

Standard Chartered

Carbon Emission Criteria 2020

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 an 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 International Energy Agency’s GHG Conversion Factors and the UK Government DEFRA GHG emission factors. 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 16064-1. 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 relevancy, 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 occur 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, medium and long-haul 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 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. During the 2020 reporting year we have included smaller properties such as remote branches into the measured category. Warehouses, empty land, car parks, residential, Automated Teller Machines (ATMs), sub-let office space and unoccupied Business Continuity Management (BCM) sites are excluded from this data.

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.

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 463km. Medium haul is defined as domestic or international flights covering a distance equal to, or between, 463 - 1108km. Long haul is defined as domestic or international flights covering a distance greater than 1108km.

⁴ Properties occupied refers to all business operations buildings, head offices, support offices, branches and data centres within our portfolio.

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/with distance uplift
- Air travel [Scope 3] tonnes CO₂e/FTE/per year/without distance uplift
- 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 the IEA, when calculating emissions from direct sources, the gross calorific value ("GCV") 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 the IEA and referenced below.

Emissions from indirect sources (i.e. grid electricity) are calculated using country specific conversion factors, wherever published by the IEA. 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 the IEA. For business travel we use the UK Governments DEFRA factors. For reference, the 2020 factors most material to the Group's reporting are provided below.

Emission Source		Factor	Reference
Natural Gas		2.023 Kg of CO ₂ e / m ³	IEA Emissions Factors 2020 edition
Liquefied Petroleum Gas		7.25 kWh/litre	
		1.555 Kg of CO ₂ e / litre	
Diesel Fuel Oil		10.63 kWh/litre	
		2.687 Kg of CO ₂ e / litre	
Purchased Electricity (UK)		0.229 CO ₂ e kg / kWh	
Purchased Electricity (non-UK)		Varies by country (CO ₂ kg/kWh)	
Short haul flights (< 463km)**		0.15298*** CO ₂ e kg/passenger.km	IEA Transport Energy & CO ₂
Medium Haul (463km to 1108km)	Economy	0.139245*** CO ₂ e kg/passenger.km	
	First and Business	0.40379*** CO ₂ e kg/passenger.km	
Long Haul (>1108km)	Economy	0.139245*** CO ₂ e kg/passenger.km	DEFRA 2020

	Business	0.40379***	CO ₂ e kg/passenger.km
	First	0.55695***	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 < 463km, labelled by DEFRA as 'domestic flights', have been classified as 'Short Haul'. All flights with distance flown ranging from 463-1108km, labelled by DEFRA as 'Short Haul' have been classified as 'Medium Haul'.

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

Tracking Emissions Over Time

For Scope 3 emissions, the Group measures the impact from business air travel in terms of carbon emissions. We have a public target to reduce the emissions from our business air travel by 7 percent each year (against a 2019 baseline) between 2020 and 2023. *Wider scope 3 text to be included?*

In addition to updating 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. For example, the Group now reports using both location and market-based data which allows a reclassification of indirect sources of renewable energy. In exceptional circumstances, the discovery of previous errors that have a material impact on reported emissions may also justify restatements.

Targets

Previous 2019 targets for energy and water intensity were met. We will continue to track these internally but will mainly focus on our carbon impact. We aim to be net zero by 2030, with an interim target for 2025 as follows:

RESULT	2025 VALUE	2030 VALUE
Group Water Consumption	0.45 kilo litres / m ² / year	0.4 kilo litres / m ² / year
Group Energy Consumption	210 kWhs / m ² / year	200 kWhs / m ² / year
Group Scope 1&2 Emissions (SBT)	60,000 tonnes CO ₂ /eq/year	18,000 tonnes CO ₂ /eq/year
Group Scope 1&2 Emissions (RE100)	60,000 tonnes CO ₂ /eq/year	0 tonnes CO ₂ /eq/year

The Group has 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 IEA conversion factors for the current and future year's reporting.

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* (2015). Link: <http://www.ukconversionfactorscarbonsmart.co.uk/>