Standard Chartered
Transition Finance Framework
2024

Transition Finance Framework

Climate change is one of the greatest challenges facing the world today. To achieve the goals of the Paris Agreement, all sectors of the global economy, including hard-to-abate industries, need to decarbonise.

The pace and scale of the transformation needed presents a significant opportunity to drive innovation and growth. There is broad ambition across sectors and geographies to deliver emissions reductions and tackle climate change, but delivering outcomes is capital intensive. Accessing this finance is a considerable challenge in emerging markets and developing economies across our footprint in Asia, Africa and the Middle East.

Today, only 10-20 per cent of the USD 1.8 – USD 3.0 trillion of capital required annually to deliver the transition to net zero by 2050 is directed towards these regions. Increasing capital flows into these markets is essential to help decarbonise emission-intensive industries, which often constitute a large portion of the economies across these regions.

A step change in financing the transition is needed to accelerate global climate efforts, whilst delivering a transition that is just and inclusive.

With a long-standing presence in parts of the world where sustainable finance can have a significant impact, Standard Chartered is strategically positioned to facilitate the movement of capital to where it is needed in support of the transition. The Bank has made good progress in growing its portfolio of sustainable assets by over 30 per cent[1] in the year to 2023[2].

However, with a greater share of the global GDP needed to finance the transition needed before 2030[3], there is an urgent need to finance transition activities that sit outside those already covered by the green activities in our Green and Sustainable Product Framework.

According to our Zeronomics report,

55%

of executives told us their companies are not transitioning fast enough to net zero, while

91%

of companies in carbon-intensive sectors said they need high or medium levels of investment to transition to net zero

This document sets out how transition finance at Standard Chartered is governed. We have aligned with the IEA Net Zero Energy 2050 scenario[4] ("NZE") and set out a number of principles that help guide our clients to a low-carbon pathway.

Transition, Green and Sustainable finance are the main levers to help us achieve our net zero targets. We also assess our exposure to emission-intensive clients and/or assets on an ongoing basis and are actively adding new low-carbon intensity clients to our portfolio.

We plan to mobilise

USD 300bn

in Sustainable Finance by 2030

[1] By asset value

[2] Standard Chartered Sustainable Finance Impact Report. Available at sustainable-finance-impact-report.pdf (sc.com)

[3] IEA (2023), Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach. Available at: https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach

[4] IEA Net Zero by 2050 – A Roadmap for the Global Energy Sector. Available at https://iea.blob.core.windows.net/assets/4719e321-6d3d-41a2-bd6b-461ad2f850a8/NetZeroby2050-ARoadmapfortheGlobalEnergySector.pdf

Our definition of transition finance

Transition finance is any financial service provided to clients to support them align their business and/or operations with a 1.5 degree trajectory.

Standard Chartered recognises that transition finance is still nascent and as such, we will evolve our definition over time – enabling us to align with the latest science-based thinking on pathways to net zero by 2050.

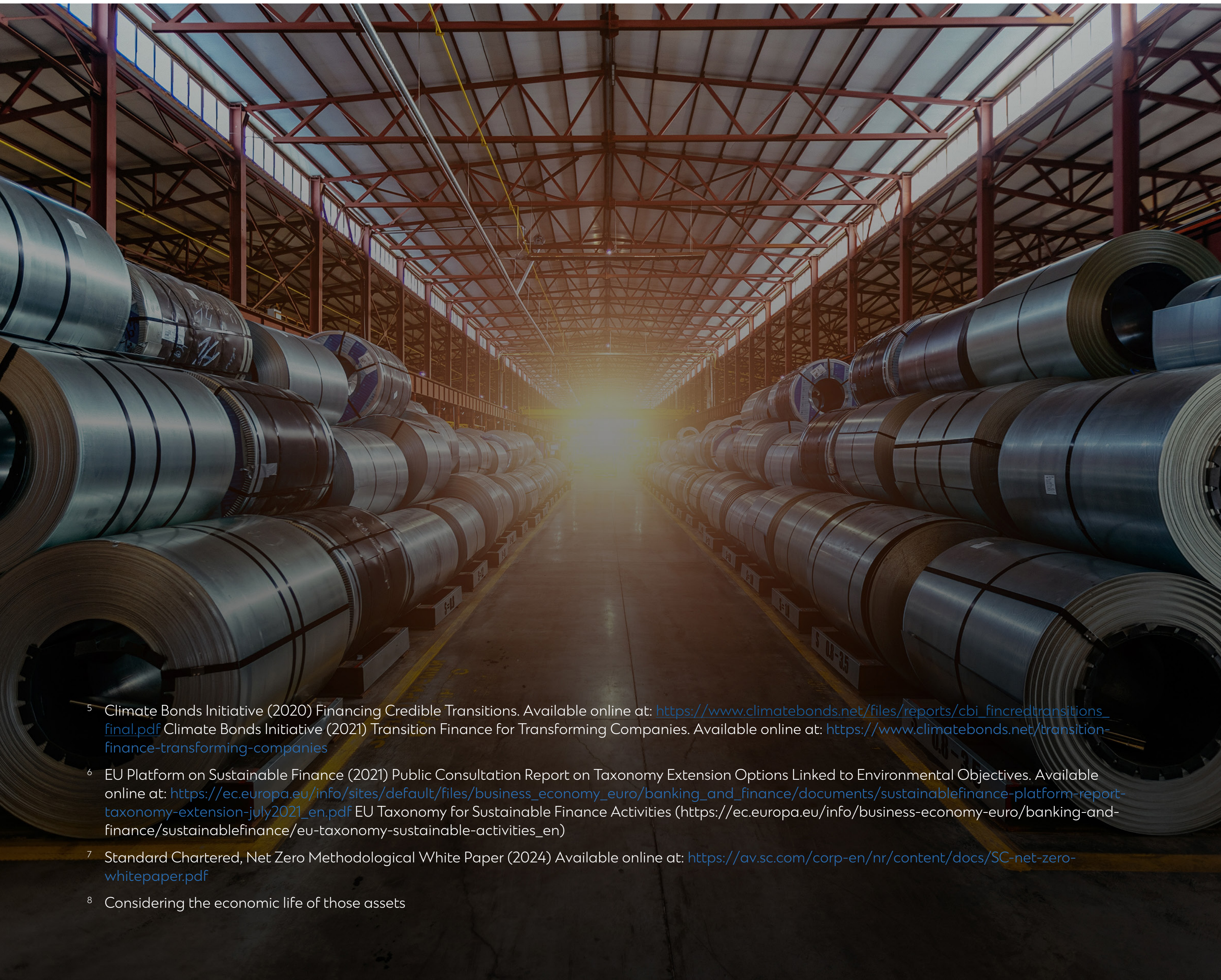
Principles of our approach to transition finance

Standard Chartered's approach is based upon the NZE and has been informed by currently available information, including the Climate Bonds Initiative White Paper and Discussion Paper,[5] regional taxonomies including the EU Sustainable Finance Taxonomy and the Singapore-Asia Taxonomy for Sustainable Finance,[6] and our own Net Zero targets.[7]

Assets and activities which qualify for labelling as 'Transition' will:

- Be compatible with a 1.5 degrees Celsius decarbonisation trajectory, established by science.
- Not hamper the development and deployment of low-carbon alternatives or lead to a lock-in of carbon-intensive assets.[8]
- Meet the expectations defined in our Environmental and Social Risk Management Framework. This includes our expectations around community impacts, labour standards and human rights as key components of a 'Just Transition'.

This Transition Finance Framework is complementary to Standard Chartered's Green and Sustainable Product Framework. Key elements of our Green and Sustainable Product Framework which are aligned to the NZE – such as the rapid expansion of solar and wind energy – will remain labelled as Green or Sustainable.



[5] Climate Bonds Initiative (2020) Financing Credible Transitions. Available online at: https://www.climatebonds.net/files/reports/cbi_fincredtransitions_final.pdf Climate Bonds Initiative (2021) Transition Finance for Transforming Companies. Available online at: https://www.climatebonds.net/transition-finance-transforming-companies

[6] EU Platform on Sustainable Finance (2021) Public Consultation Report on Taxonomy Extension Options Linked to Environmental Objectives. Available online at: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainablefinance-platform-report-taxonomy-extension-july2021_en.pdf EU Taxonomy for Sustainable Finance Activities (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainablefinance/eu-taxonomy-sustainable-activities_en)

[7] Standard Chartered, Net Zero Methodological White Paper (2024) Available online at: https://av.sc.com/corp-en/nr/content/docs/SC-net-zero-whitepaper.pdf

[8] Considering the economic life of those assets

Governance

Standard Chartered has robust governance processes in place to ensure that our Transition Finance Framework remains consistent with the latest thinking and data across science and industry.

This Transition Finance Framework has been reviewed and approved by the Group's Responsibility and Reputational Risk Committee ("GRRRC"), which ultimately reports to the Board. It is operationalised through a Sub-Committee of the Group's Sustainable Finance Governance Committee ("SFGC"), which oversees greenwashing risk within Standard Chartered. This Transition Finance Sub-Committee approves each asset or entity labelled as 'Transition' at Standard Chartered.

On an annual basis, Standard Chartered will:

- Commission external verification of our progress against our Sustainable Finance income target, which includes any income generated through any assets or entities recognised as 'Transition'. This will include external verification of alignment of the asset or entity with this Transition Finance Framework.
- Update this Transition Finance Framework in line with the latest available science and to reflect changes in the pace of technological developments across different sectors and geographies. Where industry principles, guidelines and taxonomies are developed, similar to those for green, social and sustainable finance, Standard Chartered will reflect these in the Transition Finance Framework.[9]

Annual updates to the Transition Finance Framework will be approved by GRRRC.

In addition to the annual updates to the Transition Finance Framework, Standard Chartered recognises that there may be transactions which sit outside the list of qualifying activities set out below. In particular, the NZE is focused on the energy transition and therefore, some sectors and technologies are not reflected in the analysis.

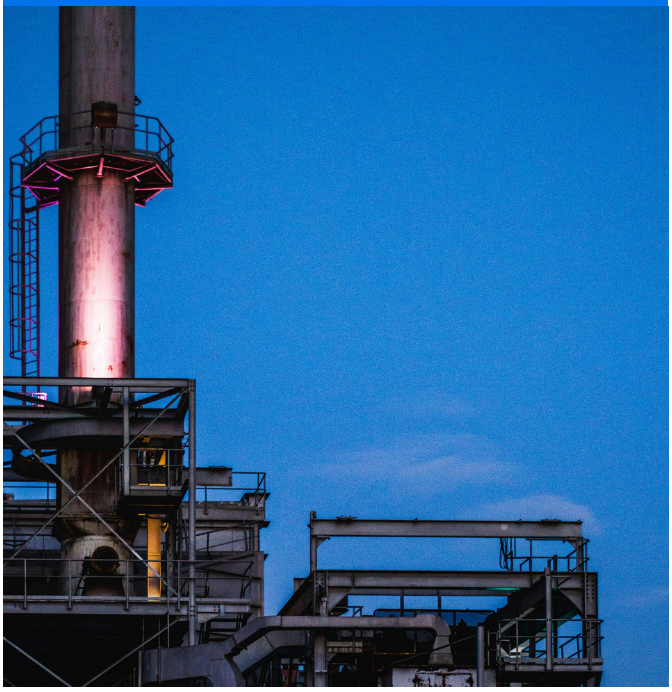
As such, the Transition Finance Sub-Committee has ad-hoc decision-making rights over the list of qualifying activities, and the ability to label assets or entities as 'Transition' where it is possible to demonstrate alignment with the principles set out above.[10]

Our Position Statements

All transactions supported by the Group must align with our **Position Statements** and minimum safeguards as defined in our **Environmental and Social Risk Management Framework**. This includes alignment with our Climate Change Position Statement, which sets an expectation for all clients operating in sectors where we have set sector-specific emissions reduction targets, to report their Scope 1, Scope 2 and (where possible) Scope 3 greenhouse gas (GHG) emissions with time-bound and quantitative targets to reduce their GHG emissions.

In 2021 we tightened our position on providing financial services to clients dependent on thermal coal. In 2024, this was summarised into a **Thermal Coal Position Statement**.

Transactions which are aligned with our Position Statements and minimum safeguards but which are not deemed eligible under our Transition or Green and Sustainable Product Frameworks will remain eligible for financing by the Group (subject to usual restrictions). Standard Chartered still expects a reduction in financed emissions across the Group's portfolio in line with the Bank's net zero targets.



[9] Where such industry-level guidance is published, we will seek to make interim updates to all categories of eligible activities in the Framework with approval by GRRRC.

[10] Where activities sit outside the NZE, we will use scenarios and guidance developed by globally accepted industry bodies where available. This gives confidence of a robust development process informed by recent climate science.

Transition Finance Framework

Proposed decision framework - asset or entity financing

*We recognise that transition finance is an emerging topic and technologies to support the transition to net zero are rapidly developing. As such, where there may be an omission from the qualifying activities set out under the Transition Finance Framework, it is expected that credible evidence can be provided as to the role of that technology/asset in the transition to a low-carbon economy.

Qualifying transition activities[11]

The Transition Finance Framework has been designed to include:

- Financial services for eligible projects and activities which contribute to the transition as per the NZE and as set out in the Transition Finance Framework below, or where there is an alternative science-based argument for inclusion.
- Financial services for corporations where at least 90 per cent of the company's revenues are derived from activities in the Transition Finance Framework below.

Eligible clients should have, or be in the process of developing, a credible, science-based transition strategy, assessed internally using results from our Client-level Climate Risk Assessment.[12] This is informed by industry guidance on assessing the credibility of transition plans.

The themes and activities set out in this Transition Finance Framework are not reflective of the Group's current credit risk appetite, particularly in relation to longer-term solutions such as hydrogen and Carbon Capture, Utilisation and Storage (CCUS), for which we expect risk/return thresholds to improve over time in line with key levers such as carbon prices.

These activities should be considered as a starting point. All assets and entities being labelled as 'Transition' will remain subject to Transition Finance Sub-Committee approval as set out above.

Electrification
Of fossil fuel upstream operations
Of industrial equipment
All end uses including space heating, water heating, cooking, agricultural uses
Development of district heat networks
Electric steam crackers for high-value chemicals production

(Advanced) bioenergy
Household and village biogas digesters in rural areas
Blending into gas networks
Replacement of natural gas by biomethane as a source of process heat in industry
Biorefineries
Biogas upgrading
Biomass gasification
Integration of cellulosic feedstock into existing ethanol plants
Sustainable aviation fuel (including biojet kerosene)
For cooking
Bioenergy boilers

Hydrogen
Equipment and components to produce low-carbon hydrogen (e.g. electrolysers and membranes)
Production of low-carbon hydrogen and its derivatives
New or retrofit of enabling infrastructure for hydrogen transportation, storage and usage (e.g. fuelling stations, pipelines, storage tanks, liquid organic hydrogen carriers "LOHC"), including any associated carbon capture, storage and sequestration infrastructure for blue hydrogen and hydrogen derivatives
Feedstock substitution to produce hydrogen using biogas or other alternative low-carbon feedstock
New or retrofit of existing facilities to enable hydrogen as a fuel source or part of the processing (including refineries, chemical plants, power plants, cement factories, Direct Reduced Iron ("DRI") based steel manufacturing, other industrial plants, direct hydrogen consumption, and to produce derivatives and synthetic fuels)

[11] The qualifying transaction activities set out here provide an initial list as aligned to the activities set out in the NZE. As noted above, this is a non-exhaustive list and will remain open for evolution as scientific understanding and technologies develop.

[12] See Managing Climate Risk section, Standard Chartered Annual Report (2023). Available online at: standard-chartered-plc-full-year-2023-report.pdf (sc.com)

Carbon capture utilisation and storage

Carbon capture activities for:

- Coal power plants (excluding new facilities)
- Gas fired power plants, bio-energy power plants and waste-to-energy facilities
- Industrial plants including cement production, metal production, refineries, chemical manufacturing plants
- Production of low-carbon hydrogen production
- Other carbon-intensive processes at the discretion of the Transition Finance Labelling Sub-Committee

Transportation and storage infrastructure for CCS (including build and retrofit of pipeline and CO^2 ships, development of storage site, etc.)

Onboard carbon capture

Low emission fuels*

Synthetic fuels (including those produced from carbon captured through CCUS)

Ammonia production

Switch of existing refineries to petrochemicals or production of biofuels (increasing share of ethane naphtha and LPG)

Development of ports to produce hydrogen and ammonia for use in chemical and refining industries and to refuel ships

Vehicles which use higher fuel blending ratios or directly use low-carbon fuels

Decarbonisation of LPG using bio-sourced butane and propane (bioLPG)

Material efficiency including cement

Blending of alternative materials into cement to replace clinker (including limestone and calcined clay)

Switch from coal to gas in cement production

Switch from coal to biomass/renewable waste in cement production

Switch from coal to direct electrification in cement production

Electric cement kilns

More efficient use of nitrogen fertilisers

Waste reduction, collection and sorting

Recycling and re-use of plastics and other materials

Iron and steel

Scrap-based production of steel

Scrap-based Electric Arc Furnace (EAF)

Hydrogen-based DRI

Iron ore electrolysis

Electrification of ancillary equipment

Partial hydrogen injection into commercial blast furnaces

Innovative smelting reduction

Natural-gas based DRI with CCUS

Innovative blast furnace retrofit

Highly efficient EAF

Waste-based production of DRI

Railways

Electric tracks on high-throughput corridors

Hydrogen and battery electric trains

Agriculture

Switch to short short-rotation advanced bioenergy crop production on marginal lands and pasture land

Changes to animal feed to reduce nitrous oxide and methane emissions

Emissions reduction on existing fossil fuels (not covered elsewhere)

All abatement technologies including those that reduce methane emissions

Eliminating flaring

Coal power plants: Activities that accelerate the early retirement of thermal coal assets

Coal power plants: Co-firing of solid bioenergy with coal

Coal power plants: Co-firing with ammonia

Emission reduction of operations – upstream e.g. through integration of off-grid renewables into upstream facilities

Emission reduction of operations – midstream and downstream

* Low-emission fuels include liquid biofuels, biogas, biomethane, and hydrogen-based fuels (hydrogen, ammonia, synthetic hydrogen

Aviation

Financing of modern, fuel-efficient aircraft (with the following gating criteria):

- Eligible assets should have an energy efficiency (weighted average) that leads to energy savings of at least 15 per cent against previous technologies.
- Commitment to increase SAF utilisation in line with IEA NZE 2050.
- Client entity or group has a credible transition plan in place.

Aluminium**

Thermal efficiency improvement

Novel anode technologies

Renewable energy use

Retrofitting of smelters

Aluminium recycling/production of secondary aluminium

Shipping

Operational efficiency measures (optimising vessel speed versus performance, utilising big data and weather routing services to reduce fuel consumption)

Design efficiency measures (installation of energy saving technologies ("ESTs") such as engine and propeller upgrades, air lubrication system and rotor sails)

Financing of new build and retrofitted dual fuel ships (with the following gating criteria):

- Commitment to uptake of low-carbon fuel.
- Alignment of the asset to Poseidon Principles decarbonisation targets when compared to alternatives (e.g. Annual Efficiency Ratio ("AER") of the vessel as compared to the decarbonisation trajectory for its ship type and size class).

Transmission and distribution grids

Expansion of transmission and distribution grids (excluding addition of new coal-fired capacity to grid or where the share of coal in total national energy mix is increasing as compared to most recently available data)

Maintenance and upgrade of existing grid infrastructure where 15 per cent is powered by renewables[13] or the upgrading improves performance by a minimum of 25 per cent

Modernization of existing grid infrastructure

Waste-to-energy

Waste-to-energy facilities where:

- The plant demonstrates material emissions reductions on a CO^2 per unit power generation basis versus currently available energy generation.
- New facilities have capability for future installation of CCUS or on-site renewable energy for plant operation.
- For non-captive facilities: they are or will be connected to the grid as part of the project development in the overall project development plan.

Other

Nuclear power, including large-scale reactors

Financial services extended towards critical minerals that support the energy transition

Fossil fuel site rehabilitation/decommissioning

Fuel-efficiency technologies for airframes and engines in aircraft (open rotors, blended wing body airframes, hybridisation)

Gas boiler capable of burning 100 per cent hydrogen

Clients in Transition (Pureplays)

Financial services for corporations where at least 90 per cent of the company's revenues are derived from the activities in the Transition Finance Framework (with the following gating criteria):

- Annual attestation to the 90 per cent revenue
- Approval only by Transition Labelling Sub-Committee

** Not explicitly mentioned in NZE 2050 scenario, however an important sector for the Bank to decarbonise. Activities included align with the World Economic Forum's Report on Aluminium for Climate.

[13] 15 per cent is the average renewable energy share in markets where Standard Chartered has clients involved in transmission and distribution activities.

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