

Second-Party Opinion

Standard Chartered Bank

Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Standard Chartered Bank Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 9, 10, 11, 12, 14, 15.



PROJECT EVALUATION / SELECTION Standard Chartered Bank's internal process to evaluate and select projects is aligned with market standards. Standard Chartered Bank established a three-level process, which includes pre-selection by the Sustainable Finance Working Group, an evaluation by the Sustainable Finance and Environmental and Social Risk Management department, and final approval by its internal Sustainability Bond Committee, which is comprised of one representative from each of the following departments: Group Treasury, Sustainability, Sustainable Finance, Environmental and Social Risk Management and Debt Capital Markets; and is chaired by the Group Sustainability department.



MANAGEMENT OF PROCEEDS Standard Chartered Bank's processes for the management of proceeds are aligned with market practice. The Treasury Team will be responsible for oversight of this process. Standard Chartered Bank has systems in place to monitor and track the use of proceeds. Unallocated proceeds will be invested in according to the Standard Chartered Bank Group Treasury investment guidelines.



REPORTING Standard Chartered Bank is committed to report annually on the allocation of proceeds in an allocation report, which will include amounts allocated overall and per eligible category, maturity profile of loans, and the amount of unallocated proceeds. In addition, Standard Chartered Bank is committed to reporting on relevant impact metrics. Sustainalytics views Standard Chartered Bank's allocation and impact reporting as aligned with market practice.

Evaluation date January 4, 2021

Issuer Location London, United Kingdom

Report Sections

Introduction	2
Sustainalytics' Opinion	3
Appendices.....	13

For inquiries, contact the Sustainable Finance Solutions project team:

Evan Bruner (Amsterdam)
Project Manager
evan.bruner@sustainalytics.com
(+31) 20 205 0027

Jean-Claude Berthelot (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

¹ Renewable Energy, Energy Efficiency, Green Buildings, Forest, Agricultural Land and Land Management, Clean Transportation, Pollution Prevention and Control, Water Management, Climate Change Adaptation, Eco-Efficient Products, Blue Projects, Employment generation / SME financing, Affordable Basic Infrastructure, Access to Essential Services – Health, Access to Essential Services – Education, Affordable Housing and COVID Financing

Introduction

Standard Chartered Bank was established in 1853 by Royal Charter in the United Kingdom, with the holding company Standard Chartered Bank PLC incorporated in 1969. The bank is domiciled in the U.K. and provides banking services across 60 countries, primarily in Asia, Africa, the Middle East, and the United Kingdom. The bulk of the business is corporate and transaction banking, financial markets, and corporate finance. The bank also has a strong retail franchise, serving clients across its footprint. It is dual listed in the United Kingdom and Hong Kong.

Standard Chartered Bank has developed the Standard Chartered Bank Sustainability Bond Framework² (the “Framework”) under which it may issue Green, Social, and Sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that help combat climate change and increase access to finance in Standard Chartered Bank’s core markets, i.e. Asia, Africa and the Middle East. The framework defines eligibility criteria in fifteen areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Forest, Agricultural Land and Land Management
5. Pollution Prevention and Control
6. Sustainable Water and Wastewater Management
7. Clean Transportation
8. Climate Change Adaptation
9. Eco-Efficient Products
10. Blue Projects
11. Employment Generation / SME financing
12. Affordable Basic Infrastructure
13. Access to Essential Services - Health
14. Access to Essential Services - Education
15. Affordable Housing
16. COVID Financing

Standard Chartered engaged Sustainalytics to review the Standard Chartered Bank Sustainability Bond Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

² Sustainalytics notes this is an updated Second-Party Opinion, the original Second-Party Opinion was provided in 2019.

³ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Standard Chartered Bank Sustainability Bond Framework is available on Standard Chartered Bank’s website at: <https://www.sc.com/en/sustainability/contributing-to-sustainable-economic-growth/>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of Standard Chartered's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Standard Chartered representatives have confirmed (1) they understand it is the sole responsibility of Standard Chartered to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Standard Chartered.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Standard Chartered has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Standard Chartered Bank Sustainability Bond Framework

Sustainalytics is of the opinion that the Standard Chartered Bank Sustainability Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of Standard Chartered's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories¹ are aligned with those recognized by the GBP and SBP. The projects and activities that may be financed under this Framework will take place in emerging economies throughout Africa, the Middle East and Asia.
- Green categories:
 - Regarding Renewable Energy, the Issuer may finance or refinance the following types of renewable technologies: on- and off-shore wind, photovoltaic solar, hydropower,⁶ municipal waste-to-energy,⁷ geothermal⁸ and production of biofuels from waste and non-waste sources.⁹
 - The Issuer may also finance the development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage.

⁶ Under <25 MW or >25MW which have either a lifecycle carbon intensity of $\leq 100\text{gCO}_2/\text{kWh}$ or power density $\geq 5\text{W}/\text{m}^2$. Additionally, for all new hydropower projects an environmental and social impact assessment by a credible body is required per project, and there should be no significant risk or expected negative impact identified. There should be no significant controversy surrounding the project.

⁷ All recyclables and hazardous waste must be separated prior to incineration.

⁸ All geothermal projects are subject to compliance with a direct emissions intensity threshold of $<100\text{g CO}_2/\text{kWh}$.

⁹ Production of biofuels from non-waste sources provided the biofuel production achieves each of the following: 1) does not take place on land with high-biodiversity; 2) does not compete with food sources; 3) achieves substantial reduction in life-cycle emissions relative to fossil fuel baseline; and 4) feedstocks are certified sustainable by a credible source. Eligible certification schemes includes the Roundtable on Sustainable Biomaterials (RSB), ISCC Plus, Bonsucro (for sugarcane) and RTRS (for soy). The Sustainable Finance Working Group may consider additional certification schemes so long as such schemes are evaluated to be equivalent, internationally recognised certification schemes.

Examples could include wind turbines, solar panels, battery storage. Sustainalytics notes that the financing of fossil fuel technologies is excluded.

- Standard Chartered may finance construction, maintenance and expansion of electricity distribution networks that meet the following criteria:
 - Grid expansion/development that transmits a minimum of 90% renewable energy.
 - If a grid expansion/development project will transmit less than 90% renewable energy, then Standard Chartered Bank may use one of the following approaches:
 - If grid is on a decarbonization trajectory, as measured in the EU Taxonomy,¹⁰ then it can be considered eligible, OR
 - If the grid being financing transmits less than 90% renewable electricity, development/maintenance projects may be financed with bond proceeds using a pro-rata approach based on the percentage of transmission that is renewable.
- Regarding Energy Efficiency, the Issuer may finance the following:
 - The development, manufacture and/or installation of energy efficiency technologies and products such as efficient appliances, smart meters, and lighting. Sustainalytics positively notes the Issuer has excluded any project or technologies that improve the energy efficiency of fossil fuel production or technologies.
- As for Green Buildings, the Issuer may finance the construction and renovation of buildings that meet the following criteria:
 - EDGE (Certified), BREEAM (Very Good or higher), LEED (Gold or above), Green Mark (Gold or above), Green Star (5 Stars or higher), China 'Three Star System' (two stars or higher), BEAM Plus (Gold or higher), G-SEED (Level 2 or higher). Sustainalytics recognizes these as robust and credible green building certification schemes, for Sustainalytics' analysis, please see the appendices. Sustainalytics notes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category.
 - For building projects in the least-developed, low-income and lower-middle-income OECD Development Assistance Countries (DACs),¹¹ Standard Chartered may allow one level below the green building certification scheme (e.g. LEED Silver) or require a 15% improvement in energy use and/or carbon emissions. The Sustainable Finance Working Group may consider additional certification schemes so long as such schemes are evaluated to be equivalent, internationally recognized certification schemes. While acknowledging the challenges faced by some countries in achieving higher green building standards, Sustainalytics notes that allowing schemes one level below those noted above represents a deviation from market practice and encourages the Issuer to target at least a 20% improvement in efficiency.
 - In the high-income OECD context, building refurbishments that lead to a 20% improvement in energy efficiency and/or reduction in carbon emissions compared to the baseline are eligible. Sustainalytics notes this is aligned with market practice.
 - The Issuer may also finance individual energy efficiency improvements for Green Buildings including the replacement of existing heating/cooling systems in buildings with more efficient, non-fossil fuel powered systems, or the installation of new cogeneration/tri-generation/combined heat and power plants that generate electricity in addition to providing heating/cooling and waste-heat recovery projects.
- Regarding Forest, Agricultural Land and Land Management, the Issuer may finance the following:
 - Forestry activities that are certified to the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). Sustainalytics

¹⁰ European Commission, "Taxonomy Report: Technical Annex", (2020), at:

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

¹¹ OECD, "Development Assistance Countries", (2020), at: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-ODA-Recipients-for-reporting-2021-flows.pdf>

- recognizes these as robust, credible schemes. For Sustainalytics assessment of these schemes, please refer to the Appendices.
- Agriculture products that are certified to one of the following schemes: Rainforest Alliance, USDA organic, EU certified organic or an equivalent international scheme. Sustainalytics recognizes these are robust, credible schemes. For Sustainalytics assessment of these schemes, please refer to the Appendices.
 - Financing of Pollution Prevention and Control projects and activities may include the reduction of air emissions, mitigation of greenhouse gas emissions, soil remediation, waste prevention, reduction, recycling and sorting projects. Sustainalytics positively notes the Issuer has excluded any projects or activities dedicated to fossil fuel technologies and is committed to following the waste hierarchy for waste collection related activities.
 - Sustainable Wastewater and Water Management may include financing of activities to improve water quality¹² and distribution efficiency.¹³ Sustainalytics acknowledges the importance of improved wastewater and water management activities, particularly in the context of developing countries.
 - With regard to Clean Transportation, Standard Chartered may finance the following:
 - Transportation infrastructure for electric vehicles and rails, transportation logistics software,¹⁴ as well as vehicle or rail fleet retrofit or replacement with clean technologies including electric, hydrogen, or hybrid vehicles operating below <75 gCO₂ per passenger km (in 2020) and below <56 gCO₂ per passenger km (by 2030). For all freight, transportation that are not fully electric, the emissions threshold must meet <25gCO₂/t-km and cannot be dedicated to fossil fuel transportation.
 - Sustainalytics highlights that Standard Chartered has excluded any financing of fossil fuel-based transportation, supporting infrastructure and transportation dedicated to fossil fuel transport.
 - Climate Change Activities to be financed may include activities that increase the resilience of eco-systems, including integrated watershed management and biodiversity protection as well as flood defence and early warning systems. Sustainalytics notes that, given the potentially significant impact of infrastructure on the environment, the development of Climate Change Adaptation Infrastructure projects should be supported by third-party assessments, which Standard Chartered has included as a pre-requisite to any potential financing within this category.
 - Circular Economy projects and activities may include the financing of the following:
 - Research and development (R&D) of products, processes and technologies using bio-based materials, including biopolymers and bioplastics.
 - Procurement of recycled waste materials.¹⁵
 - Production of resource-efficient/low-carbon products that are RSB-certified in the case of bio-based materials.¹⁶
 - Sustainalytics notes that the extent of recycling of plastics is very low, with an estimated 9% of total global plastic waste having been recycled between 1950 and 2015, and further recognizes that improved recycling rates alone, even if attainable, will not fully address the holistic environmental issues associated with plastics.¹⁷ In order to achieve full circularity, the industry needs to take substantial measures, including an increased use of sustainably sourced alternative (low-carbon) materials that can be recycled indefinitely without a loss of quality.
- Blue categories

¹² Including water treatment facilities, upgrades to wastewater treatment plants to remove nutrients and wastewater discharge infrastructure.

¹³ Including water recycling and reuse, water saving systems, technologies and water metering.

¹⁴ Intended to improve the efficiency of distribution.

¹⁵ Sustainalytics notes this does not include production costs.

¹⁶ Products must demonstrate evidence to support substantial reduction of lifecycle emissions (relative to comparable fossil product) and require sustainable sourcing of the proportion of biogenic feedstock (biomass), if used.

¹⁷ Unlike steel, glass and aluminum, plastics can only be recycled a finite number of times before being disposed of. In addition, recycled and bio-based plastics face end-of-life management issues similar to conventional (fossil-fuel) plastics.

- Within “Blue categories”, Standard Chartered may finance investments for the establishment and ongoing maintenance of marine protected areas. Sustainalytics recognizes the importance of marine protected areas and ocean conversation.
- Standard Chartered may also finance pure-play companies that are certified to the Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC). Sustainalytics acknowledges that, although the GBP prefer project-based financing, the financing of pure play companies that derive more than 90% of their turnover from certified products and services can nonetheless contribute positively to promoting sustainable products and certification schemes.
- Social categories
 - Regarding Access to Finance, Standard Chartered may provide financing to micro-enterprise via Microfinance Institutions (MFI’s) and financing of small- and medium-enterprises (SMEs) in developing and emerging economies.¹⁸ To be eligible, one or more of the targeted populations should be specified:
 - Females;¹⁹ rural populations focusing on agricultural production and agricultural value chains; economically excluded individuals; low-income populations;²⁰ Populations in least-developed, low-income and lower-middle-income OECD DACs.¹¹
 - To be identified as a SME, two of the three following criteria must be met:²¹
 - Number of employees < 300;
 - Turnover between USD 100,000 up to USD 15 million
 - Total assets <USD 100,000;
 - To be identified as a micro-enterprise, two of the three following criteria must be met:²²
 - Turnover under USD 100,000;
 - Total the number of employees <10;
 - Assets < USD 100,000;
 - As for Access to Essential services, such as Water, Healthcare, Education, and Housing the Issuer may finance activities that meet the following criteria:
 - Water:
 - Construction, maintenance, and equipment for water supply infrastructure to serve rural, underserved communities and provide access to safe, affordable drinking water.
 - Healthcare:
 - Construction and operation of hospitals, clinics, and health care centres for the provision of public/free/subsidized health services and development of infrastructure for the provision of emergency medical response and disease control services.
 - Additional financing may be allocated to R&D and manufacturing for equipment for the provision of emergency medical response and disease control services and the provision / distribution of healthcare equipment and public services.
 - Education:
 - Standard Chartered may finance the development of all types of primary, secondary and tertiary education aimed at underserved populations. This includes building schools, universities, student housing and other training programs for the unemployed.
 - Housing:
 - The Issuer may finance access to adequate, safe, and affordable housing for excluded and/or marginalized population or communities across least-developed, low-income and lower-middle-income OECD DACs.¹¹ In more

¹⁸ All financing must comply the exclusionary criteria within the Framework.

¹⁹ In order to qualify as a female-owned business, the following criteria must be met (a) at least 51% owned by a woman or by women, or (b) ≥ 20% owned by woman/women; AND (i) has ≥ 1 woman as CEO/COO/President/Vice President; AND (ii) has ≥ 30% of the board of directors composed of women, where a board exists.

²⁰ As defined by local government definitions of economically excluded individuals and/or low-income populations.

²¹ If data mentioned above is not available, then the SME average loan size should be between USD 10,000 and USD 1,000,000 (10,000 < USD < 1,000,000)

²² If data mentioned above is not available, the end-client average loan size should be less than USD 10,000.

- developed countries, government definitions of affordability must be complied with.
- Affordable Basic Infrastructure includes the development of roads and transportation infrastructure in least-developed, low-income and lower-middle-income OECD DACs¹¹ with a goal to improve connectivity for rural populations. Sustainalytics acknowledges the social importance of improving transportation infrastructure in OECD DACs.¹¹
 - COVID Financing includes financing specific to COVID-19 and will only be eligible as a Sustainable Finance asset under this Framework if disbursed before 31 Dec 2021,²³ or earlier as may be determined by the Sustainable Finance Working Group. Eligible activities include the following:
 - Healthcare services:
 - Financing to equip, operate and add capacity and efficiency to essential healthcare facilities such as hospitals, clinics, healthcare centres, acute care, emergency care, diagnostics, laboratory facilities, nursing home and rehabilitation facilities.
 - Manufacturing, logistics and distribution of medical products and supplies essential to medical response, disease control services and vaccinations as well as R&D into a COVID vaccination.
 - Financing to equip, operate and add capacity to facilities for healthcare training.
 - Financing to equip, operate and add capacity to facilities that house healthcare professionals.
 - Hiring and training of medical personnel to assist in the prevention and/or treatment of COVID-19.
 - The conversion of facilities or equipment to produce supplies or equipment needed for the prevention or treatment of COVID-19.
 - Sanitation:
 - Manufacturing, logistics and distribution of products and services for safely managed water, sanitation, and hygiene (WASH).²⁴
 - Food Security:
 - Financing provided to (i) facilitate the increase in capacity and efficiency in food systems and supporting the provisioning, production, logistics and distribution by companies of food and nutritional supplements for emerging economies impacted by COVID-19. Large-scale conventional agriculture companies are excluded from potential financing.
 - SME & Employment
 - Loans or other financial services to support SMEs who have been assessed by the Sustainable Finance Working Group as facing financial stress because of COVID-19.
 - Loans or other financial services to support initiatives for SME's designed to prevent or alleviate unemployment.
 - Financial support for the activities of charities, non-profit, non-governmental and other social service organizations who support populations directly affected by COVID-19.
 - Sustainalytics notes that Standard Chartered has established an extensive list of exclusionary criteria, including oil and gas, mining, commercial agriculture companies, tobacco, weapons, alcohol, gambling and others. For the complete list of exclusionary criteria, please refer to the Framework.
 - Project Evaluation and Selection:
 - Standard Chartered has established The Sustainability, Green and Social Bond Committee (the "Committee") to manage the process for project evaluation and selection. The Committee includes representatives from the following departments: Group Treasury, Sustainability, Sustainable Finance, Environmental and Social Risk Management and Debt Capital Markets. In addition, the Committee includes a representative of the business unit for the relevant exposures. The Group's Global Head of Sustainable Finance is the chair of the Committee. The Committee is responsible for asset selection and monitoring, eligible assets will be referred to as Assigned Projects. If an Assigned Project is deemed as no longer eligible, the Committee will act to remove and replace it from the eligible project portfolio as soon as practically feasible

²³ Financing under this facility at present is timebound until December 2021. We expect that all urgent COVID-19 related funding will have concluded by this date. This will be reviewed dynamically by the Sustainable Finance Working Group

²⁴ <https://www.worldbank.org/en/topic/water/brief/wash-water-sanitation-hygiene-and-covid-19>

with Replacement Projects. The Committee will conduct a biannual review of the project portfolio to determined eligibility. Sustainalytics positively notes the broad representation on the Committee and the clearly outline projected evaluation and selection process, which is aligned with market practice.

- Management of Proceeds:
 - The management of proceeds will be overseen by the Committee. Proceeds will be allocated on a portfolio basis, segregated, and tracked by the Group. Allocation of proceeds to Assigned Projects and any Replacement Projects will be recorded and monitored by the Committee. In the event of any unallocated proceeds, the Issuer will temporarily invest the balance of unallocated proceeds in line with the Company’s liquidity investment guidelines. Sustainalytics notes that the Issuer intends to allocate proceeds within 24 months of issuance. Sustainalytics is of the opinion is process is aligned with market practice.
- Reporting:
 - The Issuer is committed to reporting on allocation and impact, on at least an annual basis, until full allocation. Regarding allocation reporting, the Issuer will prepare a report for investors including information such as: the total amount of allocated proceeds to relevant eligible projects; the amounts allocated to eligible projects within each project category; share of financing vs refinancing and, if any, the balance of unallocated proceeds. Sustainalytics notes that the Issuer is committed to obtaining annual limited assurance reports for the verification of allocation of proceeds, which is recognized as a best practice. In addition, the Issuer intends to report on the social and environmental impact, subject to the availability of information and baseline data and based on methodologies that will be publicly available. Sustainalytics recognizes this process as aligned with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Standard Chartered Bank Sustainability Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Standard Chartered

Contribution of Framework to Standard Chartered Bank’s sustainability strategy

At Standard Chartered Bank, oversight of the Bank’s sustainability strategy lies with the Management Team and with the board’s Brand, Values and Conduct Committee.

Standard Chartered Bank’s strategy is framed around three pillars: contributing to sustainable economic growth, being a responsible company, and investing in communities. The Bank’s Sustainability Strategy includes, among others, the themes of climate change and human rights, for which the company has also developed position statements elaborating the Bank’s approach to environmental and social risks associated with its financing.²⁵ The Bank has set time-bounded quantitative sustainability targets, referred to as Sustainability Aspirations, aimed at achieving within different timeframe per target, aligned with three pillars of the Bank’s strategy: (i) Sustainable Finance, (ii) Responsible Company, and (iii) Inclusive Communities. The targets of the Bank include providing financing for USD 40 billion of infrastructure projects promoting sustainable development (2020-2024), reducing internal annual GHG emissions (Scope 1 and 2) to net zero (2019-2030), and financing aimed at employing 100,00 young people (2019-2023) and educating one million girls and young women (2006-2023). Also contributing to this strategy, Standard Chartered launched the governing document²⁶ for future Green and Sustainable Products that it intends to offer. In addition, Standard Chartered Bank has announced its intention to make no new agreements to finance coal-fired power plants as of September 2018.²⁷ Standard Chartered Bank also committed to increase female representation to 35% in its senior management by 2024, which reached 30% as of December 2020. The target for women on its board was reached early: currently 31% of board members are women; the target for women in senior roles is on track to be achieved on time.

²⁵ Standard Chartered, “Position Statements”, at: <https://www.sc.com/en/sustainability/position-statements/prohibited-activities/>

²⁶ Available at: <https://av.sc.com/corp-en/others/green-sustainable-product-framework.pdf>

²⁷ Standard Chartered, “Saying no to coal – what you need to know”, (2018), at: <https://www.sc.com/en/explore-our-world/saying-no-to-coal-what-you-need-to-know>

Given Standard Chartered Bank's sustainability strategy and targets, Sustainalytics is of the opinion that the Bank is well positioned to issue Sustainability bonds and that the use of proceeds will help Standard Chartered Bank to advance in their sustainability strategy.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics believes that the use of proceeds are impactful, Sustainalytics recognizes that there are environmental and social risks associated with the eligible projects. Potential risks include biodiversity loss, community relations due to land use change from large infrastructure projects and worker health and safety. Sustainalytics is of the opinion that Standard Chartered Bank is well positioned to manage associated risks and highlights the following measures Standard Chartered Bank has in place:

- Standard Chartered Bank is a signatory and a chair to the Equator Principles,²⁸ a globally recognized risk management framework, which is recognized by Sustainalytics as a proxy for robust environmental, social and governance policies. Additionally, in 2019, Standard Chartered Bank has endorsed the UN Principles for Responsible Banking,²⁹ which requires impact analysis and risks management regarding people and environment associated with its activities, products and services.
- Standard Chartered Bank has established position statements regarding environmental and social management against which its Environmental and Social Risk Management team reviews transactions to minimize environmental and social risks. The position statements include minimum requirements on human rights and climate change as well as detailed sector-specific positions against which companies are assessed.³⁰ Through the position statements, the Bank tightened the Group-wide minimum financing requirements for five sectors associated with high environmental or social impact: (i) Extractive industries (Oil & Gas, Mining & Metals); (ii) Power generation (Fossil Fuel Power, Nuclear Power, Renewable Energy – including Hydropower); (iii) Agro-industries (Agribusiness, Fisheries, Tobacco, Forestry, Palm Oil); (iv) Infrastructure & Transport; (v) Chemicals & Manufacturing.
- In addition, Standard Chartered Bank has included extensive exclusionary criteria in its Framework.³¹

Based on these regulations and standards, Sustainalytics is of the opinion that Standard Chartered Bank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All fifteen use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

The importance of financing sustainable development in emerging economies.

Development needs are estimated at trillions of dollars per year, and even if funding from all public sources is maximized, there will still be significant shortfalls. The mobilization of the private sector "will be critical to the implementation of the SDGs", according to the UN Department of Economic and Social Affairs.³² There have been three major world conferences centered around the topic of financing for sustainable development in emerging economies, the most recent of which took place in Addis Ababa, Ethiopia in 2015. The outcome from this conference was the development of the Addis Agenda,³³ which provides a global framework for financing sustainable development in emerging economies that aligns financing and policies with economic, social, and environmental priorities. The Addis Agenda serves as a comprehensive financing framework to guide governments, international organizations, the business sector, civil society and philanthropists to help drive the UN SDG's.³³ The framework addresses many of the barriers faced by emerging economies in the pursuit of sustainable development and identifies specific action areas including the provision of essential public services to all, scaling up efforts to combat hunger and malnutrition, financing of infrastructure to address gaps, generating full and productive employment and decent work for all and promoting micro, small and medium-sized enterprises and protecting our ecosystems. Financing of the activities can help alleviate poverty in emerging economies while providing citizens with employment opportunities, tackle hunger issues and combat climate change, thus facilitating the transition to a low-carbon economy.³³

²⁸ Equator Principles, "The Equator Principles", at: <https://equator-principles.com/about/>

²⁹ UNEP Finance Initiative, "Principles for Responsible Banking", at: <https://www.unepfi.org/banking/bankingprinciples/>

³⁰ Standard Chartered, at: <https://www.sc.com/en/sustainability/philosophy/>

³¹ Standard Chartered, "Prohibited Activities", (2020), at: <https://www.sc.com/en/sustainability/position-statements/prohibited-activities/>

³² UN, "Business leader join UN to rev up sustainable development investment", (2019), at: <https://news.un.org/en/story/2019/10/1049411>

³³ Financing for Development, "Addis Ababa Action Agenda", (2015), at: https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

In addition to the Addis Agenda, a UN-supported coalition of 30 business leaders, including Standard Chartered, created the Global Investors for Sustainable Development Alliance,³⁴ which acknowledges the need for broad action among the investor community to drive sustainable development in emerging economies and contribute towards the UN SDGs. The Alliance is operating on a two-year timeline, from October 2019 – October 2021, focusing on solutions related to long-term SDG investments, identify such investment opportunities and enhancing the impact of private funding in development effort. The Alliance aims to drive the Addis Agenda, the 2030 Agenda³⁵ and the UN SDG's. Sustainalytics further notes that, currently, only 60% of the financing needed to achieve the 17 SDGs is being met and, in Africa, this is as low as 10%.³⁶ As a member of the Global Investors for Sustainable Development Alliance, Standard Chartered is demonstrating its commitment to advancing sustainable development in emerging economies, facilitating the transition to a low-carbon economy, and driving the UN SDG's.

Sustainalytics is of the opinion that proceeds issued under this Framework will finance a broad range of activities within emerging economies that will contribute to the Addis Agenda action areas, the 2030 Agenda and the broader UN SDG's outlined below. Based on this, Sustainalytics views Standard Chartered as well-positioned to issue sustainable bonds that will contribute to sustainable development in emerging economies, delivering a positive environmental and social impact.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Forest, Agricultural Land and Land Management	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	12. Responsible Production and Consumption	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

³⁴ UN, "Global Investors for Sustainable Development Alliance", (2019), at: <https://www.un.org/esa/ffd/wp-content/uploads/2019/10/GISD-1015.pdf>

³⁵ UN, "Development Agenda", (2020), at: <https://www.un.org/sustainabledevelopment/development-agenda/>

³⁶ UNDP, "Impact investment to close the SDG funding gap", (2017), at: <https://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance-the-SDGs-.html>

Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
Climate Change Adaptation	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Eco-Efficient Products	12. Responsible Production and Consumption	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Blue Categories	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Employment Generation and SME Financing	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Affordable Basic Infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services - Health	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services - Education	4. Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
COVID Financing	3. Good Health & Well-Being	3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States

Conclusion

Standard Chartered has developed the Standard Chartered Bank Sustainability Bond Framework under which it intends to issue sustainability bonds and use the proceeds to finance sustainable development projects

throughout Africa, the Middle East and Asia. The projects funded by the sustainability bond proceeds can be expected to provide positive environmental and social impact.

The Standard Chartered Bank Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Standard Chartered Bank Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 9, 10, 11, 12, 14, 15. Additionally, Sustainalytics is of the opinion that Standard Chartered has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Standard Chartered Bank is well-positioned to issue sustainability bonds and that that Standard Chartered Bank Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

Appendices

Appendix 1: Sustainalytics' assessment of certification schemes

	EDGE ³⁷	LEED ³⁸	BREEAM ³⁹	Green Star ⁴⁰	Chinese Green Building Evaluation Label (CHINA 3-STAR)	G-SEED
Background	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 160 countries.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Established in 2003, the Green Building Council of Australia's Green Star system is the nation's authority on sustainable buildings, communities and cities. The rating system assesses buildings in one of four categories: Communities, Design & As Built, Interiors, and Performance.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	G-SEED (Green Standard for Energy and Environmental Design) is a green building certification standards used in Korea. First implemented in 2002, and later expanded in 2016, G-SEED is administered by the Korean Government under the authority of the Green Building Act (2006).
Certification levels	EDGE Certified, EDGE Advanced, EDGE Zero Carbon	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • 1 Star (Minimum Practice) • 2 Star (Average Practice) • 3 Star (Good Practice) • 4 Star (Best Practice) • 5 Star (Australian Excellence) • 6 Star (World Leadership) 	1-Star 2-Star 3-Star	Green 4 Green 3 Green 2 Green 1
Areas of Assessment:	Resource efficiency is part of the core framework of EDGE. ⁴¹	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality 	<ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<i>Areas assessed for Design & As Built, Interiors, and Performance:</i> <ul style="list-style-type: none"> • Management • Indoor Environment Quality • Energy • Transport • Water • Materials 	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management. 	Land Use & Transportation Energy & Environmental Pollution Materials & Resources Water Management Maintenance Ecology Indoor Environment Innovative Design

³⁷ EDGE: <https://www.edgebuildings.com/>

³⁸ USGBC, LEED: <https://www.usgbc.org/leed>

³⁹ BREEAM: <https://www.breeam.com/>

⁴⁰ GBCA, Green Star: <https://new.gbca.org.au/>

⁴¹ EDGE, EDGE Methodology Report: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

		<ul style="list-style-type: none"> • Innovation in Design • Regional Priority 		<ul style="list-style-type: none"> • Land Use and Ecology • Emissions • Innovation 		
Requirements	To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.	<p>Prerequisites (independent of level of certification) and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Point system, "category score" awarded based on performance (% of points achieved) within a given category. For some categories there is a minimum threshold (i.e. GHG/sqm/yr) and points are awarded for exceeding the minimum. Categories are weighted based on building location (to reflect that in some areas of Australia, certain metrics may be more relevant). Total score is then given out of 100. For the areas of Communities, Design & As-Built, and Interiors, no certification is awarded for buildings scoring below 45 points/3 stars.</p>	<p>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>Individual credits are achieved in a number of caegories, category scores are then weighted to achieve an overall grade.</p>
Performance Display						
Qualitative Considerations	Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.	Widely recognised internationally, and strong assurance of overall quality.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. Minimum standards less strict than LEED.	Commonly used in Australia, New Zealand, and South Africa. Set up similar to BREEAM and LEED.		Widely used in Korea, and aligned with government standards. Strong overall qualifications. Little international recognition.

	EU Organic⁴²	USDA Organic⁴³	Rainforest Alliance⁴⁴
Background	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.
Clear positive impact	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.	Promoting sustainable practices in agriculture, forestry and tourism.
Minimum standards	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> • produced without genetic engineering, ionizing radiation or sewage sludge • produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent 	Rainforest Alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.
Scope of certification or programme	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.	Rainforest Alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.
Verification of standards and risk mitigation	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.
Third party expertise and multi-stakeholder process	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.	The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee	Standard setting is aligned with the ISEAL Standard Setting Code.

⁴² European Commission, "Organic farming", at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming_en.

⁴³ U.S. Department of Agriculture, USDA Organic: <https://www.usda.gov/topics/organic>

⁴⁴ Rainforest Alliance, at: <https://www.rainforest-alliance.org/>

		made of 15 members of the public) and the general public.	
Performance display			
Third-party verified	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.	<ul style="list-style-type: none"> ● Africert ● Conservacion y Desarrollo Certified S.A. ● Imafloa ● IMO India ● CERES ● IBD ● Indocert ● NaturaCert ● Productos y Procesos Sostenables, A.C. NEPCon
Qualitative considerations	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.	Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredients and labeled 100% organic, and products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as “made with organic ingredients”, but cannot display the USDA Organic seal.	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people who have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.

	Programme for the Endorsement of Forest Certification (PEFC)⁴⁵	Forest Stewardship Council (FSC)⁴⁶
Background	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.

⁴⁵ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

⁴⁶ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

<p>Basic Principles</p>	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements 	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
<p>Types of standards/benchmarks</p>	<ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo • Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement 	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)
<p>Governance</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p>	<p>The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p>
<p>Scope</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁴⁷ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>

⁴⁷ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

<p>Chain-of-Custody</p>	<ul style="list-style-type: none"> ● Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC ● Only accredited certification bodies can undertake certification ● CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. ● The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials ● The CoC standard includes specifications for the physical separation of certified and non-certified wood ● The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody 	<ul style="list-style-type: none"> ● The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards ● CoC standard includes procedures for tracking wood origin ● CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products ● CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC
<p>Non-certified wood sources</p>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labour issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations. 	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.
<p>Accreditation/verification</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>
<p>Qualitative considerations</p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise</p>	

	for their contribution to sustainable forest management practices ⁴⁸ and both have also faced criticism from civil society actors. ^{49,50} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.
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	Marine Stewardship Council⁵¹	Aquaculture Stewardship Council⁵²
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.
Minimum standards	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.
Scope of certification or programme	The MSC standard consists of a fisheries standard and a chain of custody standard. The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts. The Chain of Custody standard addresses certified purchasing, product identification, separation, traceability and records, and good management.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.
Verification of standards and risk mitigation	Third-party conformity assessment bodies (CABs) certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065. Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs) certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.
Third party expertise and multi-stakeholder process	Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.

⁴⁸ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁴⁹ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁵⁰ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

⁵¹ Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/fisheries-standard>.

⁵² Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

<p>Performance display</p>		
<p>Qualitative considerations</p>	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Widely recognized and modelled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Standard Chartered Bank
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Standard Chartered Bank Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 28, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
|---|--|

- Verification
- Rating

- Other *(please specify)*:

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

Use of proceeds categories as per GBP:

- Renewable energy
- Energy efficiency

- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use

- Terrestrial and aquatic biodiversity conservation
- Clean transportation

- Sustainable water and wastewater management
- Climate change adaptation

- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings

- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- Affordable basic infrastructure
- Access to essential services

- | | |
|---|---|
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Evaluation and selection

- | | |
|--|--|
| <input type="checkbox"/> Credentials on the issuer’s social and green objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|--|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings

- | | |
|--|---|
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

