Environment Reporting Criteria 2022

standard chartered

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 (the Group) through its Annual Report and ESG disclosures.

Our reporting methodology is based upon the WRI & WBSCD Greenhouse Gas Protocol (GHG Protocol) Corporate Accounting and Reporting Standard (revised edition)[1].

We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations, using the International Energy Agency's GHG conversion factors and the UK Government's Department for Business, Energy & Industrial Strategy (DBEIS) GHG emission factors. Emissions are reported in metric tonnes of carbon dioxide equivalent (tCO_2e)[2].

General Reporting Principles

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

Table 1: General reporting principles

Relevance	Reported information is 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	Reported GHG emissions are as close to the actual total as reasonably practicable.

1 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.

2 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 (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

Reporting Period

In general, 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.

For Scope 3 upstream supplier[3] emissions estimations we follow the full calendar year reporting cycle based on supplier spend given the data points used for calculations (i.e., CDP, supplier emission reports, etc.) It is noted that there is a lag on data obtained for supplier emissions. This is a result of necessary time taken for our suppliers to calculate and report their own carbon emission information.

For Scope 3 financed emissions there is a one-year lag on data used. This is a result of time taken for our clients to report their own financial and carbon emission information. Therefore, the Groups baseline as released in 2021 utilised the 2020 year-end balance sheet date for client exposures, financial and carbon information and the 2022 updated financed emissions utilises the 2021 year-end balances.

It should be noted that the Group's financial results are reported in relation to the calendar year.

Operational 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.

Definitions of emissions and calculation methodologies

Emissions are categorised as arising from both direct and indirect sources, in line with the categories set out in ISO 16064-1.[4] These are equivalent to the emission sources legally required[5] 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.

Scope 1

Scope 1 emissions arise from the consumption of energy from direct sources, during the use of properties 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 arise from the consumption of indirect sources of energy, during the use of property occupied by the Group. Applicable to both Scope 1 and 2 emissions, we include all indirect and direct sources

3 Emissions data collected for relevant Category 1 (Purchased goods and services), Category 2 (Capital goods), Category 4 (Upstream transportation and distribution) and 6 (Business travel - miscellaneous other than flights).
4 ISO (2006), International Standard on Greenhouse Gases- Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, (ISO 14064-1), International Standard Organization.
5 See the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 paragraph 15(2).

of energy consumed by building services (amongst other activities) within the space occupied by the Group, leased or owned. 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.

Energy generated off-site in the form of purchased electricity, heat, steam or cooling is collected as kilowatt hours (kWh) consumed using meters or where metering is not available, collated from vendor's invoices. These are multiplied by the appropriate emissions factor of the relevant region to calculate carbon dioxide equivalent emissions.

Scope 3

Scope 3 emissions occur as a consequence of the Group's activities but arising from sources not controlled by us. These include emissions from Purchased goods and services, Capital goods, Upstream transportation and distribution, Waste generated in operations, Business travel, Employee commuting, Downstream leased assets, and Investing and financing. More detail on our methodologies to calculate financed emissions are included in the Annual Report 2022.

Other categories of scope 3 emissions are not applicable to the Group due to the nature of our operations. These include Fuel and Energy related activities, Upstream leased assets, Downstream transportation and distribution, Processing of sold goods and End of life treatment of sold goods.

Upstream supplier emissions including category 1, 2, 4 and 6 Business Travel (miscellaneous other than flights)	This includes all upstream emissions from the production of products purchased or acquired by the Group including both tangible products and services including Capital goods and Upstream transportation and distribution and Business travel (miscellaneous other than flights).
Purchased Goods (global data centres)	This includes emissions arising from all data centre facilities with conditioning systems and hardware not under the operational control of the Group which are included under scope 2 emission reporting. To calculate the emissions from data centres, each data centre co-location provider will supply the Group with a consumption of electricity by the centre in a final value of kWh. This is multiplied by the applicable emissions factor based on the region in which the centre is located. For centres where energy usage cannot be acquired the Group will estimate usage based on the collected data from other centres.
Waste generated in operations	This includes emissions from third-party disposal and treatment of waste that is generated in the Group's owned or controlled operations during the year. To calculate the emissions associated with the disposal of waste the Group have measured the volume of waste generated by the organisation in kilograms and multiplied this by the appropriate International Energy Agency (IEA) emissions factor based on the region in which the waste is disposed of. Waste produced and disposed of by either landfill or recycling has been measured on a sample of sites across the regions in which the group operates and results have been extrapolated to the rest of the group.

Business travel (air travel)	This includes emissions from the air transportation of employees for business-related activities. Business air travel data is collected as person kilometres travelled by seating class, by employees of the Group. Data is 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 trips.[6]
Employee commuting	This includes emissions arising from employee commuting to their place of work as well as emissions from home working. Commuting emissions were calculated from the number of journeys per week, return distance (miles) and mode of transport[7] (rail, car etc). Working from home emissions were calculated using the methodology in the EcoAct white paper from the number of times per week, type of heating (gas/electric) and green/normal electricity tariff. This methodology gives typical electricity and gas usage figures for equipment, heating and cooling per full-time equivalent (FTE). Emissions factors were used for electricity for each country. Factors for gas and travel modes were not available for each country, so those for UK were used.
Downstream leased assets	Downstream leased assets consist of corporate real estate leased by the Group as well as a portfolio of over 120 aircrafts which our aviation business owns and manages on lease to over 30 of the world's leading airlines. Emissions produced by our corporate real estate portfolio is estimated by measuring the floor area let by the Group including any unoccupied space. This is then multiplied by an appropriate energy use intensity (EUI) value per square meter which is then multiplied by the applicable IEA emissions factor based on the region in which the property is located. Energy intensity values are also measured and where they are not an average energy usage from measured properties is applied to the methodology. Emissions for the downstream leased aircrafts are measured with the same methodology used to calculate financed emissions on our aviation portfolio. These are calculated (based on Mission Possible Partnership (MPP) Prudence (1.5C scenario) by counting aviation fuel burn by each aircraft. The calculation uses a well-to-wake formula which includes all emissions from the point of oil extraction to being burned by the aircraft engines. Therefore, Scopes 1, 2 (for the corporate) and 3 emissions (for each aircraft) are included. For each aircraft, we receive total km travelled, estimate total fuel burnt on a well-to-wake basis (based on total distance travelled and aircraft engine type) and add onto this a load (weight) factor of specific aircraft to calculate Rtk (per revenue tonnes km).

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. Furthermore, emissions related to suppliers that fall within Scope 3 (other than air travel and outsourced data centres) are being estimated with the support of an independent climate consultancy.

6 Short haul is defined as domestic or international flights with a maximum distance of 785km. Medium haul is defined as domestic or international flights covering a distance of more than 785 and less than / or equals to 3,700km. Long haul is defined as domestic or international flights covering a distance greater than 3,700km.

7 Number of journeys per week, return distance (miles) and mode of transport have been collected through a survey which a sample of employees completed.

Reporting and Extrapolation

Scope 1 and 2

To calculate Scope 1 and 2 emissions, data is collected from all properties occupied by the Group at the start of the reporting period.[8] This data is used to calculate the emissions classified as "measured" within the GHG Inventory. During the 2022 reporting year we have included smaller properties such as remote branches into the measured category. Warehouses, empty land, car parks, residential, ATMs, sub-let office space and unoccupied business continuity management (BCM) sites are excluded from this data.

Scope 3

With respect to scope 3 emissions the group makes use of extrapolations for the following categories of emissions:

Waste generated in operations	When calculating the emissions produced from the disposal of waste created from our operations, we were not able to source data from all of our facilities. Due to this the reported emissions from waste disposal were calculated by extrapolating the average waste per facility from measured facilities to those where no data was available.
Business travel (air travel)	For business air travel an extrapolation is made for countries who do not use global travel agencies and therefore quality data cannot be collected. We currently collect data for circa 96.2% of our air travel and extrapolate an average to the remaining 3.8% in order to calculate the emissions for these.
Employee commuting	An employee survey was sent out to a sample of employees to collect the required data to calculate the emissions produced from employee commuting and working from home. The outcomes of this survey were extrapolated to all 85 thousand employees in order to scale up to total emissions across the Group.
Downstream leased assets	For a small number of downstream leased corporate real estate properties, the energy use intensity (EUI) value could not be measured. In this instance the regions average EUI was used as a proxy to calculate the emissions from that property.

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/headcount/per year
- Total Scope 1 & 2 tonnes CO2e/$mil operating income/per year
- Air travel Scope 3 tCO2e/headcount/per year/ with distance uplift
- Total Scope 1,2 & 3 tonnes CO2e/headcount/year
- Total Scope 1,2 & 3 tonnes CO2e/$mil operating income/per year

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

Conversion Factors

GHG conversion factors provided by the UK Government's Department for Business, Energy & Industrial Strategy (DBEIS) are used to convert direct and indirect energy data to metric tonnes of carbon dioxide equivalent emissions (tCO_2e). Emissions from direct sources (i.e., fuel combusted on-site) are calculated using a single set of fuel conversion factors in tCO_2e 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 CO_2e 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 DBEIS has only published CO_2 factors.

A zero-carbon conversion factor is applied to renewable energy generated from on-site sources under the operational control of the Group. In order of preference, the Group uses clean power purchase agreements, renewable power from utility companies, Renewable Energy Certificates (RECs) and voluntary offsets 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 DBEIS factors. For reference, the 2022 factors most material to the Group's reporting are provided in Table 2 below.

Factors for gas and travel modes were not available for each country, so those for UK were used from the UK Government GHG Conversion Factors for Company Reporting, 2022 for calculation of emissions from employee commuting to and from the office.

For Scope 3 upstream supplier emissions estimations including categories 1, 2, 4 and 6 Business Travel (miscellaneous other than flights), the spend-based method is used where supplier-specific or CDP data is not available or considered robust. Emissions factors applied to spend category calculations are from the CEDA 5.0 database.[9]

9 The spend-based emission factors are adjusted by inflation rates to reflect the economic activity of the Group's respective reporting years.

Table 2: Emission factors and their source

Emission source		Factor	Reference
Natural Gas		2.01574 kg of CO_2e / m^3	DBEIS – UK Government GHG conversion factors for company reporting
Liquefied Petroleum Gas		1.55709 kg of CO_2e / litre	
Diesel Fuel Oil		2.6988 kg of CO_2e / litre	
Purchased Electricity (UK)		0.1953 CO_2e kg / kWh	IEA Emissions Factors 2021 edition
Purchased Electricity (non-UK)		Varies by country (CO_2 kg / kWh)	
Short-haul flights	Economy and premium economy	0.15102 CO_2e kg / passenger.km	DBEIS – UK Government GHG conversion factors for company reporting
	Business and first	0.22652 CO_2e kg / passenger.km	
Medium -haul flights	Economy	0.140625 CO_2e kg / passenger.km	
	Premium Economy	0.225 CO_2e kg / passenger.km	
	Business	0.40781 CO_2e kg / passenger.km	
	First	0.56251 CO_2e kg / passenger.km	
Long-haul flights	Economy	0.140625 CO_2e kg / passenger.km	
	Premium Economy	0.225 CO_2e kg / passenger.km	
	Business	0.40781 CO_2e kg / passenger.km	
	First	0.56251 CO_2e kg / passenger.km	
Waste disposal – commercial and industrial waste	Closed-loop recycling	21.293 kg CO_2e	
	Landfill	467.045 kg CO_2e	
Employee commuting	Train/underground	0.057114 CO_2e kg / km	
	Car (Driver)	0.27464 CO_2e kg / km	
	Walk	0 CO_2e kg / km	
	Cycle	0 CO_2e kg / km	
	Bus	0.155297 CO_2e kg / km	
	Hybrid Car (Driver)	0.19318 CO_2e kg / km	
	Electric Car (Driver)	0.08272 CO_2e kg / km	
	Car (Passenger)	0 CO_2e kg / km	
	Motorcycle	0.18274 CO_2e kg / km	
	Other	0.155297 CO_2e kg / km	

Tracking Emissions Over Time

The Group has voluntarily reported GHG emissions for all years back to 2010, allowing an overview of changes within our GHG inventory over time. Since we met the Group's intensity environmental targets in 2019, we have set new targets based on carbon emissions. In January 2022 we accelerated our emission targets to be net zero[10] by 2025 across our operations (Scope 1 and 2 emissions).

In 2022 we reduced our Scope 1 and 2 emissions by more than 42 per cent to 49,434 tonnes during the year. This has been possible through a consumption reduction of 3 per cent to 177.3 GWh through energy efficient investment, plus a 12 per cent increase in renewable energy across the portfolio.

In previous years, the Group has reported the emissions from business travel, global data centres and suppliers for our Scope 3 emissions. In 2022, we expanded our reporting to include emissions reporting for Waste generated in operations (category 5), Employee commuting (category 7), Downstream leased assets (category 13) and Financing and investments (category 15).

We have launched a global project to define strategies to address emissions related to Scope 3 Category 1 (Purchased goods and services), 2 (Capital goods), 4 (Upstream transportation and distribution) and 6 (Business travel). Our targets cover reducing our emissions related to Upstream transportation and distribution and Business travel by 28 per cent against 2019 levels by 2023. Simultaneously, for Purchased goods and services and Capital goods categories, we plan to engage our suppliers (covering circa 67 per cent of spend) to mobilise and support them to set science-based targets in the next five years.

In 2022, we continued to make progress against our supply chain sustainability agenda. We saw an approximate 58 per cent decrease in our flight emissions in the period from October 2021 to September 2022, against our target to achieve and maintain flight emissions at 28 per cent lower than our October 2018 to September 2019 baseline and continued to offset these. In partnership with an independent climate consultancy, we continued improving the accuracy of our methodology and estimated our supplier emissions.

As well as continuing to work on our own emissions, we are committed to supporting our clients in their own transitions to net zero. We aim to become net zero in our financed emissions by 2050, with interim 2030 targets for our highest-emitting sectors.

In our net zero whitepaper, released in 2021, we provided details of our financed emissions for five sectors, Power, Steel, Other Metals and Mining, Oil and Gas and Coal Mining. In 2022 a further three transport sectors were added to this analysis, Automotive Manufacturers, Aviation and Shipping. In 2023, we plan to add a further four sectors into our analysis, and beyond that to incrementally improve the portfolio coverage as market data on emissions becomes more widely available.

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.

10 Net zero refers to optimizing our real estate, continuing efficiency measures, procuring clean energy where possible and only offsetting the balance.

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