. This information could prove valuable for investors.

Despite current ambiguities around definitions, ESG investing continues to gain momentum. Investors are likely to adopt an approach to ESG issues that aligns with their mandates, geographies and end-customer preferences. This will continue to evolve as the awareness increases and common standards are established. Although there will not be a wholesale switch to ESG investments overnight, a tipping point may be reached in 2019 in terms of public demand for ESG investment products and the adoption of ESG screens and criteria by mainstream investors.

The financial services industry must also respond to this demand and consider how to deliver ESG investment opportunities to their clients. Clients are likely to require greater transparency and more timely and granular information. For example, investors may wish to be alerted if a major new investor, that might compromise the ESG status of their investment, is added to a shareholder register. Similarly, providers might be asked to track manager adherence to ESG standards as part of monitoring, measuring and reporting on managers’ compliance with investment mandates. Interest in ESG benchmarking against peer investors could also grow.

As ESG gains sway in the investment community – not least in response to growing interest among retail and pension investors – it will be critical to maintain a dialogue about ESG standards and regulations that will determine its future. Standard Chartered regularly holds events to help build consensus on ESG issues. The Bank is also investing in data, enhancing its reporting capabilities and improving transparency in anticipation of client demands to be able to react to negative news about a particular stock, for example. ESG investing is here to stay: Standard Chartered is on hand to support investors as the sector continues to develop.

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Improving financial security and environmental conditions across communities is vital to creating prosperity and sustaining growth. A key element of this is to provide efficient, responsible finance directly to the individuals and grassroots organisations that can generate jobs and breathe new life into impoverished communities.

Microfinance is a core tenet of Standard Chartered’s sustainability strategy, as Karby Leggett explains. By supporting microfinance institutions (MFIs) across its footprint, the bank is helping millions of underserved people gain access to financial services, improve their financial security, and increase their family’s life choices.

**Why is microfinance so important in improving financial choice and security in developing markets?**

Case studies have shown that microfinance can help boost incomes. In Bangladesh, households that diversified out of farming into other business activities through microfinancing saw an almost 29 per cent higher income growth compared to those whose income remained exclusively from farming. Better access to credit was found to be a key factor in promoting an 8 per cent higher reduction in moderate and extreme poverty for this group.

In addition, the transformation of the sector with more professionally-run institutions has led to greater economies of scale, wider access to different forms of capital and better operational efficiency. This means they can work with more low-income people around the world, offering greater choice and better rates.

If families don’t have access to credit, they cannot build the new enterprises that will generate additional income streams and jobs. Without savings, they...
cannot become financially resilient and invest in education, nutrition and better living conditions. If they cannot transfer money, they cannot take ownership of their financial health and use it effectively to support their families or businesses. As a result, people’s choices in life may be very limited.

Microfinance is vital not only in helping to boost income, but also to ensure that cashflow is consistent, and to reduce vulnerability, particularly amongst women, who experience inequality most keenly and are often dependent on husbands or male relatives. It enables individuals, families and communities to start businesses that will boost prosperity, sustainability and self-determination.

Could you describe briefly your approach to microfinance, and how do you balance your contribution to sustainable financial goals with the need to manage risk?

Standard Chartered has an active presence in, and commitment to, many of the developing countries where financial inclusion is still quite low. We want to change this. In 2016, as part of our Microfinance Aspiration initiative, we committed to provide USD1 billion of financing to microfinance institutions (MFIs) over four years. Such a widening of access to finance is a core tenet of our Sustainability Aspirations framework, as is our commitment to providing finance that supports sustainable development in communities where we are present. This builds on the microfinance strategy that we started in 2006. Our aim was to invest in sustainable economic growth whilst protecting the interests of our people, our shareholders and the communities we serve.

We achieve this balance by working with MFIs, predominantly in South Asia, that work closely with local communities, and who understand their needs and aspirations. Standard Chartered has adopted a wholesale microfinance approach to support financial inclusion. Through MFIs as intermediaries, our aim is to increase outreach to the unbanked and under-banked sections of the population. The bank supports the microfinance sector by providing funding assistance, cash management and other transaction banking and FX solutions to our clients. We leverage our network across the globe to support the additional flow of funds to the sector. Wherever required, we also invest in capacity building initiatives.

Our microfinance strategy maintains our high business standards and risk criteria, whilst ensuring that our investment has the greatest possible impact for individuals, communities and shareholders.

What have you achieved so far in meeting your microfinance goals?

Our Microfinance Aspiration programme has been transformational, inspiring colleagues, our MFI partners and our beneficiaries. As a result, we met our Microfinance Aspiration targets three years ahead of schedule, extending more than USD1 billion to MFIs between 2016 and 2017 alone. In 2018, we provided a further USD690 million to MFIs and we are continuing our commitment to microfinance far beyond our original objectives. We are quite proud of this result and are committed to further deepening our impact in this space.

What has this meant in practice for the individuals and communities you support?

Our aim was to invest in sustainable economic growth whilst protecting the interests of our people, our shareholders and the communities we serve.
investment has had. Let me share a specific example: Minara Parvin in Bangladesh grew frustrated at seeing her husband Nazrul working six days a week in a factory for little reward or security. Minara approached the Admajnagor branch of a Non-Governmental Organisation (NGO) that we work with, that blends social enterprise with corporate philanthropy to provide microcredit products alongside quality healthcare services and various social development programs across 22 districts in Bangladesh. With the help of the NGO and relatives, Minara and Nazrul set up Tapoe Lone Enterprise to produce laces. From small beginnings, the business quickly grew, supplying a variety of garment industries, and now hires 75 people from the local community. They have been able to house and educate their children, giving them a better start in life, and also advise unemployed young people.

In another example, Saraswati moved to the Varanasi slums in India following her marriage at the age of 13. With three children, meagre and unpredictable income from selling artificial garlands that her abusive husband spent on alcohol, Saraswati was trapped in a downward spiral of poverty. When her husband passed away, she had no help from either family, and without shelter, sanitation or food, she was forced to approach local money lenders who charged an exorbitant interest rate, trapping her further. A neighbour told Saraswati about an MFI based in Uttar Pradesh that we worked with and which has since developed into a small finance bank. She received training, used a microfinance loan from the MFI to repay the money lender and invested the remainder in scaling up her garland business. Her business is now flourishing, she has moved out of the slum and been able to educate her children. She is even learning some foreign languages to attract overseas customers to her shop. Saraswati has been able to save, and as a result has paid off her loan, whilst also increasing her financial security, confidence and happiness.

It’s examples like these above that give us inspiration to drive our microfinance business even further.

What social contribution does microfinance make to the communities you serve?

As women suffer most from social and financial inequality in many communities, the impact of microfinance can be transformational in empowering women in particular to achieve financial independence and greater life choices. Last year, approximately 95 per cent of our microfinance lending was to women. Every time a woman is able to be financially independent and take charge of her household’s financial situation, we believe that we have created a positive impact. Every time a USD400 loan helps a family to reduce their vulnerability we believe that we have impacted their entire household positively. Every time a household does not pull their child out from school because they now have an additional stream of income, we believe that we have helped in a small way.

The impact of microfinance can be transformational in empowering women in particular to achieve financial independence and greater life choices

Access to finance is a key priority on national agendas for many Asian and African countries. Several countries such as Bangladesh, Nepal, India and the Philippines even have mandated lending targets from their banking regulators. Lending to microfinance helps fulfil these mandated lending targets as well.

How do you see the microfinance industry progressing in the future?

We continue to be committed to sustainable, grassroots financing, so we can help more people like Minara and Saraswati. However, the way that MFIs support communities is evolving in line with changing beneficiary needs, government strategies, cultural and economic sensitivities, and emerging opportunities to increase financial inclusion and security. Mobile banking, for example, has a highly complementary role in enabling access to financial services. At Standard Chartered, we are keen to remain part of, and drive the dialogue with innovative MFIs and community funding enterprises to respond to changing needs in order to sustain development and reduce financial vulnerability across the communities we serve.

As we look to the future, we hope to gain from the experience of the past. We see new opportunities to expand our microfinance offering into other parts of our footprint and continue to deliver impactful outcomes to our communities. We see our microfinance offering as part of our ‘Here for good’ compact with the world, and we are excited about what we can collectively deliver going forward.
Blending finance and sustainability

Sustainable finance and tackling climate change remain critical priorities for our clients, and our own internal and external stakeholders. We are placing sustainability at the heart of all client segments, geographies and business lines, mobilising resources from within the Bank and across our ecosystem to deliver solutions that will better protect our environment and the communities we serve.

A leading bank in blended finance
Standard Chartered has been independently rated by Convergence, a leading global blended finance organisation, as one of the world’s top banks for blended finance. Blended finance is one of the key tools to bridge the USD2.5 trillion investment gap required to achieve the United Nations Sustainable Development Goals (SDGs).

The Bank offers a particular advantage in blended finance as we bring together the public sector and development organisations from which development capital is sourced, and the borrowing clients in developing countries that are a key target for blended finance. Standard Chartered has mobilised more than USD5 billion in blended finance to tackle social development problems such as food security in Africa, job creation in Africa and Asia, and low carbon energy in the Middle East, working with leading donors such as the World Bank and the UK’s Commonwealth Development Corporation (CDC).

Tackling climate change
Building on our sustainable finance commitment, we know that for too many people, climate change, exacerbated by burning fossil fuels, threatens their way of life. At the same time, more than a billion people globally lack access to reliable power, severely impacting their economic and social development. These contrasting positions demonstrate the challenge in achieving social and environmental sustainability. However, we cannot allow the terrible environmental degradation we see today to continue. Standard Chartered no longer finances new standalone thermal coal mines, and we have gone further by stopping financing of new coal-fired power plants, adding to the extensive list of environmentally-damaging activities that we do not support.

At the same time, we need reliable and affordable electricity to help people out of poverty. To this end, we are increasingly proactive in supporting renewable energy through capital markets, blended finance and other innovative tools. We structured, and were lead arranger and underwriter on a USD250 million financing deal with Adani Green Energy for solar energy in India, one of the largest foreign currency deals in the renewable energy sector in India. We provided USD136 million project financing to Mahindra in India, pioneering the trend of inter-state renewable energy projects in India. Both of these transactions were recognised in The Asset Triple A Infrastructure Awards, 2019. We continue to work with clients across our footprint to create a sustainable future for our planet and the communities that rely on it.

For more information, contact Heidi.Toribio.BankableInsights@sc.com
News in brief

A selection of financial news items from around the world

**Standard Chartered sponsors Euromoney 2nd Annual Asia Sustainable and Responsible Capital Markets Forum**

Investors and issuers from across the region attended the event in Hong Kong on 25 June to discuss the challenges, opportunities and other trending issues in the sustainable and responsible financial markets. Daniel Hanna, our Global Head of Sustainable Finance, participated in Panel II on ‘Driving sustainable finance forward in the region’ while Roshel Mahabeer, our Executive Director, Sustainable Finance, joined the Focus Session 1 on ‘Creating a sustainable blue economy.’

**Euromoney-Standard Chartered Sustainable Finance podcast series**

Daniel Hanna, Standard Chartered’s Global Head of Sustainable Finance shares his views on ‘Profit meets purpose: Redefining progress and prosperity,’ in the first of six episodes in this sustainable finance podcast series with Euromoney. The second episode in the series, ‘The greening of economic growth,’ looks at the sustainable growth of developing markets, and will be launched on 8 July.

**The G20 and Central Bank Governors June meeting**

The meeting was held on 9 June, and a communiqué was published the day after. For financial services specifically, some key takeaways include supporting financial institutions in adjusting their business models to meet the needs of the ageing population, improving debt transparency and security, and the continued implementation of financial reforms.

**Special local government bonds for regional growth in China**

Regional growth in China will be supported by special local government bonds worth about 860 billion yuan (USD124.51 billion). The funds will help finance infrastructure development and future bonds could potentially fund rail transport, rural vitalisation and water resources.
Euromoney-Standard Chartered webinar: What’s the next flashpoint in the US-China trade war?
The trade war between the United States and China reignited in May, when the US government increased tariffs on Chinese goods and began to target individual companies. Our webinar with Euromoney discusses the markets and sectors most exposed. Listen to the webinar to find out more.

Standard Chartered is committed to help achieve climate goals
The Bank will help clients, communities and stakeholders to meet the climate targets as set out in the Paris Agreement, and is collaborating with four other banks to develop methodologies and tools that the banking sector needs to assess their own contribution to climate goals.

SWIFT launches new service to speed up cross-border payments
The new service aims to speed up the resolution of operational, compliance and regulatory-related issues that can arise along the payments chain. There are twelve banks taking part in the pilot, including Standard Chartered.

Standard Chartered has launched the world’s first Sustainable Deposit
Aligned to the United Nations’ Sustainable Development Goals (SDGs), Standard Chartered’s Sustainable Deposit will be used to finance SMEs in developing countries, undertake microfinance and provide funds for a variety of sustainable projects.
Small and medium-sized enterprise (SME) financing

The Financial Stability Board has delivered a report evaluating the effect of post-crisis financial reforms on the financing of small and medium-sized enterprises. Despite an improvement to lending growth, volumes remain low in some jurisdictions.

Funding allocations to boost women-led business

The World Entrepreneurs Finance initiative has announced a second round of funding of USD129 million for programmes expected to benefit 70,000 women-led business and mobilise funding for public and private sector resources.

Asia Symposium: Banking for the Common Good

Jointly organized by the Federal Reserve Bank of San Francisco and the Monetary Authority of Singapore, the symposium was held in Singapore from 3-4 June. Leaders from across the region came together to discuss the impact of banking services on the function and wellbeing of society. Heidi Toribio, Standard Chartered’s Managing Director and Global Head, Financial Institutions, shared details of the Bank’s programs aimed at empowering women through financial inclusion as part of the session on ‘Our Stories: Responsible Banking.’
Awards & Accolades

We are delighted to be recognised by leading industry publications for our market leadership across various key businesses.

Global Finance World's Best Sub-custodian Banks 2019

- Best Sub-Custodian in the Middle East
- Best Sub-Custodian in: Bahrain, Ghana, Hong Kong, India, Indonesia, Malaysia, Mauritius, Oman, Pakistan, Philippines and Vietnam.

Global Finance Best Bank Award 2019

- Global Best Bank for Export Finance

Global Finance Best Trade Finance Provider Award 2019

- Best Global Supply Chain Finance Provider
- Best Regional Trade Finance Provider in Asia Pacific
- Best Trade Finance Provider in Hong Kong

Global Custodian Leaders in Custody Awards 2019

- Emerging Markets Continued Excellence for MENA
- Best Bank Network Team

Global Custodian Legend 2019

- Colin Brooks, Vice Chairman Securities Services, Standard Chartered - 2019
The Asset Triple A Transaction Banking Treasury, Trade, Supply Chain and Risk Management

A total of over 70 accolades were won:
- Best in Treasury and Working Capital Liquidity Management
- Best Service Provider – Renminbi Bank
- Best Service Provider – Working Capital & Trade Finance
- Editors’ Triple Star for Straight2Bank Pay
- Best in Treasury & Cash Management for South Asia; North Asia; Mena
- Best in Working Capital & Trade Finance for Mena

The Asset Triple A Asia Infrastructure Awards 2019

10 Awards wins in total, with 2 Regional Awards and 6 Country Awards.
- Most Innovative Deal of the Year – Regional (Global coordinator)
- Most Innovative Deal of the Year – Regional (Lead manager)
- Project Finance House of the Year – Bangladesh
- Most Innovative Deal of the Year – Singapore
- Mining Deal of the Year – Australia
- Power Deal of the Year – Bangladesh
- Oil and Gas Deal of the Year – Indonesia
- Renewable Energy Deal of the Year – Solar – India (Structuring bank, mandated lead arranger, underwriter and lender)
- Renewable Energy Deal of the Year – Solar – India (Lender)
- Petrochemical Deal of the Year – Malaysia

GTR Leaders in Trade 2019

- Global Award for Best Export Finance Bank
- Regional Award for Best Trade Finance Bank in Middle East & North Africa