

Carbon Emission Criteria 2019

Introduction

This Reporting Criteria document sets out the principles and methodology used to report all carbon emissions data by Standard Chartered PLC and its subsidiaries (together known as “the Group”) in its Annual Sustainability Review and Annual Report and Accounts.

Our reporting methodology is based upon the World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition).

We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations. Using conversion factors from the UK Government’s 2018 GHG Conversion Factors for Company Reporting, emissions are reported in metric tonnes of carbon dioxide equivalent (CO₂e)¹, encompassing the six Kyoto gases.

General Reporting Principles

In forming the reporting criteria, consideration has been given to the following principles:

- Relevance – The criteria ensures we report results that are relevant to both external and internal stakeholders.
- Completeness – All material sources of greenhouse gas (“GHG”) emissions (i.e. from buildings and air travel) within the Group’s inventory boundary are reported and accounted for. Any exclusions are disclosed and justified.
- Consistency – A consistent methodology is used to calculate GHG emissions across our reporting period and between separate years. Any material updates to the reporting criteria are clearly documented.
- Transparency – All relevant decisions and assumptions made in the course of reporting are clearly disclosed. Sources of data are identified.
- Accuracy – The criteria ensures reported GHG emissions are as close to the actual total as reasonably practicable.

Reporting Period

Carbon emissions relate to a reporting period of 1 October to 30 September. This is to allow sufficient time for independent assurance to be gained prior to the publication of results.

It should be noted that the Group’s financial results are reported in relation to the calendar year. The majority of the GHG reporting period falls within the same period.

Organisational Boundary

The Group has set its inventory boundary using the control approach. The Group defines control by the operational criterion; requiring emissions to be reported from sources where the Group has full authority to introduce and implement its own operating policies.

Emissions arising from the operation of assets in which the Group owns an interest but has no control are excluded. In some cases this is divergent from the Group’s financial reporting but consistent with international carbon reporting practice, enabling comparison to peers.

¹ A tonne of carbon dioxide equivalent means one metric tonne of carbon dioxide or an amount of any other greenhouse gas with an equivalent global warming potential (calculated consistently with international carbon reporting practice). GHGs include those listed by Kyoto Protocol: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

Operational Boundary

Emissions are categorised as arising from both direct and indirect sources, in line with the categories set out in ISO 14064-1. These are equivalent to the emission sources legally required² to be reported by listed companies in the UK from 2013.

In accordance with the GHG Protocol, emission sources are classified as Scopes 1, 2 and 3. Their definition, and our calculation methodology, is provided below.

Scope 1

Scope 1 emissions are defined as arising from the consumption of energy from direct sources, during the use of property occupied by the Group. On-site combustion of fuels including diesel, liquefied petroleum gas (“LPG”) and natural gas, is recorded using meters, or where metering is not available, collated from fuel vendor’s invoices. Emissions from the combustion of fuel in Group-operated transportation devices, as well as fugitive emissions, are excluded as being immaterial.

Scope 2

Scope 2 emissions are defined as arising from the consumption of indirect sources of energy, during the use of property occupied by the Group. Energy generated off-site in the form of purchased electricity, heat, steam or cooling, is collected as kilowatt hours consumed using meters or where metering is not available, collated from vendor’s invoices.

Applicable to both Scope 1 and 2 emissions, for the purpose of relevancy, at leased properties we include all indirect and direct sources of energy consumed by building services (amongst other activities) within the space occupied by the Group. This can include base building services under landlord control, but over which we typically hold a reasonable degree of influence.

All data centre facilities with conditioning systems and hardware remaining under the operational control of the Group are included in the reporting. This does not include energy used at outsourced data centre facilities which are captured under Scope 3.

Scope 3

Scope 3 emissions are defined as occurring as a consequence of the Group’s activities but arising from sources not controlled by us. Business air travel data is collected as person kilometres travelled by seating class, by employees of the Group. Data are drawn from country operations that have processes in place to gather accurate employee air travel data from travel management companies. Flights are categorised between short haul and international trips³.

Emissions from other potential Scope 3 sources such as electricity transmission and distribution line losses are not currently accounted for on the basis that they cannot be calculated with an acceptable level of reliability or consistency. We do however capture Scope 3 emissions from outsourced data centres managed by third parties.

Reporting and Extrapolation

To calculate Scope 1 and 2 emissions, data is collected from all “GEMS” properties occupied by the Group at the start of the reporting period⁴. This data is used to calculate the emissions classified as “Measured” within the GHG Inventory.

On a random sampling basis, data is also collected from a selection of properties smaller than 10,000 square feet. Using both GEMS and data from smaller properties, an extrapolation is then made to account for 100% of the Group’s occupied property footprint⁵ (as at the end of the reporting period). This is classified

² See the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013 paragraph 15(2).

³ Short haul is defined as domestic or international flights with a maximum distance less than 785km. For flights beyond this distance we apply the factors for ‘International’ flights given the majority of our travel originates outside the UK.

⁴ GEMS are defined as all properties equal to, or larger than, 10,000 square feet. GEMS are identified at the start of the reporting period.

⁵ Warehouses, empty land, car parks, unoccupied sites for business continuity purposes, residential properties, space occupied by automated teller machines, vaults and space sub-let to tenants are excluded from this extrapolation.

as “Scaled-up” within the GHG inventory. We satisfy ourselves of completeness of our GEMS population by annually cross-referencing to our Global Property Management database.

For Scope 3 emissions, an extrapolation is made using data collected from country operations to cover all employees of the Group (as of the end the reporting period), thereby accounting for 100% of the Group’s operations globally. The extrapolated figure is presented under the “Scaled-up” column of the GHG inventory.

Metrics

As well as accounting in absolute terms, the Group uses a range of intensity ratios to report emissions relative to a normalising denominator, enabling performance to be tracked over time on a ‘like-for-like’ basis. Reported ratios for GHG emissions currently include:

- Total Scope 1 & 2 tonnes CO₂e/FTE/per year
- Total Scope 1 & 2 kilogrammes CO₂e/m²/per year
- Air travel [Scope 3] tonnesCO₂e/FTE/per year
- Total tonnes CO₂e/FTE/year
- Total kilogrammes CO₂e emissions/m²/year
- Total Scope 1,2 & 3 tonnes CO₂e/\$mil operating income/per year

Conversion Factors

GHG Conversion Factors provided by the UK Government’s Department for Environment, Food and Rural Affairs (“Defra”) are used to convert direct and indirect energy data to metric tonnes of carbon dioxide equivalent emissions (“CO₂e”).

Emissions from direct sources (i.e. fuel combusted on-site) are calculated using a single set of fuel conversion factors in CO₂e terms. Factors are specific to the year of reporting and are universal rather than country specific. In accordance with guidance issued by Defra, when calculating emissions from direct sources, the Net calorific value (“NCV”) of fuel is calculated, before applying the CO₂e conversion factor. To ensure consistency, the volume of fuels if converted to GCV using a single set of factors, also provided by Defra and referenced below.

Emissions from indirect sources (i.e. grid electricity) are calculated using country specific conversion factors, wherever published by Defra. Regional versions are used in other instances. CO₂e factors are used for all conversions, apart from purchased electricity outside of UK, for which Defra has only published CO₂ factors.

A zero-carbon conversion factor is applied to renewable energy generated from on-site sources under the operational control of the Group. The Group does not use voluntary offsets, Renewable Energy Certificates (“RECs”) or “green” electricity to offset Scope 1 or Scope 2 emissions. Purchase of electricity from off-site renewable sources is only considered zero carbon if an abatement instrument from those sources is “retired” by the Group, or where we have a robust audit trail to demonstrate carbon emissions savings have not been double-counted by any other organisation, compliance or voluntary system.

The Group’s reporting is based on the yearly-specific conversion factors published by UK Government’s GHG Conversion Factor and IEA. For reference, the 2019 factors most material to the Group’s reporting are provided below.

Emission Source	Factor	Reference
Natural Gas	2.04652 kg of CO ₂ e/ m3	UK Government’s GHG Conversion Factor
Liquefied Petroleum Gas	7.00 kWh/litre	
	1.51906 kg of CO ₂ e/ Litre	
Diesel Fuel Oil	10.6 kWh/litre	
	2.68779 kg of CO ₂ e/ Litre	
Purchased Electricity (UK)	0.283* CO ₂ e kg/kWh	
Purchased Electricity (non-UK)	Varies by country (CO ₂ kg/kWh)	

Short Haul (<785km)	Economy	0.158*** CO ₂ e kg/passenger.km	
	Business	0.2395*** CO ₂ e kg/passenger.km	
	First	0.2395*** CO ₂ e kg/passenger.km	
International (>785km)	Economy	0.1399*** CO ₂ e kg/passenger.km	
	Business	0.4059*** CO ₂ e kg/passenger.km	
	First	0.5599*** CO ₂ e kg/passenger.km	

* Rounded to three decimal places.

** As we operate largely outside UK, all flights domestic or international with flight distance < 785km have been calculated using the 'Short haul to / from UK' emissions factors. Flights with distance flown over 785km, have been calculated using the 'International' emissions factors.

*** Conversion factors for air travel include an allowance for radiative forcing.

Tracking Emissions Over Time

The Group's environmental targets have traditionally been set in terms of resource intensity rather than carbon emissions⁶. However this year we have started to track Scope 1 and Scope 2 emissions against a 2019 base year. The Group has also voluntarily reported GHG emissions for all years back to 2010, allowing an overview of changes within our GHG inventory over time. We will be using the most recent Defra and IEA conversion factors for the current and future year's reporting.

For Scope 3 emissions, the Group measures the impact from business air travel exclusively in terms of carbon emissions. For 2019 reporting we have provided emissions inclusive of radiative forcing and distance uplift in accordance with UK Government guidance, and provided equivalent figures for 201 and 2018 reporting years using the conversion factors appropriate for those reporting periods.

In addition to updates to conversion factors, the Group also recognises that restatements may be required to ensure a consistent and accurate account of emissions over time. Such cases might be as a result of significant structural changes (i.e. acquisitions, divestments, and mergers), adjustments to our reporting criteria and improvements to accuracy. In exceptional circumstances, the discovery of previous errors that have a material impact on reported emissions may also justify restatements.

Targets

For 2020, we've set targets based on scope 1 & 2 carbon emissions as follows:

Region	2020 VALUE	Region	2020 VALUE
ASA	62,444 CO ₂ Eq. (Tons)	AME	24,192 CO ₂ Eq. (Tons)
GCNA	45,817 CO ₂ Eq. (Tons)	EA	3,140 CO ₂ Eq. (Tons)

References

World Resources Institute and World Business Council for Sustainable Development (WRI/ WBCSD). (2004), *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)*, WRI/ WBCSD.

ISO (2006), *International Standard on Greenhouse Gases- Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*, (ISO 14064-1), International Standard Organization.

Department for Fisheries and Rural Affairs ("Defra"), *Government conversion factors for company reporting* (2018). Link: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726911/2018_methodology_paper_FINAL_v01-00.pdf