2018 Climate Change Disclosures

Aligning to the recommendations of the Taskforce on Climate-related Financial Disclosures (‘TCFD’)

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Who we are

We are a leading international banking group, with a presence in more than 60 of the world’s most dynamic markets. Our purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, Here for good.

We provide a wide range of banking and financial products and services to personal and business clients, serving four client segments:

- **Corporate & Institutional Banking**
- **Commercial Banking**
- **Private Banking**
- **Retail Banking**

This is our first disclosure pursuant to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). We will continue to work to enhance our disclosures over time, and to support collaborative efforts to achieve this.

This document builds on our Climate Change Position Statement **https://www.sc.com/en/sustainability/position-statements/climate-change/**

Climate change and Standard Chartered

Climate change is one of the greatest challenges facing the world today, given its widespread and proven impacts on the physical environment, human health and its potential to adversely impact economic growth.

2007 Signed Corporate Leaders Group Communique on Climate Change and UNEP-FI Declaration on Climate Change

2007 Set Clinton Global Initiative target to mobilise USD8-10 billion toward renewable energy and clean technology 2007-12

2007 Formed Renewable Energy & Environmental Finance team

2008 Set long-term energy reduction targets for our own footprint, to reduce our climate impacts

2009 Developed Environment and Climate Change policy, bringing together our actions

2010 Published Climate Change Position Statement

2016 Updated Climate Change Position Statement, including a target to fund and facilitate USD4bn toward clean technology 2016-2020 and a commitment to end direct financing of coal mines

2017 Designated climate change as a Principal Uncertainty in our risk management framework, publicly supported TCFD recommendations

2018 Published commitment to end direct financing of new coal-fired power plants, and to work to measure and ultimately reduce the impact of emissions associated with our financing

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Climate change presents a mix of physical and transition risks and opportunities for countries, businesses and individuals. Recognising the impact and complexities of climate change, in 2017 we designated it as a Principal Uncertainty within our Enterprise wide Risk Management Framework.

The financial sector has an important role to play in helping to deliver the 2015 Paris Agreement goals of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit temperature increase to 1.5°C, supporting climate adaptation, and directing finance flows toward a low carbon transition.

Governance

Our response to climate change is increasingly embedded across our organisational governance:

- Our Board considers climate change aspects where relevant to matters under discussion. During 2018, the Board considered climate change in the context of the Group's refreshed sustainability strategy and agreeing our Sustainability Philosophy
- The Brand, Values and Conduct Committee of the Board oversees the Group's key sustainability priorities, including climate change. During 2018, the Committee considered climate change when receiving an update on the Group's refreshed sustainability strategy, and where relevant in relation to our Position Statements such as power generation and extractive industries
- Our Management Team comprises our Group Chief Executive, Group Chief Financial Officer, four regional CEOs, client segment CEOs and global function heads. They are responsible for implementing our global banking strategy. During 2018, the Management Team considered climate change in agreeing a refreshed sustainability strategy, and during the update of our Position Statements
- Our Chief Risk Officer is responsible for our Enterprise Risk Management framework, within which climate change is designated a Principal Uncertainty:
    - We have put in place a senior-level Climate Change Working Group, chaired by the Global Head, Enterprise Risk Management and bringing together key individuals from across the Group, including client segment leads, Risk, Sustainability, Regulatory / Corporate Affairs and Finance. This includes regular updates on the Group's key climate-related projects and initiatives
    - As a Principal Uncertainty, climate change is monitored by the Enterprise Risk Management Forum
    - We draw on external expertise as required, including to inform the Climate Change Working Group and Enterprise Risk Management Forum
    - We also consider climate change related issues arising from impacts of specific transactions via the Group Reputational Risk Committee, chaired by the Group Head, Corporate Affairs, Brand and Marketing and Compliance

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Strategy

Our Purpose is to **drive commerce and prosperity through our unique diversity**. We are committed to promoting economic and social development in the markets we serve, doing so sustainably and equitably in line with our Purpose. Our Sustainability Philosophy sets out how we integrate sustainability into our organisational decision-making.

We have an inherently diversified business model – drawing upon revenue from four client segments, over sixty markets, and serving all sectors of the economy. Whilst this reduces our vulnerability to any specific sub-set of climate risk and offers us a wide range of climate-related opportunities, it also increases the breadth of analysis and action we must take to respond to and enable the low carbon transition.

We believe our markets have a meaningful role to play in mitigating climate change, reflecting the concept of 'common but differentiated responsibilities'.[1] Our markets can be susceptible to physical impacts from climate change due to their lower levels of investment in adaptive capacity. These hold true at the level of governments across our markets, but also for the clients we serve across our segments.

To better serve our clients' sustainable finance needs and build on the significant experience we have gained to date including in relation to climate change, in October 2018 we created a Sustainable Finance team. The team will create a Bank-wide Sustainable Finance strategy and develop new products and solutions, further incorporate environmental, social and governance considerations into banking decisions, and identify sustainable finance opportunities for clients.

In our business planning, we consider 'short term' to be less than two years, 'medium term' to be 2-5 years, and long term to be beyond this. Parts of our climate change analysis use an outer time horizon of 2040, but 70 percent of our loans and advances to Corporate and Institutional and Commercial clients have a maturity of less than one year.

To better serve our clients' sustainable finance needs, in October 2018 we created a Sustainable Finance team.

We provide the following loans and advances to sectors deemed 'carbon-related' by TCFD:

Sector	ISIC(s)	Exposure (USDmn)		
		H1 2018	Full Year 2017	Full Year 2016
Oil & Gas	2200, 2201, 2202, 2203	5,729	7,697	8,874
Coal	2100, 2101	199	395	312
Electric Utilities	4010	4,432	4,165	3,883

In September 2018, we announced that we would undertake to develop a methodology to measure, manage and ultimately reduce the emissions related to our activities and those related to the financing of our clients. We have commenced this work, and are partnering with the 2 degrees Investing Initiative (2°II) to determine how their asset-level data matching process could be applied to our client portfolio.

In assessing climate-related risks and opportunities, we recognise the importance of scenarios. We note that there are a range of potential scenarios. Those we have worked with include the Inter-governmental Panel on Climate Change (IPCC)'s Representative Concentration Pathways (RCP)2.6 and RCP8.5 in our work with the University of Oxford on physical and transition risks for energy utilities clients, and scenario models developed by the Potsdam Institute for Climate Impact Research (PIK) and International Institute for Applied Systems Analysis (IIASA) in our work with the United Nations Environment Programme for Financial institutions (UNEP-FI).

[1] This concept reflects the different roles of individual states in contributing to historic emissions, and their capabilities to pay toward climate mitigation and adaptation.

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Risk management

National governments have, through the UN Framework Convention on Climate Change (UNFCCC) process and Paris Agreement, made commitments to enact policies which support the transition to a lower-carbon economy, limiting global warming to less than 2ºC and therefore mitigating the most severe physical effects of climate change. Such policies may however have significant impacts, for example, on energy infrastructure developed in our markets or in the automotive sector, and thus present 'transition' risks for our clients.

Conversely, if governments fail to enact policies which limit global warming, many of the Group's markets are particularly susceptible to 'physical' risks of climate change such as droughts, floods, sea level change and average temperature change. There is growing stakeholder interest in these risks, including from investors, regulators and civil society.

We are working with external experts to assess climate-related risks and opportunities.

In our assessments to date, we have identified the following potential climate-related risks:

Risk: We are a lender to the energy utilities sector, which is susceptible to a range of transition and physical climate-related risks. This lending includes a small amount of longer-duration project finance loans.

Action: We have been undertaking work to assess physical and transition risks to the energy utilities sector since late 2016, in conjunction with the University of Oxford. We are participating in the Equator Principles 4 review process, which seeks to further assess climate-related risks in the financing of projects. In September 2018, we confirmed that, save for existing commitments, we would no longer provide direct financing for new coal-fired power plants.

Risk: We are a lender to the extractives sector, which is susceptible to a range of transition and physical climate-related risks. This lending includes a small amount of longer-duration project finance loans.

Action: In 2016, we announced that we would no longer provide project finance or project finance advisory services to new standalone, non-captive thermal coal mining projects. We participated in a UNEP-FI pilot, between late 2017 and mid-2018, to develop tools to assess physical and transition risks to a range of industries including oil and gas and mining. We are considering how we develop these further, including via further collaboration with UNEP-FI.

Risk: We are a lender to the agricultural sector, which is exposed to a range of physical risks. We also recognise the role of land use and land use change in exacerbating physical climate risks.

Action: Our Position Statement on Agro-industries prohibits the use of fire in forestry or plantation operations, including in the clearance and preparation of land for planting. We disclose all such prohibitions in our Prohibited Activities list. We participated in a UNEP-FI pilot, between late 2017 and mid-2018, to develop tools to assess physical and transition risks to a range of industries including agriculture. We are considering how we develop these further, including via further collaboration with UNEP-FI.

Risk: We provide longer-term mortgage lending to individuals across our footprint, and our longer-term lending to businesses across all segments is frequently secured against property. These properties may be exposed to increased physical risks, which will vary by location, as a result of climate change.

Action: We have conservative lending standards, with strong loan-to-value ratios and shorter tenors on property-related loans as further discussed on page 51 of our 2018 Half-Year Results. We participated in a UNEP-FI pilot, between 2017 and 2018, to develop tools to assess physical risks to commercial real estate via scenario analysis. This showed that an increase in extreme events could have between 1-5% increase in loan-to-value ratios for a sample portfolio of our loans in China.

In addition to the work detailed above, we have assessed how changes in the automotive sector and its value chain may present additional risks and opportunities for our relationships in the sector.

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Metrics & Targets

The 'carbon-related' assets detailed under the 'Strategy' section represent around 4 per cent of our total loans and advances of USD259,331 million as detailed on page 51 of our 2018 Half-Year Results.

Reflecting the opportunities presented by the low-carbon transition, we have committed to fund and facilitate at least USD4 billion toward clean technology between 2016 and 2020. As at the end of 2017, we were more than halfway toward this target.

During 2018, we developed Science Based Targets for our Scope 1 and 2 emissions. We will continue to review potential methodologies for Scope 3 'financed emissions' as these are developed, and have joined the Science Based Targets initiative 'Expert Working Group' to support this outcome.

We have provided a summary of our operational greenhouse gas emissions below.
A full disclosure can be found at sc.com/sustainabilitysummary:

Greenhouse gas emissions

Indicator	2017	Units
Scope 1 emissions (combustion of fuels)	7,922	tonnes CO2eq / year
Scope 2 emissions (purchased electricity) – location-based method	180,014	tonnes CO2eq / year
Total Scope 1 & 2 emissions	187,936	tonnes CO2eq / year
Scope 3 emissions with distance uplift (air travel)	64,505	tonnes CO2eq / year
Scope 3 emissions (outsourced data centre)	23,904	tonnes CO2eq / year
Total Scope 1, 2 & 3 emissions	247,115	tonnes CO2eq / year

Further reading

If you would like to know more, the following sources provide more information on some of the items discussed in this document:

Our Position Statement on Climate Change
https://www.sc.com/en/sustainability/position-statements/climate-change/

UNEP-FI's report on transition risk: Extending our Horizons
http://www.unepfi.org/wordpress/wp-content/uploads/2018/04/EXTENDING-OUR-HORIZONS.pdf

UNEP-FI's report on physical risk: Navigating a New Climate
http://www.unepfi.org/wordpress/wp-content/uploads/2018/07/NAVIGATING-A-NEW-CLIMATE.pdf

Science Based Targets initiative for financial institutions
https://sciencebasedtargets.org/financial-institutions/

Feedback

Your comments are important to us and we welcome your feedback on our disclosures. Please contact us at **sustainability.feedback@sc.com**.