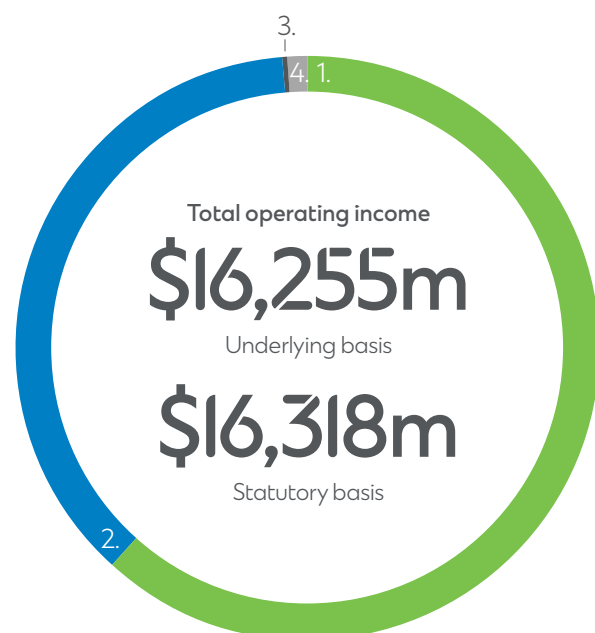


# Who we are and what we do

## Our client segments



Our Purpose is to drive commerce and prosperity through our unique diversity. We serve three client segments in three regions, supported by eight global functions.

	Operating income
<b>1. Corporate, Commercial and Institutional Banking</b>	<b>\$10,045m</b> Underlying basis
Supporting clients with their transaction banking, financial markets, corporate finance and borrowing needs, Corporate, Commercial and Institutional Banking provides solutions to more than 20,000 clients in the world's fastest-growing economies and most active trade corridors.	<b>\$10,086m</b> Statutory basis
<b>2. Consumer, Private and Business Banking</b>	<b>\$6,016m</b> Underlying basis
Serving more than 10 million individuals and small businesses, Consumer, Private and Business Banking focuses on the affluent and emerging affluent in many of the world's fastest-growing cities.	<b>\$6,016m</b> Statutory basis
<b>3. Ventures</b>	<b>\$29m</b> Underlying basis
Ventures promotes innovation, invests in disruptive financial technology and explores alternative business models. Its pipeline of over 30 ventures includes two cloud-native digital banks.	<b>\$29m</b> Statutory basis
<b>4. Central and other items</b>	<b>\$165m</b> Underlying basis
	<b>\$187m</b> Statutory basis

## Enabling and supporting our businesses

### Global functions

Our client-facing businesses are supported by our global functions, which work together to ensure the Group's operations run smoothly and consistently.

#### Transformation, Technology & Operations

Responsible for leading bank-wide transformation and for reshaping the Group's systems and technology platforms to ensure we provide robust, responsive, and innovative technology digital solutions. Also manages all client operations, seeking to provide an optimal client service and experience across the board.

#### Legal

Provides legal advice and support to the Group to manage legal risks and issues.

#### Human Resources

Maximises the value of investment in people through recruitment, development and employee engagement.

#### Risk

Responsible for the overall second-line-of-defence responsibilities related to risk management, which involves oversight and challenge of risk management actions of the first line.

#### Group Chief Financial Officer

Comprises seven support functions: Finance, Treasury, Strategy, Investor Relations, Corporate Development, Supply Chain Management and Property. The leaders of these functions report directly to the Group Chief Financial Officer.

#### Corporate Affairs, Brand and Marketing

Manages the Group's marketing and communications and engagement with stakeholders to protect and promote the Group's reputation, brand and services.

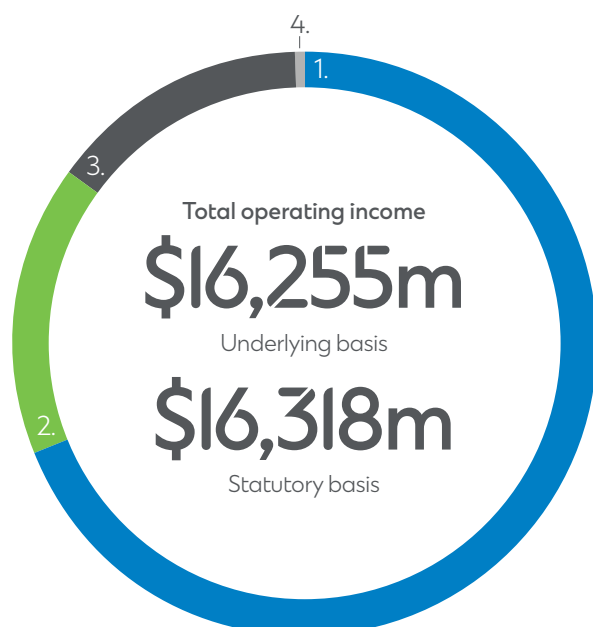
#### Group Internal Audit

An independent function whose primary role is to help the Board and Management Team protect the assets, reputation and sustainability of the Group.

#### Conduct, Financial Crime and Compliance

Partners internally and externally to achieve the highest standards in conduct and compliance to enable a sustainable business and fight financial crime.

## Our regions



### Operating income

#### 1. Asia

We are present in 21 markets including some of the world's fastest-growing economies. Hong Kong and Singapore are the highest income contributors.

**\$11,213m**

Underlying basis

**\$11,256m**

Statutory basis

#### 2. Africa and Middle East

We have a presence in 25 markets of which the most sizeable by income are UAE, Pakistan, Kenya, Nigeria, South Africa and Ghana.

**\$2,606m**

Underlying basis

**\$2,608m**

Statutory basis

#### 3. Europe and the Americas

Centred in London, with a growing presence across continental Europe, and New York, we operate in both North America and several markets in Latin America.

**\$2,353m**

Underlying basis

**\$2,352m**

Statutory basis

#### 4. Central and other items

**\$83m**

Underlying basis

**\$102m**

Statutory basis

## Valued behaviours

We're developing a future-ready workforce built on good conduct and our valued behaviours



### Never settle

- Continuously improve and innovate
- Simplify
- Learn from your successes and failures



### Better together

- See more in others
- "How can I help?"
- Build for the long term



### Do the right thing

- Live with integrity
- Think client
- Be brave, be the change

# Where we operate

We operate in the world's most dynamic markets which set the pace for global growth. Our unique footprint connects high-growth and emerging markets in Asia, Africa and the Middle East with more established economies, allowing us to channel capital where it's needed most.

For over 160 years we have used the power of our network to maximise opportunities for people and businesses who trade, operate, or invest in these regions.

Our diverse experience, capabilities and culture sets us apart.

► We are present in 59 markets and serve clients in a further 64 ◀

## Asia



We have a long-standing and deep franchise across some of the world's fastest-growing economies. Our Asia region generates **two-thirds** of our income. The two markets contributing the highest income are **Hong Kong and Singapore**.

Australia	Japan	Nepal
Bangladesh	Korea	Philippines
Brunei	Laos	Singapore
Cambodia	Macau	Sri Lanka
Hong Kong	Mainland China	Thailand
India	Malaysia	Vietnam
Indonesia	Myanmar	Taiwan



Read more on **page 29**



## Africa and the Middle East



We have a **deep-rooted heritage in Africa and the Middle East** and have been in the region for 160 years. The United Arab Emirates, Pakistan, Kenya, Nigeria, South Africa, and Ghana are our largest markets by income.

Angola	Jordan	Saudi Arabia
Bahrain	Kenya	Sierra Leone
Botswana	Lebanon	South Africa
Cameroon	Mauritius	Tanzania
Côte d'Ivoire	Nigeria	UAE
Egypt	Oman	Uganda
The Gambia	Pakistan	Zambia
Ghana	Qatar	Zimbabwe
Iraq		

→ Read more on **page 30**



## Europe and the Americas



We support clients in Europe and the Americas through **hubs in London and New York** and have a **strong presence** in several European and Latin American markets.

Argentina	Germany	Sweden
Brazil	Ireland	Türkiye
Colombia	Jersey	UK
Falkland Islands	Poland	US
France		

→ Read more on **page 31**



# Group Chairman's statement

► Delivering growth opportunities in our dynamic markets ◀

Dr José Viñals  
Group Chairman



In 2022, Standard Chartered continued to make good progress executing its strategy and delivered a strong financial performance. The external environment we faced was mixed. The war in Ukraine created significant uncertainty in Europe and other key markets. However, the global economy remained resilient, with the recent relaxation of COVID-19 restrictions in China providing more grounds for optimism in 2023.

As these events unfold, it is clear that Standard Chartered's role – connecting high-growth and emerging markets in Asia, Africa and the Middle East with each other, and with Europe and the Americas – is more vital than ever. Our financial performance, and the resiliency of our unique geographic footprint, mean that we are well-positioned to capitalise on opportunities for growth in the years ahead.

Our performance in 2022 is due in large part to the incredible work of our over 83,000 people across the world, supported by the Management Team, and led by Group Chief Executive Bill Winters. Every day, Standard Chartered colleagues deliver first-rate results for our clients, providing tailored products and services to help them grasp the opportunities ahead.

Anchored in our Purpose, we continue to drive commerce and prosperity in markets across the world through our unique diversity. I am extremely proud of what we have achieved together in 2022, and I look forward to the opportunities that 2023 will bring.

## Continued financial momentum

We continue to deliver an improving financial performance. Bill Winters, and Andy Halford, our Group Chief Financial Officer, will provide more detail on our financial results in the following pages.

Last year, our income grew by 15 per cent to \$16.3 billion, our highest since 2014, and underlying profit before tax increased by 15 per cent to \$4.8 billion. It is clear that our strategy to drive improved levels of return on tangible equity (RoTE) is working. RoTE for the year increased to 8 per cent, 120 basis points higher year-on-year. We have revised our target RoTE for 2024 from 10 per cent to exceed 11 per cent, with further growth thereafter.

The Group maintained a robust liquidity position and our capital levels remain strong, with a Common Equity Tier 1 (CET1) ratio of 14 per cent at year end, at the top of our target range of 13-14 per cent. Our asset quality and earnings trajectories are strong, which gives us confidence that we can deliver substantial shareholder returns of at least \$5 billion by the end of 2024, as set out last year.

The Board is very clear that any capital not required for growth will be distributed to shareholders. We have increased the total dividend by 50 per cent to 18 cents per share and have announced a new share buy-back of \$1 billion, starting imminently. This will take total capital, including dividends, announced since the start of 2022, to \$2.8 billion, which is well over halfway towards our target.

## Ambition and progress on our strategic priorities

Our strategy, outlined in 2021, aligns us with the major engines of global growth and we see strong progress across our four strategic priorities: Network, Affluent, Mass Retail and Sustainability.

Our Network business continues to facilitate investment, trade and capital flows across our geographic footprint, where we are one of the leading international wholesale banks. Our Affluent business is setting the standard for wealth

management across Asia, Africa and the Middle East. We are providing new digital solutions, strategic partnerships and advanced analytics to our Mass Retail clients, lifting participation and generating Affluent clients of the future. And we continue to focus on our Sustainability agenda that supports a just transition ensuring that we are making a difference where it matters most. The additional strategic actions we are targeting to accelerate our performance are outlined in Bill's report and I am pleased to say that we are executing against these at pace.

Our strategy is underpinned by our Stands, the areas where we have set long-term ambitions for impact in the markets we call home: Accelerating Zero, Resetting Globalisation and Lifting Participation.

Through Accelerating Zero, we are progressing on our commitment to be net zero in our financed emissions by 2050, supporting a just transition – one where climate objectives are met without depriving emerging markets of their opportunity to grow and prosper – which will underpin future social and economic prosperity. Our 2050 Net Zero roadmap was endorsed by our shareholders at our 2022 Annual General Meeting, following extensive engagement with shareholders, clients and NGOs. During 2022 we facilitated \$23.4 billion of sustainable finance, as we make progress towards our 2030 target of mobilising \$300 billion in sustainable finance.

Through Resetting Globalisation we are leveraging our network and role as one of the world's largest trade banks, to create a fairer and more inclusive model of global growth, and building more resiliency in global supply chains through international diversification and digital technologies. We are also helping to address funding gaps for businesses across Asia, Africa and the Middle East, particularly for small and micro enterprises.

Through Lifting Participation, we continue to broaden access to financial services and create specialised programmes to support disadvantaged communities across our footprint. We remain hugely proud of our Futuremakers programme, which was set up in 2019 to improve economic inclusion in our markets, with a focus on women and girls, and in 2022 worked with over 335,000 young people. In India and Kenya, we have set up Solv, an e-commerce marketplace for small and medium-sized enterprises, which served over 230,000 customers in 2022.

Elsewhere, we worked in partnership with FairPrice Group to successfully launch the fully digital Trust Bank in Singapore, gaining 450,000 customers in our first five months.

SC Ventures continues to invest in potentially transformational business models and ecosystems, connecting more and more clients with economic opportunity. This is just one example of our collaborative approach to innovation and financial inclusion.

## Enhancing governance and culture

During the year, we continued to drive diversity in our Board, recognising the benefits of a diverse mix of gender, social and ethnic backgrounds, skills, knowledge, experience and adequate reflection of our key markets to support our strategy.

The Board was heartened by the results of the externally facilitated effectiveness review of the Board and its committees. It assessed the Board's progress since the last external review in 2019 and concluded that the Board continues to operate effectively while also identifying some areas for improvement. More detail on process, outcomes and actions can be found on page 156.

## Group Chairman's statement continued

### Financial KPIs



#### Underlying return on tangible equity (RoTE) %

+120bps



**Aim** Deliver sustainable improvement in the Group's profitability as a percentage of the value of shareholders' tangible equity.

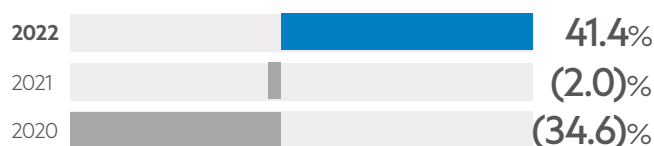
**Analysis** Underlying RoTE of 8.0 per cent in 2022 was a 120bps improvement on 6.8 per cent in 2021.

The underlying profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' tangible equity

#### Total shareholder return (TSR) %



+43.4%



**Aim** Deliver a positive return on shareholders' investment through share price appreciation and dividends paid.

**Analysis** Our TSR in the full year 2022 was positive 41.4 per cent, compared with negative 2.0 per cent in 2021.

Combines simple share price appreciation with dividends paid to show the total return to the shareholder and is expressed as a percentage total return to shareholders

#### Common Equity Tier 1 ratio %



-19bps



**Aim** Maintain a strong capital base and Common Equity Tier 1 (CET1) ratio.

**Analysis** Our CET1 ratio was 14.0 per cent, at the top end of our 13-14 per cent target range.

The components of the Group's capital are summarised on page 288

In 2022, we welcomed four new independent non-executive directors to the Board. Shirish Apte was appointed in May 2022 and joins the Remuneration, Audit and Board Risk Committees. Robin Lawther was appointed in July 2022 and joins the Remuneration and Board Risk Committees. Jackie Hunt was appointed in October 2022 and joins the Audit and Culture and Sustainability Committees. Dr. Linda Yueh was appointed in January 2023 and joins the Remuneration and Culture and Sustainability Committees. I am delighted to welcome them and I am sure that we will greatly benefit from their broad experience and contributions.

Last year also saw the retirement of several long-standing and valued directors from our Board. I would like to thank Naguib Kheraj, former Deputy Chairman and Chair of the Board Risk Committee who retired from the Board in April for his unwavering dedication and most significant and impactful contributions to the Board and Committee discussions. My thanks also go to Byron Grote who retired from the Board in November for his many contributions to the Board and its Committees. In addition, I would like to thank Christine Hodgson, former Senior Independent Director and Chair of the Remuneration Committee, for her many insightful contributions and great dedication as well as for agreeing to remain on the Board until January 2023 to ensure a smooth transition to a new Remuneration Committee Chair.

We also announced that Jasmine Whitbread, Chair of the Culture and Sustainability Committee, and a long-standing and much valued board member, would not be seeking re-election at the 2023 AGM and will retire from the Board at that time.

### Looking ahead

We are well positioned to take advantage of considerable growth opportunities in our footprint as we navigate an uncertain external environment in 2023. Global growth, while slower, should remain resilient. But, with central banks focusing on controlling inflation against a backdrop of trade and geopolitical tensions, significant uncertainties remain.

Our markets are some of the world's most dynamic places, with a growth potential that significantly outstrips more established economies. Asia is likely to be the fastest-growing region in the world, and the significant re-opening of the Chinese economy from COVID-19 restrictions is likely to materially boost demand and growth. This, together with India and ASEAN's high rates of economic expansion and continued dynamism in commodity-exporting countries in our footprint, gives us plenty of reasons for optimism as we continue to help customers build growth, prosperity and a stronger future.

The Board will continue to ensure an appropriate balance of opportunity and risk, acting in your interests as shareholders. We are grateful to you for the trust you place in us and for your ongoing support of the Group. I am confident that we will continue to create long-term, sustainable value for all stakeholders in 2023 and beyond.

**Dr José Viñals**  
Group Chairman

16 February 2023



## ► Helping female entrepreneurs thrive ◀

Throughout 2022, thousands of women were able to grow their businesses by using our collateral-free subsidised loans for female micro-entrepreneurs. Geeta Shrestha, who runs an iron metal works in Nepal, expanded her small workshop to include a hardware shop, allowing her to create more income for her family and send her children to school.

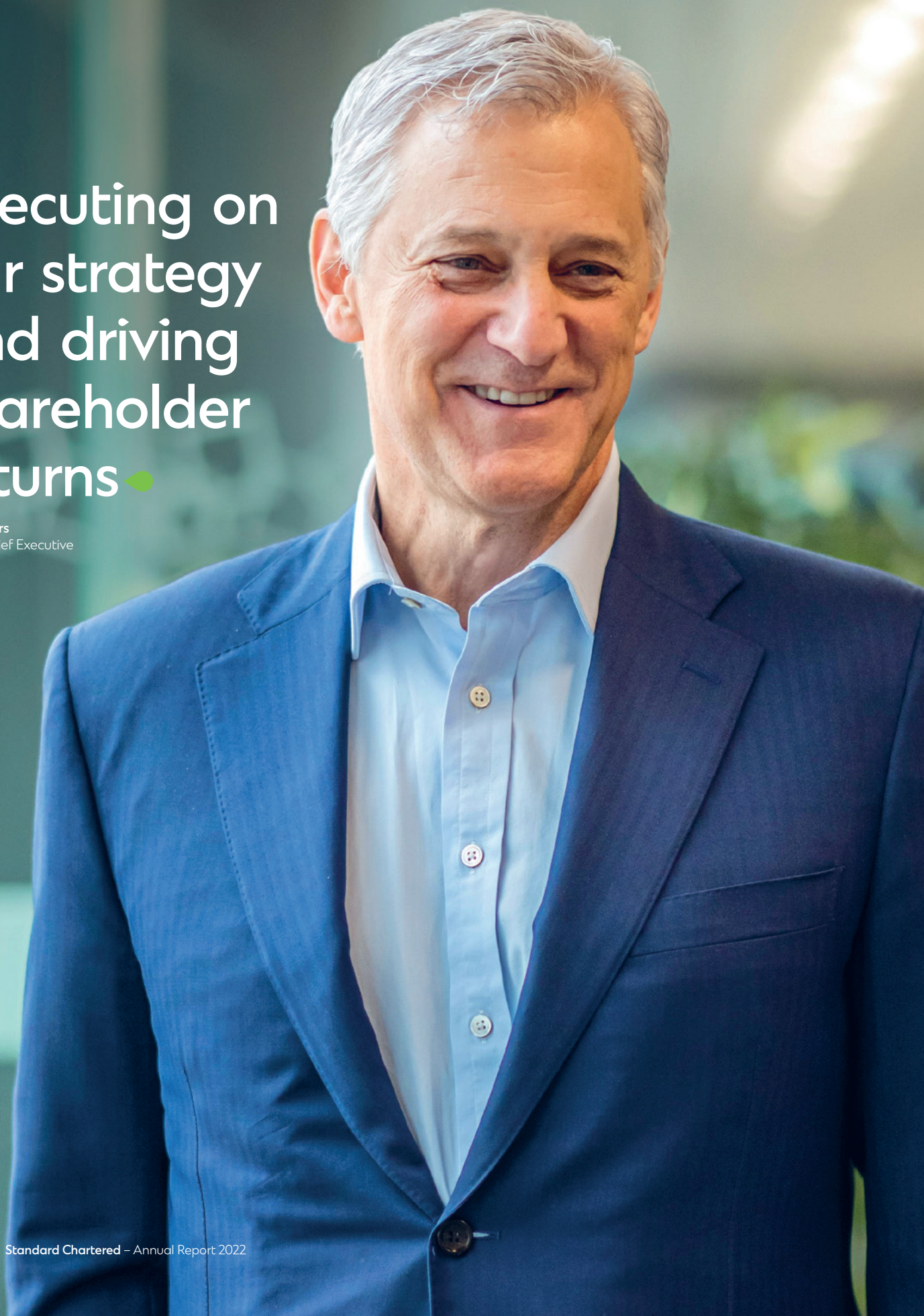
Meanwhile, Sita Timalsina was able to turn her small grocery store into a profitable cosmetics shop, which she runs while looking after her family. The success of her store led to the opening of a second location and allowed her husband has been able to leave his job in the Middle East to run both stores with her.

⊕ Read more online at [sc.com/investingcommunities](https://sc.com/investingcommunities)

# Group Chief Executive's review

## ▶ Executing on our strategy and driving shareholder returns ▶

Bill Winters  
Group Chief Executive



The Group delivered a strong performance in 2022, executing well against our strategy and the five strategic actions we set out this time last year, whilst continuing to invest for the future. 2022 income was over \$16 billion, our highest since 2014 and up 15 per cent, with about half coming from underlying business growth and the remainder from the normalisation in interest rates. This is particularly impressive given the material headwinds in our Wealth Management business. We have been disciplined with expenses, generating savings which allow for continued investment and significantly positive income-to-cost jaws. Loan impairment rose, mainly due to the challenges of the China commercial real estate sector and sovereign risk. The broader portfolio remains resilient and we continue to be vigilant in the face of volatile global markets. All this has helped us increase underlying profit before tax for the year to \$4.8 billion, an improvement of 15 per cent year-on-year.

Our strategy is working and delivering improved performance and returns to shareholders. Return on Tangible Equity (RoTE) at 8 per cent is now above the levels it was before the pandemic. We intend to build on our momentum to approach 10 per cent RoTE in 2023, to over 11 per cent in 2024, and continue to grow thereafter. Our equity generation and discipline on RWA this year has meant our year end Common Equity Tier 1 (CET1) ratio is at the top of our target range, allowing us to increase our full year ordinary dividend to 18 cents per share, a 50 per cent increase. We have also announced a further share buy-back of \$1 billion, starting imminently, which will bring our total shareholder returns since the start of 2022 to \$2.8 billion, well on our way to our 2024 target of at least \$5 billion.

### Good progress on our strategic actions

We are proud to connect the world's most dynamic markets. Our Purpose is to drive commerce and prosperity through our unique diversity and this guides our strategy and everything we do. The businesses we serve, and with which we connect and partner, are the engines of trade and innovation, and central to the transition to a fair, sustainable future.

In support of our Purpose, we continue to focus on three 'Stands', areas where we have long-term ambitions for positive business and societal impact – Accelerating Zero, Resetting Globalisation and Lifting Participation. These stands are fully consistent with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.

We set out our strategy in early 2021, built on the four pillars of Network, Affluent, Mass Retail and Sustainability. Two years on, these themes and areas of focus are even more relevant; our strategy is working, and will continue to drive

future growth. In 2022 we also set out five strategic actions that we would take to accelerate delivery of double-digit RoTE, including:

- Driving improved returns in Corporate, Commercial & Institutional Banking (CCIB)
- Transforming profitability through productivity in Consumer Private & Business Banking (CPBB)
- Seizing the opportunity in China with the ambition to double onshore and offshore profit before tax
- Creating operational leverage and delivering gross cost savings of \$1.3 billion
- Delivering over \$5 billion of capital returns to our shareholders

We have made good progress across all five areas.

In CCIB we are targeting around a 160 basis point improvement in income return on risk weighted assets (IRORWA) to 650 basis points with RWA capped at full year 2021 levels. We have already delivered on this IRORWA improvement target in 2022 and RWA levels are \$20 billion below 2021 levels. The recently announced strategic review of our Aviation Finance business will create further capacity for CCIB to grow higher return business.

In CPBB the team has already achieved gross savings of \$233 million against their 2024 target of \$500 million. These savings have come from rationalising the branch network, process re-engineering, headcount efficiencies and further automation. Despite a challenging Wealth Management performance in 2022 the CPBB cost-to-income ratio improved 5 percentage points to 69 per cent and should show further improvement in 2023.

China has faced COVID-19 and economic headwinds. Despite those difficulties, our onshore China business increased its income by 10 per cent in 2022, and offshore-related income is up 21 per cent. However, impairments on China commercial real estate related risk have pushed our offshore and onshore China operating profit down in 2022. We are confident in the long-term opportunity in China and committed to achieving our 2024 targets for China-related growth.

The Group's positive income-to-cost jaws of 6 per cent in 2022 were driven by strong income growth and discipline on expenses. We have delivered about a third of the \$1.3 billion expense save target we set out earlier this year. Inflationary pressures are now evident in many of our footprint markets and these expense saves help us manage those pressures, whilst creating capacity to invest. We will now target positive income-to-cost jaws of around 3 per cent in 2023 and 2024.

#### Cash investments

**\$2.0bn**

↑5%

#### Network income

**\$5.7bn**

↑24%

#### Number of active Affluent Clients

**2.1million**

↑7%

## Group Chief Executive's review continued

### Further opportunities emerging

In 2022 we continued to transform and innovate within our business to drive sustainable growth, including developing our digital and sustainability capabilities. Our colleagues bring unrivalled financial expertise to help identify opportunities across growing markets, sectors and in sustainable finance. We continue to prove ourselves as a trusted partner, working with start-ups, multinationals, fintechs and governments to create new ideas, technology and innovation.

In our Ventures segment, we were delighted to announce the launch of our second wholly digital bank, Trust Bank, in Singapore. Partnering with FairPrice Group, the largest supermarket chain in Singapore, and building on our successful experience of creating the Mox virtual bank in Hong Kong, we were able to bring Trust Bank to the market quickly and efficiently. The early success of Trust Bank, onboarding over 450,000 customers so far, or 9 per cent of the addressable market, has exceeded our most ambitious expectations. In 2023, Trust Bank will build on this momentum to roll out additional products to better serve our customers. Together with Mox, we now have fully developed virtual and traditional bank offerings in two of our most significant markets.

The sustainability agenda continues to gather pace as the world faces significant climate and environmental challenges, with the imperative to invest, find solutions and support a just transition to net zero having never been greater. In 2022 we reshaped our organisation to better address the challenges and opportunities, creating a Chief Sustainability Officer role as we continue to invest in the capabilities and expertise that our business and clients need.

At the 2022 Annual General Meeting, our 2050 Net Zero pathway was endorsed by our shareholders, and we are on track to deliver on our plans to reach net zero in our operations by 2025 and in our financed emissions by 2050. We have made good progress during the year and we have accelerated progress in some areas where more market data on emissions has become available.

We have a deep understanding of how climate change affects our footprint markets, clients and communities and we continue to play a leading role in addressing these challenges. The estimates of the financing needed to deliver net zero continues to grow and we mobilised \$48 billion of sustainable finance in the last 21 months as we support our clients on their transition plans. Our ambition is to mobilise \$300 billion in sustainable finance by 2030 and we have developed a Green and Sustainable Product Framework and Transition Finance Framework to guide us.

### Optimistic outlook for the markets in our footprint

Looking forward into 2023, whilst there is recession risk in the US and Europe, ongoing geopolitical issues and the war in Ukraine, we also see reasons for increased optimism for the areas of the world in which we operate.

The impact of the COVID-19 pandemic is now finally abating in the last few markets in our footprint. China's new approach to dealing with COVID-19 will drive economic growth and this in turn will help further improve GDP growth in the economies of Asia.

This will also act as a catalyst for our Wealth Management business which was subdued in 2022. Clients remained on the side-lines as market volatility undermined confidence. This together with the last remaining pandemic restrictions led to a year-on-year fall in income. As we go into 2023, we are optimistic that as these factors recede the Wealth Management business can rebound from a difficult year.

Rising interest rates will inevitably feed through further into loan impairment at some stage. However, reflecting the work we have done over a number of years to reshape our loan portfolios, there are only relatively small pockets of stress in our books. Our loan loss rate remains well below the historic range. Whilst China commercial real estate exposures remain a challenge for the banking sector generally, it remains a small part of our portfolio, against which we feel appropriately provided. We remain watchful on sovereign risk where continued USD strength will remain problematic for some of our markets though we have the capital strength to navigate these challenges.

Finally, reflecting our increased optimism, we are lifting our earnings targets. We had said that we will deliver double digit RoTE in 2024, if not earlier. As we start the new year we think we will be approaching 10 per cent RoTE in 2023 and have raised our 2024 RoTE target to be at least 11 per cent and to continue to grow thereafter.

### In conclusion

The Group has delivered a strong performance in 2022. The revenue outlook into 2023 is positive, with our core business momentum supported by the tailwind of rising interest rates.

We are optimistic for the markets in our footprint as they finally emerge from the challenges brought by the pandemic and as economic activity rebounds. Our strategy is clear, we continue to make good progress on our five targeted strategic actions and remain committed to delivering over \$5 billion of shareholder returns by 2024.

Finally, echoing Jose, I would like to highlight the remarkable efforts of our more than 83,000 colleagues. Their deep expertise combined with resilience in some challenging circumstances in certain markets has delivered seamless service to our customers and communities that we serve, bringing to life our brand promise to be here for good.



**Bill Winters**

Group Chief Executive

16 February 2023

## Management Team



1. **Bill Winters**  
Group Chief Executive

2. **Andy Halford**  
Group Chief Financial Officer

3. **Simon Cooper**  
CEO, Corporate, Commercial  
& Institutional Banking and  
Europe & Americas

4. **Claire Dixon**  
Group Head, Corporate Affairs,  
Brand and Marketing

5. **Judy Hsu**  
CEO, Consumer, Private  
and Business Banking

6. **Benjamin Hung**  
CEO, Asia

7. **Tanuj Kapilashrami**  
Group Head, Human Resources

8. **Sunil Kaushal**  
CEO, Africa & Middle East

9. **Roel Louwhoff**  
Chief Technology, Operations  
and Transformation Officer

10. **Tracey McDermott, CBE**  
Group Head, Conduct,  
Financial Crime and Compliance

11. **Sandie Okoro**  
Group General Counsel

12. **Sadia Ricke**  
Group Chief Risk Officer

13. **Paul Day\***  
Group Head, Internal Audit

14. **Mary Huen**  
CEO, Hong Kong and Cluster  
CEO for Hong Kong, Taiwan  
and Macau

\* Paul represents Group Internal Audit as an invitee at Management Team meetings

# Market environment

## Macroeconomic factors affecting the global landscape

### Global macro trends

#### Trends in 2022

- Global GDP growth slowed sharply in 2022, likely to 3.4 per cent, following the 6.0 per cent expansion in 2021, as inflation soared and central banks were forced to tighten policy aggressively.
- MENAP was the best-performing region, recording growth of 6.2 per cent, supported by elevated commodity prices; Asia recorded growth of 4.2 per cent, down from 7.1 per cent in 2021, primarily driven by the slowdown in China, with growth falling to 3.0 per cent in 2022 from 8.4 per cent in 2021.
- Among the majors, despite a technical recession in the first half of the year, the United States recorded annual growth of 2.1 per cent on the back of resilient domestic demand, while the UK likely grew by 4.0 per cent.
- The euro-area economy likely grew by 3.5 per cent in 2022 following 5.3 per cent growth in 2021; while the recovery was strong in H1 due to COVID-19 reopening effects, H2 was held back by rising energy costs related to the Russia-Ukraine conflict.
- In most majors, labour markets showed signs of further tightening, despite slowing growth.
- Central banks began to unwind support, at first gradually and then more rapidly as the year progressed and inflationary pressures built. Fiscal support continued in the euro area as governments sought to shield households and businesses from elevated energy costs, but provided less of a tailwind in the United States as COVID-19 support measures were unwound.

#### Outlook for 2023

- Global growth is expected to weaken to 2.5 per cent in 2023, as central banks focus on bringing inflation back under control.
- Asia will likely be the fastest-growing region and will continue to drive global growth, expanding by 5.3 per cent. Among the majors, the United States is expected to witness a mild contraction of 0.2 per cent in 2023, the UK a larger contraction of 0.5 per cent, while the euro area is likely to see an overall modest expansion of 0.4 per cent.
- 2023 will be a tale of two halves, with global growth likely to pick up in H2 2023 as the United States and euro area recover from mild recessions, and a reopening of the China economy from COVID-19 restrictions helps boost demand and growth.
- Tight global liquidity conditions are likely to make it difficult for some emerging markets to access international financing, forcing them to seek multilateral support.
- Downside risks to this outlook include sustained inflationary pressures, COVID-19 mutations following China's quick reopening, and another flare-up of geopolitical tensions, including the Russia-Ukraine war.

#### Medium- and long-term view

##### Stagflation risks

- Tight labour markets and the broadening of inflationary pressures to the services sector are likely to keep stagflation a key concern for central banks over the coming quarters.
- The need to meet ESG targets could also prove inflationary in the medium term as the cost of using fossil fuels during the transition period rises due to a combination of taxes, carbon pricing and external tariffs.
- As companies aim to reduce concentration risks and move towards onshore/nearshore production, the risk is a lowering of efficiency gains that might push up consumer prices.
- However, easing of supply-chain bottlenecks is likely to help dampen some of these pressures.
- Fiscal policy might also turn from a tailwind to a headwind for growth. High public debt and government deficits also mean that most economies are looking to tighten fiscal policy over the medium term.

##### Broader global trends

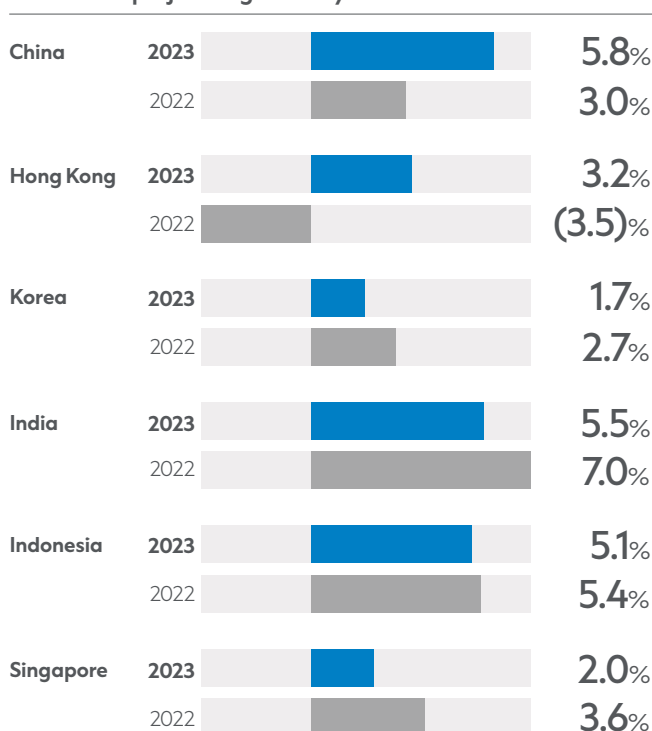
- The world economy could see a permanent loss of economic output or 'scarring' due to the recession that followed the pandemic. This would make it harder for emerging markets to catch up with developed markets.
- Long-term growth in the developed world is constrained by ageing populations and high levels of debt, exacerbated by the policy response to COVID-19.
- Rising nationalism, anti-globalisation and protectionism are threats to long-term growth prospects in emerging markets.
- However, there are potential offsets. Higher capex to meet sustainability targets, and moves towards digitalisation could boost productivity growth, proving an antidote to economic scarring concerns. Within emerging markets, countries in Asia are best placed to take advantage of digitalisation.
- Relatively younger populations, as well as the adoption of digital technology, will allow emerging markets to become increasingly important to global growth.

## Regional outlook

## Asia

- China's GDP growth slowed to 3.0 per cent in 2022 from 8.4 per cent in 2021, falling short of the 5.5 per cent target. Weak consumption and property investment were the main drag on the economy, due to the stringent zero-COVID-19 policy and ongoing housing market correction. We forecast 2023 growth at 5.8 per cent, as the government appears more determined after the conclusion of the Party Congress in October to address the two headwinds. China scrapped the COVID-19 zero policy sooner than expected. Recent measures aimed at supporting property financing will likely stabilise home sales and investment in H2 2023. In addition, the regulatory storm targeting internet platforms will likely give way to more normalised regulation. Consumption is likely to become a key growth driver, and property investment less of a drag.
- Monetary policy is likely to remain accommodative near term, diverging from major economies, to curb the downside risk that may linger in early 2023. However, China's growth will likely rebound significantly in Q2 following the expected reopening, driving inflation higher and prompting the central bank to shift to a more neutral policy stance to stabilise the total debt-to-GDP ratio. The broad budget deficit is likely to be scaled back in 2023 on sustainability concerns.
- We expect Hong Kong's economy to grow 3.2 per cent in 2023 following a 3.5 per cent contraction in 2022. While there are some domestic bright spots, including a much-improved labour market and relaxation of travel curbs, external drags will likely be substantial, with traditional export markets such as the United States and euro area experiencing recession at the start of 2023. We expect South Korea's economy to grow just 1.7 per cent on concerns about weaker external demand and slowing domestic consumption amid rising interest rates and tighter fiscal policy.
- In India, recovery momentum remains robust, driven by firmer reopening in the services sector. Nevertheless, we expect FY24 (year beginning April 2023) GDP growth to moderate to 5.5 per cent, from 7.0 per cent in the current financial year, given moderating global growth, erosion of real purchasing power and high domestic interest rates. Easing inflation back to the comfort threshold of 2-6 per cent in FY24 should also lead to a prolonged pause from the MPC after the terminal repo rate hits 6.5 per cent by February 2023. The external sector will remain in focus amid the likelihood of still-elevated crude oil prices and relatively better economic activity in India. Ample foreign exchange (FX) reserves, however, are likely to remain a strong buffer for the economy. The central bank is likely to focus on rebuilding FX reserves, although this might remain challenging amid a still-wide current account deficit. The central government budget presentation in February 2023 will be closely watched for any growth-supportive measures ahead of national elections in mid-2024. We believe the government will stay focused on narrowing the fiscal deficit, which is already significantly wider relative to the pre-pandemic phase.

## Actual and projected growth by market in 2022 and 2023 %



- Singapore and Indonesia are likely to see softer growth in 2023 compared to 2022, and ASEAN growth is set to ease to its long-term average of 5.0 per cent in 2023. As well as high base effects, external demand for ASEAN exports may soften due to global synchronised monetary policy tightening and the electronic cycle peak. Domestic demand may ease as COVID-19 induced pent-up demand normalises, while local monetary policy tightening may rein in overall consumer and investment impetus. However, stable labour markets will help support spending. The recovery in the tourism sector, which is a large growth contributor for the region, will also help drive growth. In addition, investments may be boosted by FDI seeking diversification and alternative production capacity.
- We expect inflation to be milder in 2023 due to high base effects. External prices may be more manageable, while tighter monetary policy should help. While monetary policy tightening may pause by early 2023, any easing might not be forthcoming amid potentially sticky inflation, unless growth deteriorates significantly.

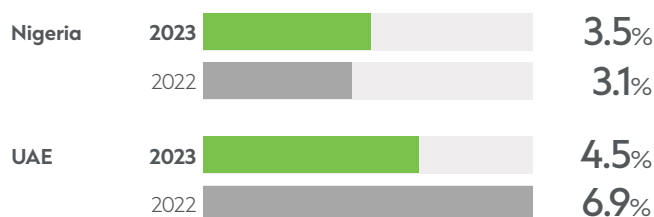
## Market environment

### continued

### Regional outlook continued

## Africa and the Middle East

### Actual and projected growth by market in 2022 and 2023 %

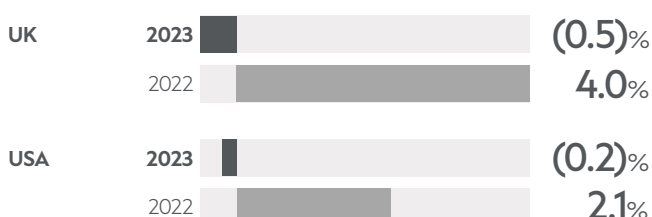


- After a robust post-COVID-19 recovery in early 2022 on rising global demand and economic reopening, including the re-establishment of international travel, Sub-Saharan African economies are now set to see a growth moderation. Notwithstanding global trends, rising food and fuel prices are still pressuring domestic inflation, with transmission often exacerbated by FX weakness. The impact of 2022's monetary policy tightening will be felt with a lag, with a number of central banks still expected to raise interest rates further.
- In Nigeria, presidential and general elections in February/March 2023 will be a key focus, with the likelihood of FX and fuel subsidy reforms potentially establishing conditions for more robust medium-term investment and growth. While load-shedding will dampen near-term growth prospects in South Africa, a faster embrace of renewables and increased corporatisation of South Africa's rail and port infrastructure, could unlock a greater private sector contribution to growth. In Kenya, efforts to boost lending to small and medium enterprises (SMEs), and the increased adoption of digital channels for financial intermediation, should help lift loan growth.
- Across the Sub-Saharan Africa space, monetary tightening will drive healthier net interest margins. However, international capital market access is likely to remain constrained for a number of sovereigns, raising doubts over the easy refinancing of external debt obligations. The timely conclusion of debt restructuring in Zambia and Ghana could help boost investor sentiment. A pause in Fed tightening, may help to reduce investor demand for higher-risk premia.
- A supportive energy price environment will likely provide continued benefit to Gulf Cooperation Council (GCC) growth. The focus is once again on the region as a provider of capital, as Gulf economies proceed with longer-term economic diversification plans, seek to reduce the traditional procyclicality of spending, and invest strategically in green technology. In the United Arab Emirates and Saudi Arabia, we expect the continuation of robust growth, driven by strong investment across both the hydrocarbon and non-hydrocarbon sectors. For smaller GCC economies such as Oman, higher oil prices will drive a reduction in accumulated debt levels. For the non-GCC MENAP region, conditions remain challenging. Pakistan's ability to reassure on its external debt commitments, amid dwindling FX reserves, will remain a key focus. In Egypt, recent currency depreciation and a more accommodative risk backdrop globally could see the return of the carry trade. But economic conditions remain difficult amid higher inflation, and the authorities' commitment to FX flexibility will be closely monitored.

→ See our regional performance on [page 30](#)

## Europe and the Americas

### Actual and projected growth by market in 2022 and 2023 %



- We see a high risk of contraction in the United States in H1 2023; in the euro area, we expect annual growth to decline sharply in 2023 as high inflation and central bank tightening weigh on economic activity.
- The peak for consumer price inflation is likely behind us for both the United States and euro area, but will take time to return to target. Central banks will remain alert to any signs of inflation expectations becoming unanchored or wage pressures building over the medium term.
- The Fed is likely to end its rate tightening cycle in H1 2023, and we expect rate-cuts to begin in H2 2023. The ECB is likely to hike its main refinancing rate until Q2 2023, but not start cutting rates until 2024 as inflation proves sticky on the downside.
- Fiscal support is likely to remain focused on supporting households and businesses struggling with elevated energy costs in Europe, but otherwise we can expect the tailwind from fiscal support to ease in both the euro area and United States.
- In Latin America, we expect a significant growth slowdown in 2023 following a strong 2022. The delayed impact of aggressive monetary tightening and other idiosyncratic issues are likely to weigh on domestic demand; external headwinds and looming recession risks in the United States are likely to drag down the region's growth.

→ See our regional performance on [page 31](#)



## ► Helping entrepreneurs bounce back after COVID-19 ◀

In early 2022, we collaborated with Habitat for Humanity Indonesia to support small, medium and micro businesses impacted by COVID-19.

As part of the joint effort, 20 shops were constructed in Madang Babakan village, West Java to help female entrepreneurs re-establish their businesses following the pandemic. This project was part of our IDR16 billion donation to Indonesia to support female micro-entrepreneurs and young adults affected by the pandemic.



Read more online at [www.sc.com/investingcommunities](https://www.sc.com/investingcommunities)

# Business model

We help international companies connect and maximise opportunities across our global network and we support individuals and local businesses in growing their wealth.

## Our business

### Corporate, Commercial and Institutional Banking (CCIB)

We support companies across the world, from small and medium-sized enterprises to large corporates and institutions, both digitally and in person.

### Consumer, Private and Business Banking (CPBB)

We support small businesses and individuals, from Mass Retail clients to affluent and high-net-worth individuals, both digitally and in person.

### Ventures

We promote innovation, invest in disruptive financial technology and explore alternative business models. Our pipeline of over thirty ventures includes two cloud-native digital banks.

## Our products and services

### Financial Markets

- Macro, commodities and credit trading
- Financing and securities services
- Sales and structuring
- Debt capital markets and leveraged finances
- Project and transportation finance

### Transaction Banking

- Cash management
- Trade finance
- Working capital

### Wealth Management

- Investments
- Insurance
- Wealth advice
- Portfolio management

### Retail Products

- Deposits
- Mortgages
- Credit cards
- Personal loans

## How we generate returns

We earn net interest on the margin for loans and deposit products, fees on the provision of advisory and other services, and trading income from providing risk management in financial markets.



## What makes us different

Our purpose is to drive commerce and prosperity through our unique diversity – this is underpinned by our brand promise, here for good. Our Stands – aimed at tackling some of the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation (see page 24 for more), challenge us to use our unique position articulated below.



### Client focus

Our clients are our business. We build long-term relationships through trusted advice, expertise and best-in-class capabilities.



### Distinct proposition

Our understanding of our markets and our extensive international network allow us to offer a tailored proposition to our clients, combining global expertise and local knowledge.



### Robust risk management

We are here for the long term. Effective risk management allows us to grow a sustainable business.



### Sustainable and responsible business

We are committed to sustainable social and economic development across our business, operations and communities.



## How we are shaping our future

We remain committed to executing against our strategy to accelerate returns<sup>1</sup>

We are committing resources to grow our franchise in large and high-returns markets, and accelerate progress in markets being optimised. We continue to review our business models to drive performance.

In 2022, we refocused our resources in the Africa and Middle East (AME) region into existing and new markets with the greatest scale and growth potential, provided further clarity on how we are planning to achieve net zero in financed emissions by 2050, and successfully launched Trust, a digital bank in Singapore.

In addition, in April 2022, we expanded our reporting structure with the creation of Ventures. The increased reporting transparency for Ventures reflects the growing significance of the Group's investment in technology and innovation.

We are on-track and now expect to deliver a return on tangible equity (RoTE) of over 11 per cent by 2024, from:

- focusing on driving improved returns in CCIB to reach 6.5% Income RoRWA by 2024 (2022: 6.5%)
- transforming profitability in CPBB to improve cost-to-income ratio to ~60% by 2024 (2022: 69%)
- seizing opportunities in China to double China onshore and offshore profit before tax (2022: \$0.5bn, -35% decline year-on-year)
- improving efficiency through creating operational leverage to improve group cost-to-income ratio to ~60% by 2024 (2022: 65%) and to deliver gross expense savings of \$1.3bn by 2024 (2022: \$0.4bn)
- delivering sustainable shareholder distributions in excess of \$5bn from 2022 - 2024 (2022: \$2.8bn).

Over the medium term, we will continue to relentlessly transform and innovate to become a leading cross-border bank that supports a sustainable future.

<sup>1</sup> Reconciliations from underlying to statutory and definitions of alternative performance measures (APMs) can be found on pages 126 to 131.

## Business model

continued

### The sources of value we rely on

We aim to use our resources in a sustainable way, to achieve the goals of our strategy

#### Human capital

Diversity differentiates us. Delivering our Purpose rests on how we continue to invest in our people, the employee experience we further enhance and the culture we strengthen.



#### Strong brand

We are a leading international banking group with more than 160 years of history. In many of our markets we are a household name.

#### Consumer<sup>1</sup> client satisfaction metric

# 48.1%

2021: 43.1%

#### International network

We have an unparalleled international network, connecting companies, institutions and individuals to, and in, some of the world's fastest-growing and most dynamic regions.



#### Local expertise

We have a deep knowledge of our markets and an understanding of the drivers of the economy, offering us insights that help our clients achieve their ambitions.



#### Financial strength

With \$820 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

#### CET1 capital

# \$34bn

#### Technology

We possess strong digital foundations and leading technological capabilities to enable a data-driven digital bank which delivers world class client service



### How we are enhancing our resources

- We continue to create a work environment that supports resilience, innovation and inclusion, with an ongoing focus on mental, physical, social and financial wellbeing. This includes further rolling out hybrid working across our markets.
- More than 32,000 colleagues have undertaken learning in 2022 to build the future skills that we need – including analytics, data, digital, cyber security, sustainable finance and leadership.
- In 2022, we continued to embed our refreshed brand identity across client and employee touchpoints. We also introduced a sonic identity to bring to life the sound of Standard Chartered in interactive digital interfaces.
- We have been successful in leveraging our brand and insights to support business growth. The Group successfully improved its reputation in 2022, exceeding the average score for the banking sector, and ranking top three in the majority of our key markets over 2022.
- We continue to invest in transforming our core business into a leading digital-first and data-driven platform, positioning us to deliver superior client experiences, access new high-growth segments, grow wallet with existing clients and create new business model opportunities.
- Our network remains one of our key competitive advantages and we continue to leverage our network to drive growth in Transaction Banking and Financial Markets solutions for our clients.
- In Business Banking, we continue to support the growth of SMEs across our footprint by meeting their trade and working capital, supply chain financing, cash management and investment needs. We granted over \$3 billion in new loans to SMEs in 2022.
- We launched new digital partnerships in China, India and Vietnam to offer a superior banking experience to small businesses, offering innovative digital solutions to meet their evolving needs in the trade and e-commerce ecosystems.
- Stronger capital and a much more resilient balance sheet with growth in high-quality deposits.
- CET1 ratio at 14 per cent, at the top of our target range of 13 – 14 per cent.
- We are leveraging partnerships to create market-leading digital platforms including Digital Banks and Banking as a Service, utilising next-generation technologies to service our clients.
- We continue to invest in our engineering capabilities, providing best-in-class tools, growing our engineering talent, and creating an automated and scalable technology stack capable of continuously delivering value to our clients.
- We are accelerating the simplification and harmonisation of our technology estate to reinforce strong digital foundations, integrate platforms using the cloud where appropriate, to provide consistent, secure, and resilient technology.

<sup>1</sup> Excludes CCIB, and Business Banking clients. Includes Private Banking. Restated for 2021.

## The value we create

We aim to create long-term value for a broad range of stakeholders in a sustainable way



### Clients

We want to deliver simple, everyday banking solutions to provide our clients with a great digital client experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest and expand. We also help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

**Total active individual clients<sup>1</sup>**

**10.5m**

2021: 9.9m

**Total CCIB and Business Banking clients**

**235,000**

2021: 234,000



### Suppliers

We engage diverse suppliers, locally and globally, to provide efficient and sustainable goods and services for our business.

**Total spent in 2022**

**\$4.3bn**

2021: \$4.1bn

**Active suppliers**

**11,700**

2021: 12,100



### Employees

We believe great employee experience drives great client experience. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career enabled by great people leaders.

**Senior appointments which are internal**

**67%**

2021: 69%

**Employees committed to our success**

**96%**

2021: 96%



### Regulators and governments

We engage with public authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

**Taxes paid in 2022**

**\$821m**

2021: \$1.2bn



### Society

We strive to operate as a sustainable and responsible company, working with local partners to promote social and economic development.

**Community investment**

**\$51.2m**

2021: \$48.7m



### Investors

We aim to deliver robust returns and long-term sustainable value for our investors.

**Dividends declared in 2022**

**\$523m**

2021: \$370m

**Share buy-backs in 2022**

**\$1.3bn**

2021: \$504m

<sup>1</sup> 2021 restated due to a change in the definition of active partnership clients.

# Our strategy

## To become a leader in global finance

We will continue to increase focus on:

- Four strategic priorities: Network business, Affluent client business, Mass Retail business, and Sustainability
- Three critical enablers: People and Culture, Ways of Working, and Innovation

Over the past year, we have executed against our strategy. While there are adjacent areas we will continue focusing on, such as managing down low-returning risk-weighted assets (RWA) in Corporate, Commercial and Institutional Banking (CCIB), and accelerating cost-savings across Consumer, Private and Business Banking (CPBB), we still believe our strategy is the right one. We have made good progress in the year and are on track to deliver our objectives.

We remain committed to achieve our ambitions by 2025:

- To be the number one Network digital banking platform
- To be among the top three Affluent brands
- To double our Mass presence
- To become a market leader in Sustainability

Going forward, our strategic priorities and enablers will continue to be supported by our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation.

More details on our Stands can be found on page 24.

### Critical enablers

#### People and Culture



We are continuing to invest in our people to build future-ready skills, provide them with a differentiated experience and strengthen our inclusive and innovative culture.

This includes:

- Embedding our refreshed approach to performance, reward and recognition, that puts greater focus on ambition, collaboration, and innovation
- Increasing re-skilling and upskilling opportunities towards future roles that are aligned with the business strategy and individuals' aspirations
- Expanding hybrid working across our footprint, with 78 per cent of colleagues across 43 markets on flexi working arrangements
- Focusing on wellbeing to enhance individual resilience, productivity, and performance
- Strengthening leadership capability through a modernised development offering

##### Culture of inclusion score

**83.07%** 2021: 80.65%

##### Women in senior roles

**32.1%** 2021: 30.7%

#### Ways of Working



We continue to be client-centric, to improve our operating rhythm in organisational agility and to empower our people to continuously improve the way we work.

We are working on identifying ways to track derived value and enhance our speed of decision-making and delivery, as a key source of competitive advantage.

##### Average time taken from approval to technology go-live<sup>1</sup>

**6.2 weeks** 2021: 7.6 weeks

##### Consumer client satisfaction metric<sup>2</sup>

**48.1%** 2021: 43.1%

#### Innovation



We have a three-pronged innovation approach to transform the Bank, to achieve our goal of 50 per cent income from new businesses.

- Transform our core via digitisation
- Leverage partnerships to drive scale and extended reach
- Build new business models to create value

We have established Ventures as a separate operating segment. During 2022, we launched six new ventures and serviced more than 1.8 million customers through our venture portfolio.

##### Percentage of revenue from new businesses<sup>3</sup>

**22%** 2021: 13%

<sup>1</sup> 2022 figure includes measurement from Functions operations and cannot be directly compared to 2021 figure

<sup>2</sup> Excludes CCIB, and Business Banking clients. Includes Private Banking. Restated for 2021.

<sup>3</sup> Income from digital initiatives, innovation and transformation of the core, the majority of which will come from new and upgraded platforms and partnerships. Also includes Sustainable Finance income and 100% of Ventures income. 2021 figure has been restated.

## Network business



Through our unique network, we facilitate investment, trade and capital flows, with an increasing focus on Sustainable Finance.

We are one of the leading international network banks in our emerging markets footprint through:

- Taking leading positions in high-returning, high-growth sectors
- Delivering a market-leading digital platform by continuing to invest in core digital capabilities
- Speeding up growth in large markets while expanding in growing markets and corridors e.g., intra-Asia and East-West

CCIB network income

**\$5.7bn**

2021: \$4.6bn

Percentage of CCIB transactions digitally initiated<sup>1</sup>

**61%**

2021: 55%

## Affluent client business



We offer outstanding personalised advice and exceptional experiences for our Private, Priority and Premium Banking clients to help them grow and prosper internationally and at home. Our deep-rooted network, trusted brand and long-standing commitment with clients in our markets are key sources of competitive advantage.

As a leading international wealth manager, we focus on:

- Unlocking the value of our strong affluent client portfolio across Asia, Africa and the Middle East, with suitable client propositions, coverage models and advisory capabilities
- Maximising the reach of our deep-rooted international network, with Hong Kong, Singapore, UAE and Jersey as our wealth advisory hubs
- Delivering personalised and digital-first wealth solutions to our clients anchored in investment thought leadership, an open architecture approach and supported by scalable platforms

Affluent client income

**\$3.8bn**

2021: \$3.6bn

Affluent active clients

**2.1m**

2021: 2.1m

## Mass Retail business



We deliver banking solutions to help our clients prosper by integrating our digital services into our clients' everyday lives.

New digital solutions, strategic partnerships and advanced analytics are instrumental to our business, enabling us to significantly increase our relevance and reach, serve our clients in a meaningful way and lift participation in the communities we serve. We are:

- Making significant progress in rebuilding foundations for a profitable Mass Retail business
- Continuing to transform to a digital-first model, deepening our capabilities in digital sales and marketing as well as data and analytics
- Becoming the partner of choice to leading global and regional companies and scaling thoughtfully with our partners

Mass market active clients<sup>2</sup>

**8.4m**

2021: 7.6m

Percentage of digital sales for Retail Products<sup>3</sup>

**48%**

2021: 41%

## Sustainability



In Sustainability, in line with our stands, we continue to focus on sustainable and transition finance, achieving net zero carbon emissions for our operations, supply chains and financing. We provide access to finance, networks and training to young people, and support companies in improving their environmental, social and governance standards, ratings, and net zero trajectories.

We aim to promote social and economic development, and deliver sustainable outcomes in support of the UN Sustainable Development Goals. We are:

- Leveraging climate risk management to support clients in managing climate risk and identifying transition opportunities, e.g., mobilising green and sustainable finance
- Integrating Sustainable Finance as a core component of our customer value proposition and delivering product solutions
- Continuing to promote economic inclusion in our footprint through Futuremakers by Standard Chartered
- Targeting net zero carbon emissions in our operations by 2025, and in our supply chain and financed emissions by 2050, with interim 2030 targets for our highest-emitting sectors

Sustainability Aspirations achieved or on track

**85.7%**

2021: 82.9%

<sup>1</sup> Includes measurement across all countries and products. 2021 restated.

<sup>2</sup> 2021 restated due to a change in the definition of active partnership clients.

<sup>3</sup> Calculation methodology has been amended to exclude Mass Retail digital partnerships and the markets that were announced for exit in 2022. 2021 figure has been restated.

# Our Stands

The impact of climate change, stark inequality and the unfair aspects of globalisation impact us all. We're taking a stand by setting long-term ambitions on these issues where they matter most. This works in unison with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.



## Accelerating Zero

We're helping emerging markets in our footprint reduce carbon emissions without slowing critical local development. This is just one of the ways we're playing our part in putting the world on a sustainable path to net zero by 2050.

The need for a just transition to an inclusive, net zero economy brings with it a huge opportunity for innovation and growth for our clients and our Bank. Our plan to achieve net zero has three aims: reduce emissions, catalyse sustainable finance and partnerships, and accelerate new solutions.

We aim to reduce the emissions associated with our financing activities to net zero by 2050, with 2030 interim targets in our most carbon-intensive sectors.

### Case study

#### Supporting the rollout of electric vehicles in Sweden

In 2022, we were part of a consortium of banks which created a EUR350 million green trade facility for Polestar, an electric performance car maker.

➔ See pages 326 and 327

## Lifting Participation

Inequality, along with gaps in economic inclusion, mean that many young people, women and small businesses struggle to gain access to the financial system to save for their futures and grow their businesses. We want to democratise access to finance and make it easily accessible at low cost.

We strive to expand the reach and scale of financial services – expanding accessible banking and connecting clients to opportunities that promote access to finance and economic inclusion.

## Resetting Globalisation

Our goal is to help companies improve working and environmental standards and give everyone the chance to participate in the world economy, so growth becomes fairer and more balanced. We stand for a new model of globalisation based on transparency, inclusion and dialogue.

Globalisation has lifted millions out of poverty, but too many people have been left behind. We advocate a new, more inclusive model of globalisation based on transparency and fairness. We aim to increase transparency across supply chains to enable consumer choice and drive responsible trade. In addition, we want to make global trade more equitable by improving access to finance for smaller suppliers that often lack adequate financing.

### Case study

#### Helping female entrepreneurs thrive

Throughout 2022, thousands of women were able to grow their businesses by using our collateral-free subsidised loans product for female micro-entrepreneurs.

➔ See page 9

### Case study

#### Real-time trade transaction status with Trade Track-It

In October, we launched Trade Track-It, a digital transaction tracking portal which gives our clients end-to-end visibility of their trade-transaction status globally.

➔ See pages 232 and 233



# Corporate, Commercial and Institutional Banking

## KPIs



### Profit before taxation

**\$4,100m** **\$4,050m**

↑ 31%  
underlying basis

↑ 35%  
statutory basis

### Return on tangible equity (RoTE)<sup>3</sup>

**13.7%** **13.6%**

↑ 410bps  
underlying basis

↑ 430bps  
statutory basis

### Risk-weighted assets (RWA)

**\$144bn** ↓ \$20bn

### Improving CCIB Income RoRWA



**Aim:** Achieve RoRWA of 6.5% by 2024.

**Analysis:** CCIB income RoRWA improved to 6.5% in 2022, up 160bps YoY and in line with our 2024 target, driven by higher income and disciplined risk management.

### Contribution of Financial Institutions segment



**Aim:** Drive growth in high-returning Financial Institutions segment.

**Analysis:** Share of Financial Institutions income improved to 45 per cent of total CCIB client income in 2022 as we allocate more capital to this segment to drive income and returns.

## Partnering with SAP Taulia for sustainable supply chains

In October, we signed a framework agreement to collaborate with SAP Taulia, a market leader in working capital solutions. As part of the agreement, we will work with Taulia to provide clients access to supply chain finance through our unique emerging-markets network. This will help our clients to make their supply chains more resilient and sustainable by enabling their suppliers to gain access to working capital more efficiently and cost effectively. This is the first agreement that Taulia has signed with a banking institution, following its acquisition by SAP.

## Segment overview

Corporate, Commercial and Institutional Banking (CCIB) supports local and large corporations, governments, banks and investors with their transaction banking, financial markets and borrowing needs. We provide solutions to more than 20,000 clients in some of the world's fastest-growing economies and most active trade corridors. Our clients operate or invest across 50 markets across the globe.

Our strong and deep local presence enables us to help co-create bespoke financing solutions and connect our clients multilaterally to investors, suppliers, buyers and sellers. Our products and services enable our clients to move capital, manage risk and invest to create wealth. Our clients represent a large and important part of the economies we serve. CCIB is at the heart of the Group's Purpose to drive commerce and prosperity through our unique diversity.

We are also committed to sustainable finance in our markets and to channelling capital where the impact will be greatest. We are delivering on our ambition to support sustainable economic growth, increasing support and funding for financial offerings that have a positive impact on our communities and environment.

## Strategic priorities

- Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital and investment flows across our footprint markets.
- Generate high-quality returns by improving funding quality and income mix, growing capital-lite<sup>1</sup> income and driving balance sheet velocity while maintaining disciplined risk management.
- Be the leading digital banking platform, providing integrated solutions to cater to our clients' needs and enhance client experience, and partnering with third parties to expand capabilities and access new clients.
- Accelerate our sustainable finance offering to our clients through product innovation and enabling the transition to a low-carbon future.

## Progress

- Our underlying income is driven by our diversified product suite and expanded client solutions is supported by the rising interest rate environment. Our network income currently contributes to 57 per cent of total CCIB income with growth across strategic network corridors.
- Improved balance sheet quality with investment-grade net exposures represent 70 per cent of total corporate net exposures (2021: 64 per cent) and high-quality operating account balances at 67 per cent of Transaction Banking and Securities Services customer balances (2021: 63 per cent).
- Migrated more than 73,000 client entities to our S2B<sup>2</sup> NextGen platform and increased S2B cash payment transaction volumes by 10.3 per cent.
- We are half of the way towards developing our \$1 billion income from sustainable finance franchise.

## Performance highlights

- Underlying profit before tax of \$4,100 million, up 31 per cent, primarily driven by higher income, partially offset by higher expenses and credit impairment charges.
- Underlying operating income of \$10,045 million, up 19 per cent, with Cash Management in Transaction Banking benefiting from rising interest rates and strong Macro Trading activity in Financial Markets.
- Risk-weighted assets down \$20 billion since 31 December 2021, mainly as a result of optimisation initiatives and favourable currency movement, partly offset by business growth and regulatory impact.
- Underlying RoTE increased from 9.6 per cent to 13.7 per cent.

1 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products  
2 Our next-generation Client digital transaction initiation platform.  
3 Reconciliations from underlying to statutory and definitions of alternative performance measures (APM) can be found on pages 80-85  
4 FY 2020 and FY 2021 Income is adjusted for aviation depreciation for Income RoRWA calculation

# Consumer, Private and Business Banking

## KPIs



### Profit before taxation

**\$1,596m** **\$1,533m**

↑ 30%  
underlying basis

↑ 55%  
statutory basis

### Return on tangible equity (RoTE)<sup>1</sup>

**15.8%** **15.2%**

↑ 420bps  
underlying basis

↑ 580bps  
statutory basis

### Risk-weighted assets (RWA)

**\$51bn** ↓ \$1bn

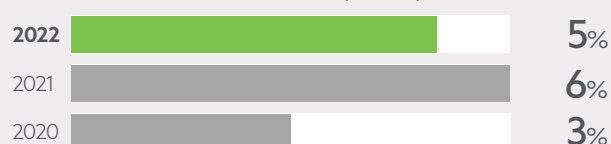
### Digital Sales for Retail Products



**Aim:** Accelerate the Group's digital offerings to enable clients to be on-boarded digitally, thereby reducing manual processes and improving efficiency.

**Analysis:** Online applications for Retail Products have continued to grow with the proportion increasing from 38 per cent in 2020 to 48 per cent at the end of 2022.

### Affluent Wealth Active Clients (YoY %)



**Aim:** Grow and deepen client relationships, improve investment penetration and attract new clients.

**Analysis:** Affluent Wealth Active Clients stands at 857,000 clients in 2022, delivering growth of 5 per cent.

## Our first ever ESG Structured Note

In February, we issued our first ever ESG Structured Note for affluent clients in Hong Kong and Singapore. The note received strong interest from clients, generating \$100 million of new sales in less than two weeks, with the final amount raised standing at \$370m. Use of proceeds from the note includes both green and social categories, enabling priority and private banking clients to have exposure to our impactful emerging-markets asset base.

## Segment overview

Consumer, Private and Business Banking serves more than 10 million individuals and small businesses, with a focus on the affluent and emerging affluent in many of the world's fastest-growing markets. We provide digital banking services with a human touch to our clients, with solutions spanning across deposits, payments, financing and Wealth Management. Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high-net-worth individuals. We also support our small business clients with their business banking needs.

We are closely integrated with the Group's other client segments; for example, we offer employee banking services to Corporate, Commercial and Institutional Banking clients, and Consumer, Private and Business Banking also provides a source of high-quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support our opportunity to grow the business sustainably. We aim to continuously uplift the client experience and improve productivity by driving end-to-end digitalisation and process simplification.

### Strategic priorities

- Be a leading international Affluent franchise with distinctive client value propositions to unlock the value of our Affluent client continuum.
- Maximise the reach of our deep-rooted international network, with Hong Kong, Singapore, UAE and Jersey as our wealth advisory hubs
- Deliver advisory-led wealth propositions with digital-first and personalised experiences, leveraging an open architecture platform with best-in-class product offering.
- Profitable Personal Banking franchise enabled by partnerships, data and digital infrastructure.
- A mobile-first digital channel strategy offering exceptional end-to-end client experience.
- Continuous improvement in ways of working for process simplification and operational excellence.

### Progress

- Strong affluent client growth momentum across Priority Banking and Private Banking.
- Strong traction on Standard Chartered-INSEAD Wealth Academy with more than 350 senior frontline staff across Hong Kong and Singapore on the development journey.
- Launched myWealth suite of digital advisory tools to deliver personalised portfolio construction and investment ideas for clients; recognised as a leader in digital wealth capabilities with more than 15 industry awards received in 2022.
- Enhanced digital experience in key markets focusing on frictionless mobile experience, leading to an average rating of 4.4 on App Store and Play Store in Hong Kong, Singapore, India, China and Pakistan.
- Continued Personal 'scale through automation' transformation accelerated by acquiring customers from partnerships, engaging and cross-selling digitally, and servicing them through low-cost channels.
- Seven Mass Retail partnerships instances live in China, Indonesia and Vietnam, reaching more than 1.2 million clients.

### Performance highlights

- Underlying profit before tax of \$1,596 million was up 30 per cent driven by higher income and lower expenses and credit impairments.
- Underlying operating income of \$6,016 million was up 5 per cent (up 10 percent constant currency). Asia was up 5 per cent and Africa and the Middle East, and Europe was up 4 per cent. Expenses were well managed and down 2 per cent.
- Strong income momentum growth mainly from Deposits up 138 per cent with improved margins and balance sheet growth. These were offset by slow down in Wealth Management products due to risk off sentiment and Mortgages margin compression impacted by a rising interest rate environment.
- Underlying RoTE increased from 11.6 per cent to 15.8 per cent.

<sup>1</sup> Reconciliations from underlying to statutory and definitions of alternative performance measures (APM) can be found on pages 80-85)

# Ventures

## KPIs



Underlying Loss before taxation

**\$363m**

↑ 39%

Risk-weighted assets (RWA)

**\$1.4bn**

↑ \$0.6bn

Gross Transaction Value

**\$16bn**

↑ \$6bn

New Minority Investments

**\$153m**

↑ 42%

New Ventures launched

**7**

↑ 6

Customers

**2m**

## Gross Transaction Value



## Customers



## Solv goes from strength to strength

Lifting the participation of micro and small businesses in the economy, Solv, our B2B e-commerce platform, raised \$40 million in Series-A funding in June 2022. Building on its strong performance in India and continuing expansion plans, Solv launched in Kenya in October 2022 and now has a network of approximately 300,000 micro and small businesses. Solv has plans to grow further, aiming to be present in more than 300 cities in India, scale in Africa and enter Southeast Asia in 2023. Solv announced its platform launch in December 2020 targeting micro, small and medium enterprises in India.

## Segment overview

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective on 1 January 2022. Ventures is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks, Mox in Hong Kong and Trust Bank in Singapore.

- SC Ventures is the platform and catalyst for the Group to promote innovation, invest in disruptive financial technology and explore alternative business models.
- Mox, a cloud-native, mobile-only digital bank, was launched in Hong Kong as a joint venture with HKT, PCCW and Ctrip in September 2020.
- Trust Bank was launched in Singapore in partnership with FairPrice Group, the nation's leading grocery retailer, in September 2022.

## Strategic priorities

- **SC Ventures'** focus is on building and scaling new business models – across the four themes of Online Economy & Lifestyle, SMEs & World Trade, Digital Assets and Sustainability & Inclusion. We do this by connecting ecosystems, partners and clients to create value and new sources of revenue, providing optionality for the Bank. SC Ventures is also advancing the Fintech agenda – identifying, partnering and taking minority interests through the fund in companies that provide technology capabilities, which can be integrated into the Bank and Ventures. Focus is on innovative, fast-growing, technology-focused companies which accelerate transformation in the financial industry.
- **Mox** continues to grow the customer base and drive main bank relationships across mass and mass affluent segments in Hong Kong. Mox's vision is to build the global benchmark for digital banking. It aims to be the leading virtual bank in Hong Kong for Cards and Digital Lending and continues to further expand services, including the soon-to-launch Digital Wealth Management services.
- **Trust Bank** is targeting continued strong growth, in particular through its deep and extensive partner ecosystem, and to establish itself as a scale player in the mass and upper mass consumer segment in Singapore.

## Progress

- **SC Ventures** marks its fifth year anniversary in 2023. Some of the key achievements include building a diverse portfolio of over 30 ventures and 20+ investments. Our ventures processed \$16 billion of transactions in 2022 with a customer base of 1 million. By working with strategic partners like SBI Holdings, we will accelerate the growth of Solv, the B2B digital marketplace for micro, small and medium enterprises and connect with a wider ecosystem across multiple markets. Our Financial Conduct Authority (FCA) authorised, institutional grade crypto businesses, Zodia Custody and Zodia Markets, commenced onboarding clients during the year.
- In 2022, **Mox** had a strong focus on expanding its card and digital lending services and recorded a strong performance and an engaged customer base. Mox has more than 400,000 customers, up two times year-on-year, and Mox customers had on average 3.1x products. Mox was named as the most recommended virtual bank in Hong Kong and continued to be the number one rated virtual bank app in Hong Kong on the Apple App Store.
- Within five months of launch, **Trust Bank** scaled rapidly to over 450,000 customers, equating to around 9 per cent of the addressable market in Singapore, and making it one of the world's fastest growing digital banks. Customer engagement was strong, with almost 7 million transactions made, and more than 400,000 digital coupons redeemed through the app during this period.

## Performance highlights

- Underlying loss before tax of \$363 million was up \$102 million, driven mainly by higher expenses as we continue to invest in new and existing ventures.
- Risk-weighted assets of \$1.4 billion have increased \$0.6 billion mainly due to continued investment in new and existing ventures and minority interests.

# Asia

## Profit before taxation

**\$3,688m**

↑ 8%  
underlying basis

**\$3,325m**

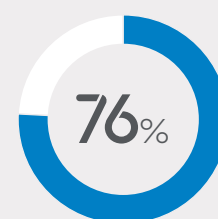
↑ 17%  
statutory basis

## Risk-weighted assets (RWA)

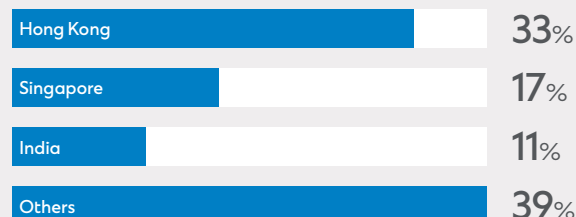
**\$151bn**

↓ \$19bn

## Loans and advances to customers (% of group)



## Income split by key markets



## Region overview

The Asia region has a long-standing and deep franchise across the markets and some of the world's fastest-growing economies. The region generates over two-thirds of the Group's income from its extensive network of 21 markets. Of these, Hong Kong and Singapore contributed the highest income, underpinned by a diversified franchise and deeply rooted presence.

The region is highly interconnected, with three distinct and potent sub-regions: Greater China, ASEAN and South Asia. Our global footprint and strong regional presence, distinctive proposition, and continued investment position us strongly to capture opportunities as they arise from the continuing opening up of China's economy, the growing connectivity of ASEAN, and the strong economic growth of India.

The region is benefiting from rising trade flows, continued strong investment, and a rising middle class, which is driving consumption growth and improving digital connectivity.

## Strategic priorities

- Leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients, particularly across high-growth corridors e.g., China-ASEAN, China-South Asia, Korea-ASEAN
- Capture opportunities arising from China's opening, and accelerate growth in ASEAN and India/South Asia.
- Turbocharge our Affluent and Wealth Management businesses through differentiated propositions and service.

- Continue to invest and advance in technology, digital capabilities and partnerships to enhance the client experience and build scale efficiently.
- Support clients' sustainable finance and transition needs and continue to strengthen our thought leadership status.

## Progress

- We have continued to advance our China strategy both onshore and offshore, with steady progress in capturing affluent growth, adding new clients through digital partnerships and growing international trade and investment corridors. In 2022 the China business delivered its highest ever onshore income while also growing network income strongly, with the China-ASEAN and China-South Asia corridors being respectively up 62 per cent and 21 percent year-on-year. Progress was made in the digital retail space with new partnerships involving JD.com and WeBank.
- Our two strong international financial hubs in Hong Kong and Singapore, which enable us to serve the three sub-engines of economic growth in Asia, continued to be the highest income contributors in the region. Income growth was driven by the Affluent segment and Transaction Banking, helped in part by rising interest rates, and also by Financial Markets.
- Execution of our strategy in the Greater Bay Area ("GBA") continues to be on track with the establishment of a solid cross border wealth management platform and strong growth in new economy sectors and in network business.
- The CPBB digital agenda continues to progress. Mox has the second largest deposit base among virtual banks in Hong Kong while Trust Bank, in partnership with Fairprice Group in Singapore, has onboarded more than 450,000 customers after five months of its launch.

## Performance highlights

- Underlying profit before tax of \$3,688 million was up 8 per cent, primarily from higher income partly offset by higher credit impairment from charges on China Commercial Real Estate exposures and the sovereign ratings downgrade of Sri Lanka.
- Underlying operating income of \$11,213 million was up 7 per cent (up 12 per cent on a constant currency), mainly driven by a strong Financial Markets performance and an expansion in the net interest margin benefiting Cash Management and Retail Deposits. This was partially offset by lower Lending and Wealth Management income as market conditions reduced transaction volumes, as well as the impact of COVID-19 restrictions impacting in our key markets, Hong Kong and China.
- Loans and advances to customers were up 2 per cent (up 6 per cent on a constant currency). Customer accounts were down 3 per cent (flat on a constant currency) since 31 December 2021.
- Risk-weighted assets (RWA) were down \$19 billion since 31 December 2021 as we continue to focus on RWA optimisation.

## Planting trees in Sri Lanka and Malaysia

Our employees planted more than 1,000 trees in Sri Lanka and Malaysia in 2022. Between March and October in Sri Lanka, employees planted 650 trees in total, both as part of an employee challenge and the Bank's global employee volunteering campaign.

Meanwhile, between August and December, as part of our Taman Tugu Donation and Tree Planting Programme, employees in Malaysia planted 500 trees. Taman Tugu is a 66-acre regenerated forest park located in Kuala Lumpur city centre.

# Africa and the Middle East

## Profit before taxation

**\$819m**

↓ 4%  
underlying basis

**\$790m**

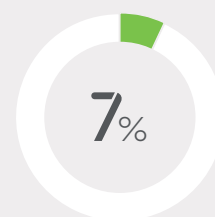
↓ 5%  
statutory basis

## Risk-weighted assets (RWA)

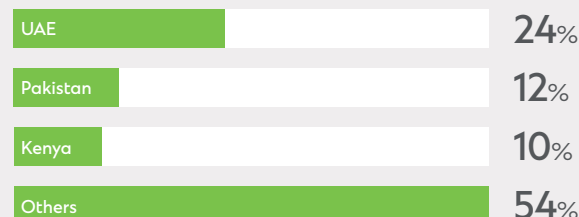
**\$41bn**

↓ \$8bn

## Loans and advances to customers (% of group)



## Income split by key markets



## Region overview

We have a deep-rooted heritage in Africa and Middle East (AME), of which the United Arab Emirates, Pakistan, Kenya, Nigeria, South Africa, and Ghana are the largest by income.

A rich history, deep client relationships and a unique footprint in the region, as well as across centres in Asia, Europe, and the Americas, enable us to seamlessly support our clients. AME is an important element of global trade and investment corridors and we are well placed to facilitate these flows.

Gulf Cooperation Council (GCC) markets are expected to outpace global growth on the back of oil price recovery, higher government spend and bilateral trade negotiations. The macro-economic risk remains elevated in Pakistan and some markets in Africa due to a high level of sovereign debt and FX liquidity challenges. Overall, AME's medium and long-term attractiveness remains compelling and intact, and it is an important part of our global network proposition for our clients.

## Strategic priorities

- Provide best-in-class structuring and financing solutions and drive creation through client initiatives.
- Invest to accelerate growth in differentiated international network and Affluent Client businesses.
- Invest in market-leading digitisation initiatives in CPBB to protect and grow market share in core markets, continue with our transformation agenda to recalibrate our network and streamline structures.
- Be an industry leader in the transition to net zero across the region.
- Refocusing and simplifying our presence in AME.

## Progress

- We have strengthened our footprint with the approval for a banking licence in Egypt.
- We have once again led the AME bond and Sukuk markets in 2022, taking the top spot in the AME league tables and ranking #1 in MENA G3 issuance for the fifth year in a row. Our commitment to ESG across Debt Capital Markets (DCM) helped us almost double our issuance ESG volumes and brought the year's most innovative deals to market.
- On Sustainable Finance we have brought new ideas to the market, and supported our clients with closing market firsts and landmark transactions that are creating a strong reputation for us among clients.
- We have successfully launched end-to-end digital onboarding in Pakistan with embedded eKYC (Electronic Know Your Customer), allowing clients to seamlessly open accounts from the SC Mobile App. We have also expanded our agent banking proposition to five countries, helping to drive financial inclusion by offering multiple touchpoints for clients to transact.
- We have expanded digital wealth management solutions in Kenya and UAE. Our micro-investment solution in Kenya has attracted 85 per cent new to wealth clients, while in UAE, clients have access to online Trade FX and online Equities.
- Broad-based growth in income across products, with Financial Markets at the highest level since 2015.
- Continuing cost discipline has allowed investments to continue through the cycle. Cost to Income Ratio lower at 64 per cent (vs. 66 per cent in '21) and Revenue / Headcount has grown 11 percent vs FY'21.

## Performance highlights

- Underlying working profit of \$937 million (up 25 per cent on constant currency basis) was driven by higher income and disciplined cost management. Underlying profit before tax of \$819 million (up 4 per cent on constant currency basis) despite higher loan impairment that is primarily related to provisions for sovereign downgrades in Ghana & Pakistan.
- Underlying operating income of \$2,606 million was up 7 per cent (up 14 per cent constant currency) driven by growth in Transaction Banking, Financial Markets and Retail. Income was up 9 per cent (up 15 per cent constant currency) in Middle East, North Africa, & Pakistan and up 3 per cent (up 13 per cent constant currency) in Africa.
- Risk-weighted assets (RWA) were 17 per cent lower than December 2021, despite the impact of sovereign downgrades, due to continuing RWA optimisation activities and de-risking in markets with elevated macro-economic risk.
- Loans and advances to customers were down 14 per cent (9 per cent down on constant currency basis) and customer accounts were down 8 per cent (3 per cent down on constant currency basis) since 31 December 2021.

## Celebrating our launch in Egypt

In 2022, we received official approval from the Central Bank of Egypt in for our first branch in the market.

The branch, designated to be officially launched in 2023, will be part of a fully-fledged banking operation in Egypt replacing our current representative office set-up.

# Europe and the Americas

## Profit before taxation

**\$863m**

↑ 34%  
underlying basis

**\$840m**

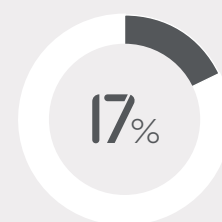
↑ 46%  
statutory basis

## Risk-weighted assets (RWA)

**\$50bn**



## Loans and advances to customers (% of group)



## Income split by key markets



## Region overview

The Group supports clients in the region through hubs in London, Frankfurt and New York, as well as a presence in several other markets in Europe and Americas. Our expertise in Asia, Africa and the Middle East allows us to offer our clients in the region unique network and product capabilities.

The region generates significant income for the Group's Corporate, Commercial and Institutional Banking business. Clients based in Europe and Americas make up around one-third of the Group's CCIB income, with three-quarters of client income booked in the network generating above-average returns.

In addition to being a key origination centre for CCIB, the region offers local, on-the-ground expertise and solutions to help internationally minded clients grow across Europe and Americas. The region is home to the Group's two biggest payment clearing centres and the largest trading floor with more than 90 per cent of the region's income originating from Financial Markets and Transaction Banking products.

Our European CPBB business focuses on serving clients with links to our footprint markets.

## Strategic priorities

- Leverage our network capabilities to connect new and existing Corporate and Financial Institutions clients in the west to the fastest-growing and highest-potential economies across our footprint.
- Supercharge our Financial Institutions (FI) Franchise.
- Grow the business we capture from inbound trade flows from our east to west corridors.
- Further develop our sustainable finance product offering and risk management capabilities.
- Enhance capital efficiency, maintain strong risk oversight, and further improve the quality of our funding base.
- Expand assets under management in CPBB and continue to strengthen the franchise.

## Progress

- Strong growth of 20 per cent in global cross-border network business with Europe & Americas CCIB clients across key footprint markets.
- FI segment growth of 25 per cent, now accounting for 56 per cent of the CCIB business for European & Americas clients.
- Expanded Financial Markets Product offering in our German subsidiary to enable more inbound trade flow.
- Material growth in income from sustainable finance products and expansion of our sustainable product offering.
- Significant increase in high-quality liabilities diversifying the region's funding base.
- CPBB cost saving initiatives executed, with strong progress made in refocusing the Private Banking segment towards Ultra High Net Worth clients together with the successful migration of CPBB clients from London to the Jersey booking centre.

## Performance highlights

- Underlying profit before tax of \$863 million improved 34 per cent, driven by higher income and lower impairments. Positive income to cost jaws of 12 per cent.
- Underlying operating income of \$2,353 million was up 17 per cent due to a strong performance from Financial Markets Macro products, and improvement in cash deposit volumes and margins across CCIB and CPBB.
- Expenses increased by 5 per cent or 9 per cent on a constant currency basis largely due to the increased Investment spend and performance-related pay.

## Launching our first Green Trade Export Letter of Credit programme

In August, we launched our first Green Trade Export Letter of Credit programme in Singapore, New York and London, working with food and nutrition company ADM (Archer-Daniels-Midland).

The \$500 million letter of credit programme will cover ADM's shipment of commodities, including soybeans, oilseeds and cotton from Latin America, the US, and Australia to European markets. Issued under the 'Sustainable Goods' pillar of the Bank's Green and Sustainable Product Framework, the transaction helps advance ADM's widening efforts to expand sustainable farming practices and source sustainably produced goods.

# Group Chief Financial Officer's review

► Back to growth and improving returns ◀

**Andy Halford**  
Group Chief Financial Officer

## Summary of financial performance

The Group delivered a strong performance in 2022 generating a 120 basis point uplift in underlying return on tangible equity to 8.0 per cent with underlying profit before tax increasing 15 per cent on a constant currency basis. Income at \$16.3 billion, grew 15 per cent on a constant currency basis excluding DVA, and is at its highest level since 2014, with a record performance in Financial Markets and strong expansion in the net interest margin. Loans and advances to customers grew an underlying 3 per cent despite the rising interest rate environment. Expenses increased 9 per cent at constant currency, due to continued investment in the business, salary inflation, and increased performance-related pay on the back of business performance. Credit impairment charges increased to \$838 million including further charges relating to the China commercial real estate sector and the impact of sovereign-related downgrades. However, the loan-loss rate of 21 basis points remains well below our historic through-the-cycle loan loss range. The Group remains well capitalised and highly liquid with a CET1 ratio of 14.0 per cent at the top end of its target range enabling the Board to announce a 50 per cent increase in the dividend and a further \$1 billion share buy-back programme to start imminently.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2021 on a reported currency basis, unless otherwise stated.

- **Operating income** increased 10 per cent, or 15 per cent on a constant currency basis, normalising for a \$27 million positive movement in DVA. About half of the growth in income was from strong, sustained business momentum, through a combination of balance sheet growth and increased fee and trading income, with the remaining increase reflecting the benefit of a higher interest rate environment
- **Net interest income** increased 12 per cent or 18 per cent on a constant currency basis. The net interest margin averaged 141 basis points and is 20 basis points higher year-on-year aided by rising interest rates despite a 4-basis point negative impact from short-term and structural hedges
- **Other income** increased 9 per cent, with a record performance in Financial Markets partly offset by lower Wealth Management income impacted by subdued market conditions
- **Operating expenses** excluding the UK bank levy increased 4 per cent and were up 7 per cent on a constant currency basis after adjusting for the increase in performance-related pay driven by the strong business performance. The underlying expense growth reflects the impact of a high-inflation environment including the impact on salary increases, additional investment into transformational digital capabilities and headcount. The cost-to-income ratio decreased 4 percentage points to 66 per cent excluding DVA and UK bank levy and the Group generated 6 per cent positive income-to-cost jaws at constant currency excluding DVA
- **Credit impairment** was \$838 million, an increase of \$575 million. The impairment charge includes \$582 million in relation to China commercial real estate sector and \$283 million in relation to sovereign downgrades partly offset by releases in the management overlay relating to COVID-19. Total credit impairment of \$838 million represents a loan-loss rate of 21 basis points, a year-on-year increase of 14 basis points in the cost of risk, but still well below the historic through-the-cycle loan loss range of 30 to 35 basis points.
- **Other impairment** increased by \$24 million to \$79 million. The \$300 million impairment charge recorded in 2021 relating to the Group's investment in its associate China Bohai Bank (Bohai) has been reclassified out of underlying performance and into goodwill and other impairments. The remaining other impairment primarily relates to the aviation leasing portfolio
- **Profit from associates and joint ventures** decreased 5 per cent to \$167 million reflecting a lower profit share from Bohai
- Charges relating to **restructuring, other items and goodwill and other impairment** reduced by \$373 million to \$476 million, with \$333 million lower restructuring costs, principally a non-repeat of the prior-year retirement programme in Korea. Goodwill and other impairment of \$322 million is \$22 million higher year-on-year following a \$14 million write off of the goodwill relating to Bangladesh. Furthermore, there has been a \$308 million impairment relating to Bohai, primarily a result of industry challenges and uncertainties that may impact profitability.
- **Taxation** was \$1,384 million on a statutory basis, with a statutory effective tax rate of 32 per cent. Taxation on underlying profits was at an effective rate of 30 per cent, an increase of 3 percentage points compared to 2021 primarily driven by lower prior year credits and higher taxes in UK, Pakistan and US.
- Underlying **return on tangible equity** increased 120 basis points to 8.0 per cent due to the increase in profits and lower tangible equity, reflecting shareholder distributions and adverse movements in reserves due to movements in interest rates and currency translation. The reclassification of the 2021 Bohai impairment out from underlying performance increased the 2021 underlying return on tangible equity by 80 basis points to 6.8 per cent and has made the treatment of Bohai impairment consistent across both the 2021 and 2022 computation of underlying return on tangible equity
- Underlying basic **earnings per share (EPS)** increased 18 per cent to 101.1 cents and statutory EPS of 85.9 cents increased by 40 per cent
- A final **ordinary dividend** per share of 14 cents has been proposed taking the full-year total to 18 cents, a 50 per cent increase along with a new share buy-back programme of \$1 billion, taking total shareholder distributions announced since the start of 2022 to \$2.8 billion

## Summary of financial performance

	2022 \$million	2021 \$million	Change %	Constant currency change <sup>1</sup> %
Net interest income	7,599	6,807	12	18
Other income	8,656	7,906	9	14
<b>Underlying operating income</b>	<b>16,255</b>	<b>14,713</b>	<b>10</b>	<b>16</b>
Other operating expenses	(10,641)	(10,275)	(4)	(9)
UK bank levy	(102)	(100)	(2)	(15)
<b>Underlying operating expenses</b>	<b>(10,743)</b>	<b>(10,375)</b>	<b>(4)</b>	<b>(9)</b>
<b>Underlying operating profit before impairment and taxation</b>	<b>5,512</b>	<b>4,338</b>	<b>27</b>	<b>30</b>
Credit impairment	(838)	(263)	nm <sup>3</sup>	nm <sup>3</sup>
Other impairment <sup>4</sup>	(79)	(55)	(44)	(46)
Profit from associates and joint ventures	167	176	(5)	(5)
<b>Underlying profit before taxation</b>	<b>4,762</b>	<b>4,196</b>	<b>13</b>	<b>15</b>
Restructuring	(174)	(507)	66	64
Goodwill and Other impairment <sup>4</sup>	(322)	(300)	(7)	(8)
Other items	20	(42)	148	148
<b>Statutory profit before taxation</b>	<b>4,286</b>	<b>3,347</b>	<b>28</b>	<b>30</b>
Taxation	(1,384)	(1,034)	(34)	(44)
<b>Profit for the year</b>	<b>2,902</b>	<b>2,313</b>	<b>25</b>	<b>24</b>
Adjusted net interest margin (%) <sup>2</sup>	1.41	1.21	20	
Underlying return on tangible equity (%) <sup>2</sup>	8.0	6.8	120	
Underlying earnings per share (cents) <sup>4</sup>	101.1	85.8	18	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Not meaningful

4 Goodwill and Other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and Other impairment. The 2021 Underlying earnings per ordinary share (cents) has been correspondingly restated to reflect this reclassification

## Statutory financial performance summary

	2022 \$million	2021 \$million	Change %	Constant currency change <sup>1</sup> %
Net interest income	7,593	6,798	12	18
Other income	8,725	7,903	10	15
<b>Statutory operating income</b>	<b>16,318</b>	<b>14,701</b>	<b>11</b>	<b>16</b>
<b>Statutory operating expenses</b>	<b>(10,913)</b>	<b>(10,924)</b>	<b>–</b>	<b>(6)</b>
<b>Statutory operating profit before impairment and taxation</b>	<b>5,405</b>	<b>3,777</b>	<b>43</b>	<b>46</b>
Credit impairment	(836)	(254)	nm <sup>3</sup>	nm <sup>3</sup>
Goodwill and Other impairment	(439)	(372)	(18)	(19)
Profit from associates and joint ventures	156	196	(20)	(20)
<b>Statutory profit before taxation</b>	<b>4,286</b>	<b>3,347</b>	<b>28</b>	<b>30</b>
Taxation	(1,384)	(1,034)	(34)	(44)
<b>Profit for the year</b>	<b>2,902</b>	<b>2,313</b>	<b>25</b>	<b>24</b>
Statutory return on tangible equity (%) <sup>2</sup>	6.8	4.8	200	
Statutory earnings per share (cents)	85.9	61.3	40	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Not meaningful

## Operating income by product

	2022 \$million	2021 (Restated) <sup>2</sup> \$million	Change %	Constant currency change <sup>1</sup> %
Transaction Banking	3,925	2,886	36	42
Trade & Working capital	1,371	1,447	(5)	(1)
Cash Management	2,554	1,439	77	85
Financial Markets	5,728	4,899	17	21
Macro Trading	2,962	2,216	34	40
Credit Markets	1,696	1,790	(5)	(3)
Credit Trading	506	437	16	18
Financing Solutions & Issuance	1,190	1,353	(12)	(9)
Structured Finance	408	491	(17)	(17)
Financing & Securities Services	620	387	60	67
DVA	42	15	180	200
Lending & Portfolio Management	562	759	(26)	(22)
Wealth Management	1,802	2,225	(19)	(17)
Retail Products	4,068	3,358	21	29
CCPL & other unsecured lending	1,216	1,272	(4)	1
Deposits	2,044	860	138	157
Mortgage & Auto	635	1,036	(39)	(35)
Other Retail Products	173	190	(9)	(4)
Treasury	348	698	(50)	(47)
Other	(178)	(112)	(59)	(16)
<b>Total underlying operating income</b>	<b>16,255</b>	<b>14,713</b>	<b>10</b>	<b>16</b>

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Following a reorganisation of certain clients, there has been a reclassification of balances across products

The operating income by product commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2021 on a constant currency basis, unless otherwise stated.

**Transaction Banking** income increased 42 per cent. Cash Management income increased 85 per cent reflecting strong pricing discipline to take advantage of a rising interest rate environment. Trade & Working Capital decreased 1 per cent, with balance sheet growth offset by margin compression. The margin compression reflects a shift towards investment credit grade clients and a shift in product mix towards lower margin but more RWA-efficient products.

**Financial Markets** income increased 21 per cent and was a record performance. Macro trading increased 40 per cent with FX income delivering strong double-digit growth as macro events led to increased client demand and elevated volatility, widening bid-offer spreads. Commodities also delivered strong double-digit growth, including a record first quarter, when it benefited from volatility in energy prices, while Rates also provided strong double-digit increase in income on the back of policy rates increases. Credit Markets income decreased 3 per cent driven by subdued market conditions in spite of a strong performance in Credit Trading. Structured Finance declined 17 per cent with lower fee income within Aviation Finance. Financing & Securities Services income increased 67 per cent, including \$184 million of gains on mark-to-market liabilities and benefiting from improved margins in Securities Services.

**Lending and Portfolio Management** income decreased 22 per cent due to increased cost of funds and the impact of risk-weighted asset optimisation actions.

**Wealth Management** income declined 17 per cent as customer sentiment became more risk-averse in volatile market conditions leading to lower transaction volumes. There was a negative impact from COVID-19 restrictions, in particular in North Asia, resulting in a number of branch closures and lower footfall which negatively impacted face-to-face sales. Managed Investments income was down 39 per cent, there was a 6 per cent decline in Treasury Products income while Bancassurance income declined 6 per cent. Wealth Management secured lending income fell by a third on the back of client deleveraging. Net new sales remained positive albeit at a lower level than 2021 but assets under management volumes reduced on the back of negative market movements.

**Retail Products** income increased 29 per cent. Deposit income increased 157 per cent due to active passthrough rate management in a rising interest rate environment, partly offset by migration from CASA to time deposits. Mortgages & Auto income decreased 35 per cent reflecting margin compression with the majority of mortgages in Hong Kong reaching the Best Lending Rate cap. Credit Cards & Personal Loans income increased 1 per cent reflecting a growth in credit card balances, particularly in our digital banks Mox and Trust Bank.

**Treasury** income declined 47 per cent, reflecting the losses from structural and short-term hedges in a rising interest rate environment which offset increased yields on the remainder of the Treasury portfolio.

## Profit before tax by client segment and geographic region

	2022 \$million	2021 (Restated) <sup>1,2</sup> \$million	Change %	Constant currency change <sup>2</sup> %
Corporate, Commercial & Institutional Banking	4,100	3,124	31	35
Consumer Private & Business Banking	1,596	1,226	30	35
Ventures	(363)	(261)	(39)	(42)
Central & other items (segment)	(571)	107	nm <sup>3</sup>	nm <sup>3</sup>
<b>Underlying profit before taxation</b>	<b>4,762</b>	<b>4,196</b>	<b>13</b>	<b>15</b>
Asia	3,688	3,416	8	12
Africa & Middle East	819	856	(4)	4
Europe & Americas	863	644	34	33
Central & other items (region)	(608)	(720)	16	(1)
<b>Underlying profit before taxation</b>	<b>4,762</b>	<b>4,196</b>	<b>13</b>	<b>15</b>

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

3 Not meaningful

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective from 1 January 2022. Ventures is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks Mox in Hong Kong and Trust Bank in Singapore, reported alongside the current client segments; Corporate, Commercial & Institutional Banking (CCIB) serving larger companies and institutions and Consumer, Private & Business Banking (CPBB) serving individual and business banking clients. There was no change to the regional reporting structure.

**Corporate, Commercial & Institutional Banking** profit increased 31 per cent as robust Financial Markets and Cash Management performance drove 19 per cent income growth excluding positive movements in DVA. This was partly offset by a 4 per cent increase in expenses and a \$469 million increase in impairments reflecting further charges in relation to the China commercial real estate sector and lower releases on the remaining portfolio.

**Consumer, Private & Business Banking** profit increased 30 per cent and was 35 per cent higher on a constant currency basis. Income grew 10 per cent on a constant currency basis with increased Deposit income partly offset by subdued Wealth Management and the impact of the Best Lending Rate cap on Hong Kong mortgage income. On a constant currency basis, expenses grew 3 per cent and impairments decreased \$10 million.

**Ventures** loss increased to \$363 million. Income totalled \$29 million for the year, with an increasing customer base at Mox and Trust Bank. Expenses increased by a third reflecting further investment into the segment and increased operational costs to support the significant increase in customer onboarding and transactional volumes within the new digital banks. Other impairment of \$24 million was taken in relation to the value of one of the Group's investments within the Ventures portfolio.

**Central & other items (segment)** recorded a loss of \$571 million as income declined 71 per cent reflecting the losses from structural and short-term hedges booked within Treasury. Expenses increased 26 per cent while credit impairments were \$112 million higher as a result of the ratings downgrades of select sovereigns.

**Asia** profits increased 8 per cent on the back of a 7 per cent increase in income. This was partly offset by 1 per cent expense growth and an 82 per cent increase in impairments reflecting increased charges relating to the China commercial real estate sector.

**Africa & Middle East** profits decreased 4 per cent but grew 4 per cent on a constant currency basis. Income increased 14 per cent while expenses grew 9 per cent, both on a constant currency basis. Impairments went from a net release in the prior year to a \$118 million charge, partly due to the sovereign ratings downgrades of Pakistan and Ghana.

**Europe & Americas** profit increased by a third with a 17 per cent increase in income on the back of a strong Financial Markets and Cash Management performance. Expenses increased 5 per cent while the net release in credit impairment halved to \$77 million.

**Central & other items (region)** loss decreased by \$112 million to \$608 million due to a 30 per cent increase in expenses. Income increased 145 per cent, while impairments reduced by 16 per cent

## Adjusted net interest income and margin

	2022 \$million	2021 \$million	Change <sup>1</sup> %
Adjusted net interest income <sup>2</sup>	7,976	6,796	17
Average interest-earning assets	565,370	559,408	1
Average interest-bearing liabilities	525,351	515,769	2
Gross yield (%) <sup>3</sup>	2.70	1.83	87
Rate paid (%) <sup>3</sup>	1.38	0.67	71
Net yield (%) <sup>3</sup>	1.32	1.16	16
Net interest margin (%) <sup>3,4</sup>	1.41	1.21	20

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)

2 Adjusted net interest income is statutory net interest income excluding funding costs for the trading book and including financial guarantee fees on interest-earning assets

3 Change is the basis points (bps) difference between the two periods rather than the percentage change

4 Adjusted net interest income divided by average interest-earning assets, annualised

Adjusted net interest income increased 17 per cent driven by a 17 per cent increase in the net interest margin, which averaged 141 basis points in the year, a 20 basis points year-on-year uplift benefiting from a rapid increase in policy interest rates across many of our markets:

- Average interest-earning assets grew 1 per cent, or 7 per cent excluding the impact of currency translation and risk-weighted asset optimisation actions, reflecting an increase in investment securities held by Treasury Markets. Gross yields increased 87 basis points compared with the average in the prior year
- Average interest-bearing liabilities increased 2 per cent, or 5 per cent excluding the impact of currency translation, reflecting an increase in customer accounts while the rate paid on liabilities increased 73 basis points compared with the average in the prior year

## Credit risk summary

### Income Statement

	2022 \$million	2021 \$million	Change <sup>1</sup> %
<b>Total credit impairment charge</b>	<b>838</b>	263	219
Of which stage 1 and 2	406	78	421
Of which stage 3	432	185	134

1 Variance is increase/(decrease) comparing current reporting period to prior reporting period

### Balance sheet

	2022 \$million	2021 \$million	Change <sup>1</sup> %
<b>Gross loans and advances to customers<sup>2</sup></b>	<b>316,107</b>	304,122	4
Of which stage 1	295,219	279,178	6
Of which stage 2	13,043	16,849	(23)
Of which stage 3	7,845	8,095	(3)
<b>Expected credit loss provisions</b>	<b>(5,460)</b>	(5,654)	(3)
Of which stage 1	(559)	(473)	18
Of which stage 2	(444)	(524)	(15)
Of which stage 3	(4,457)	(4,657)	(4)
<b>Net loans and advances to customers</b>	<b>310,647</b>	298,468	4
Of which stage 1	294,660	278,705	6
Of which stage 2	12,599	16,325	(23)
Of which stage 3	3,388	3,438	(1)
Cover ratio of stage 3 before/after collateral (%) <sup>3</sup>	57/76	58/75	(1)/1
Credit grade 12 accounts (\$million)	1,574	1,730	(9)
Early alerts (\$million)	4,967	5,534	(10)
Investment grade corporate exposures (%) <sup>3</sup>	76	69	7

1 Variance is increase/(decrease) comparing current reporting period to prior reporting period

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$24,498 million at 31 December 2022 and \$7,331 million at 31 December 2021

3 Change is the percentage points difference between the two points rather than the percentage change

Asset quality remains stable, despite a year-on-year increase in the impairment charge, with an improvement in a number of underlying credit metrics. However, the Group continues to remain alert to an unpredictable and challenging external environment including pressures in the China commercial real estate sector, commodity price volatility and the impact of the Russia/Ukraine war. This war in part contributed to both commodity price volatility and the accelerated trajectory of inflation and interest rate rises across our footprint, which in turn have contributed to both an increased risk of global recession and the appreciation of the US dollar versus the majority of developed and emerging market currencies. These factors have contributed to increased sovereign credit stress in a handful of our markets which we continue to monitor closely and undertake mitigating actions where appropriate.

Credit impairment totalled \$838 million, an increase of \$575 million, representing a loan loss rate of 21 basis points, still some way below the historic loan loss rate range. Impairment charges relating to the China commercial real estate sector totalled \$582 million in the year, including a \$78 million increase in the management overlay relating to the China commercial real estate sector, which now totals \$173 million. Sri Lanka and Ghana had their sovereign ratings downgraded into stage 3, while Pakistan sovereign ratings were downgraded into credit grade 12. These sovereign ratings downgrades incurred a \$283 million impairment charge in the year. The CPBB normalised run-rate charge increased by 9 per cent while recoveries in CCIB declined by a third. The above were partly offset by a \$228 million decrease in the COVID-19 related management overlay, which now totals \$21 million.

Gross stage 3 loans and advances to customers of \$7.8 billion were 3 per cent lower, primarily as repayments, client upgrades and write-offs more than offset new inflows, including those relating to the sovereign ratings downgrade of Ghana and Sri Lanka and the China commercial real estate sector. Credit-impaired loans represented 2.5 per cent of gross loans and advances, a decrease of 18 basis points.

The stage 3 cover ratio of 57 per cent was lower by 1 percentage point, while the cover ratio post collateral at 76 per cent increased by 1 percentage point.

Credit grade 12 balances have decreased by 9 per cent to \$1.6 billion as the sovereign ratings downgrade of Pakistan was more than offset by downgrades into stage 3 primarily as a result of Sri Lanka and Ghana sovereign ratings downgrade.

Early Alert accounts of \$5.0 billion have reduced by 10 per cent, reflecting the net impact of regularisations of accounts back into non-high-risk categories, net impact of downgrades into credit grade 12 and exposure reductions partly offset by new inflows. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the currently challenging macro-economic environment.

The proportion of investment grade corporate exposures has increased by 7 percentage points to 76 per cent, reflecting the increase in reverse repurchase agreements held to collect.

The above balance sheet disclosure relates to loans and advances to customers. The movement in high risk assets (gross stage 3 loans and advances, credit grade 12 balances and early alert accounts) does not fully reflect the impact of the sovereign ratings downgrade of Ghana, Pakistan and Sri Lanka as it does not capture the impact of these downgrades on the Group's investment and securities portfolio.

## Restructuring, goodwill impairment and other items

	2022			2021		
	Restructuring \$million	Goodwill and Other impairment \$million	Other items \$million	Restructuring \$million	Goodwill and Other impairment <sup>1</sup> \$million	Other items \$million
Operating income	43	–	20	(32)	–	20
Operating expenses	(170)	–	–	(487)	–	(62)
Credit impairment	2	–	–	9	–	–
Other impairment	(38)	(322)	–	(17)	(300)	–
Profit from associates and joint ventures	(11)	–	–	20	–	–
<b>Loss before taxation</b>	<b>(174)</b>	<b>(322)</b>	<b>20</b>	<b>(507)</b>	<b>(300)</b>	<b>(42)</b>

1 Goodwill and Other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and Other impairment

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing underlying performance period-by-period. A reconciliation of restructuring, goodwill impairment and other items excluded from underlying results is set out on pages 126 to 130.

Restructuring charges of \$174 million for 2022 reflects the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges.

Goodwill and other impairment of \$322 million includes \$308 million in relation to a further reduction in the carrying value of the Group's investment in its associate China Bohai Bank (Bohai). To ensure consistency, the Group has

retrospectively reclassified the \$300 million impairment charge taken in 2021 on its investment in Bohai, from other impairment included in underlying operating profit, to goodwill and other impairment which is excluded from underlying operating performance. The remaining \$14 million goodwill impairment relates to Bangladesh primarily due to lower economic growth forecasts and higher discount rates.

Other items include a \$20 million fair-value gain relating to the sale of a property in Thailand.

The Group has announced that it is exploring strategic alternatives for its Aviation Finance business as well as the exit of seven markets in the AME region and will focus solely on the CCIB segment in two more. It is expected that the results from the markets and businesses being exited will be reported in restructuring from 1 January 2023 with prior periods retrospectively restated.

## Balance sheet and liquidity

	2022 \$million	2021 \$million	Increase/ (Decrease) \$million	Increase/ (Decrease) %
<b>Assets</b>				
Loans and advances to banks	39,519	44,383	(4,864)	(11)
Loans and advances to customers	310,647	298,468	12,179	4
Other assets	469,756	484,967	(15,211)	(3)
<b>Total assets</b>	<b>819,922</b>	<b>827,818</b>	<b>(7,896)</b>	<b>(1)</b>
<b>Liabilities</b>				
Deposits by banks	28,789	30,041	(1,252)	(4)
Customer accounts	461,677	474,570	(12,893)	(3)
Other liabilities	279,440	270,571	8,869	3
<b>Total liabilities</b>	<b>769,906</b>	<b>775,182</b>	<b>(5,276)</b>	<b>(1)</b>
<b>Equity</b>	<b>50,016</b>	<b>52,636</b>	<b>(2,620)</b>	<b>(5)</b>
<b>Total equity and liabilities</b>	<b>819,922</b>	<b>827,818</b>	<b>(7,896)</b>	<b>(1)</b>
<b>Advances-to-deposits ratio (%)<sup>1</sup></b>	<b>57.4%</b>	59.1%		
<b>Liquidity coverage ratio (%)</b>	<b>147%</b>	143%		

<sup>1</sup> The Group now excludes \$20,798 million held with central banks (31.12.21: \$15,168 million) that has been confirmed as repayable at the point of stress

The Group's balance sheet remains strong, liquid and well diversified.

- Loans and advances to customers increased 4 per cent since 31 December 2021 to \$311 billion. This includes a \$24 billion increase in Treasury and securities backed loans held to collect partly offset by a \$13 billion reduction from risk-weighted asset optimisation actions undertaken by CCIB and a \$8 billion reduction from currency translation. Excluding the above, there was 3 per cent underlying loan growth, with growth in Trade partly offset by deleveraging in Wealth Management.
- Customer accounts of \$462 billion decreased 3 per cent since 31 December 2021 as a result of currency translation. Excluding the impact of currency translation, customer accounts were broadly flat in the year.

- Other assets decreased 3 per cent since 31 December 2021 with a reduction in reverse repurchase agreements designated at fair value through profit or loss partly offset by an increase in investment securities held within Treasury Markets and increased derivative balances
- Other liabilities were 3 per cent higher since 31 December 2021 reflecting an increase in derivative balances

The advances-to-deposits ratio decreased to 57.4 per cent from 59.1 per cent at 31 December 2021 reflecting a reduction in loans and advances to customers excluding reverse repurchase agreement as a result of risk-weighted asset optimisation actions. The point-in-time liquidity coverage ratio of 147 per cent increased 4 per cent and remains well above the minimum regulatory requirement.

## Risk-weighted assets

	2022 \$million	2021 \$million	Change <sup>1</sup> \$million	Change <sup>1</sup> %
By risk type				
Credit risk	196,855	219,588	(22,733)	(10)
Operational risk	27,177	27,116	61	–
Market risk	20,679	24,529	(3,850)	(16)
<b>Total RWAs</b>	<b>244,711</b>	<b>271,233</b>	<b>(26,522)</b>	<b>(10)</b>

<sup>1</sup> Variance is increase/(decrease) comparing current reporting period to prior reporting periods

Total risk-weighted assets (RWA) decreased 10 per cent or \$26.5 billion from 31 December 2021 to \$244.7 billion.

- Credit risk RWA decreased \$22.7 billion to \$196.9 billion. There was a \$13.9 billion reduction in the CCIB low-returning portfolio targeted for optimisation, a \$11.1 billion decrease from other RWA efficiency actions and a \$9.9 billion reduction from currency translation. This was partly offset by a \$6.9 billion increase from regulatory changes, \$3.5 billion inflation from credit migration and a \$1.9 billion increase from a combination of asset growth and mix
- Market risk RWA decreased by \$3.9 billion to \$20.7 billion primarily reflecting reduced standardised specific interest rate risk positions and changes in value at risk methodology
- Operational risk RWA was broadly flat at \$27.2 billion

## Capital base and ratios

	2022 \$million	2021 \$million	Change <sup>1</sup> \$million	Change <sup>2</sup> %
<b>CET1 capital</b>	<b>34,157</b>	38,362	(4,205)	(11)
Additional Tier 1 capital (AT1)	<b>6,484</b>	6,791	(307)	(5)
<b>Tier 1 capital</b>	<b>40,641</b>	45,153	(4,512)	(10)
Tier 2 capital	<b>12,510</b>	12,491	19	–
<b>Total capital</b>	<b>53,151</b>	57,644	(4,493)	(8)
<b>CET1 capital ratio end point (%)<sup>2</sup></b>	<b>14.0</b>	14.1	(0.1)	
<b>Total capital ratio transitional (%)<sup>2</sup></b>	<b>21.7</b>	21.3	0.4	
<b>Leverage ratio (%)<sup>2</sup></b>	<b>4.8</b>	4.9	(0.1)	

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

2 Change is percentage points difference between two points rather than percentage change

The Group's CET1 ratio of 14.0 per cent was 19 basis points lower than at 31 December 2021, but approximately 50 basis points above the CET1 ratio at 1 January 2022 when regulatory changes, which reduced the Group's CET1 ratio, came into force. The underlying 50 basis points increase reflects the impact of RWA optimisation actions and profit accretion during the year despite funding \$1,258 million of share buy-backs and an increased ordinary dividend. The CET1 ratio is 3.6 percentage points above the Group's current regulatory minimum of 10.4 per cent and at the top end of the Group's 13-14 per cent medium-term target range.

The regulatory changes which came into force on 1 January 2022 included the cessation of software relief, the impact from the IRB model repair programme and the introduction of standardised rules for counterparty credit risk on derivatives and other instruments (SA-CCR). In aggregate, these regulatory changes resulted in a decrease in the CET1 ratio of approximately 70 basis points by reducing CET1 capital by \$1.1 billion and increasing RWAs by \$5.7 billion. In the fourth quarter, further regulatory changes including the IRB model repair programme increased RWAs by \$1.3 billion, reducing the CET1 ratio by approximately 10 basis points.

The CET1 ratio was reduced by approximately 70 basis points from a reduction in reserves mainly relating to a reversal of prior year unrealised gains on debt securities as a result of higher market yields and movements in currency translation reducing both the translation reserve and RWAs.

Profit accretion increased the CET1 ratio by approximately 110 basis points whilst lower RWAs as a result of efficiency and optimisation actions within CCIB and Treasury, provided an approximate 120 basis point uplift to the CET1 ratio.

Ordinary shareholder distributions reduced the CET1 ratio by approximately 65 basis points. The Group spent \$1,258 million purchasing 184 million ordinary shares of \$0.50 each during the year, representing a volume-weighted average price per share of £5.48. These shares were subsequently cancelled, reducing the total issued share capital by 6 per cent and the CET1 ratio by approximately 45 basis points. The Board has recommended a final dividend of 14 cents per share resulting in a total 2021 ordinary dividend of 18 cents a share or \$523 million, reducing the CET1 ratio by approximately 20 basis points. Payments due to AT1 and preference shareholders cost approximately 15 basis points.

The Board has announced a share buy-back for up to a maximum consideration of \$1 billion to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the first quarter of 2023 by approximately 40 basis points.

The Group's leverage ratio of 4.8 per cent is approximately 10 basis points lower than the 4.9 per cent ratio as at 31 December 2021. This reflects lower Tier 1 capital partly offset by a decrease in leverage exposures largely driven by efficiency and optimisation initiatives. The Group's leverage ratio remains significantly above its current minimum requirement of 3.7 per cent.

## Outlook

Our performance has been strong, and the pace of economic recovery in many of our footprint markets is encouraging.

Whilst recessionary and inflationary pressures will continue to impact many parts of the world, particularly in the first half of 2023, we expect most of the markets in which we operate to continue their recent momentum with GDP growth in the Asian economies at above 5 per cent over the next two years being pivotal to progressive global recovery.

The recent opening-up of China and the generally receding impacts of COVID-19 should help in that regard albeit we will continue to monitor closely the sovereign risks in markets that are most exposed to tightening liquidity.

Overall, the markets in which we operate, the further benefits of rising interest rates and the evidential improvement in many of our operating metrics cause us to be optimistic about the period ahead. For 2023 and 2024 our expectations are now:

- Income to grow in the 8-10 per cent range excluding DVA and at constant currency
- Full year average net interest margin of around 175 basis points in 2023 and above 180 basis points in 2024
- Asset and RWA growth in the low single digit percentage range
- Around 3 percentage point positive income-to-cost jaws in 2023 and in 2024, excluding DVA and UK bank levy and at constant currency
- Credit impairment to continue to normalise towards the historic through the cycle loan-loss rate range of 30-35bps
- To operate dynamically within the full 13-14 per cent CET1 target range
- RoTE to be approaching 10 per cent in 2023
- RoTE to exceed 11 per cent in 2024, with further growth thereafter



**Andy Halford**

Group Chief Financial Officer

16 February 2023



## ► Founding signatory of the Sustainable STEEL Principles ►

In September, we became one of the founding signatories to the Sustainable STEEL Principles, the first climate-aligned finance agreement for the steel industry.

The use of metallurgical coal in the manufacturing of steel, means it contributes around 7 per cent of CO<sub>2</sub> emissions globally. With demand for steel continuing to increase, it's critical that we support the sector's decarbonisation. As part of the agreement, signatories measure and disclose their steel-related loan emissions, with a view to achieving net-zero emissions in the steel industry.



Read more online at [www.sc.com/steel](https://www.sc.com/steel)

# Risk overview

## ► Resilience despite adverse macroeconomic environment and volatile global markets ◀

The macroeconomic environment was challenging throughout the year for a number of markets in which the Group operates. February 2022 saw Russia's invasion of Ukraine, impacting financial markets, commodity prices and supply chains. We had very limited direct exposure to either country and we proactively managed risks that we faced through indirect exposure, and second order impacts, such as increased energy and food prices or disrupted gas supplies for our clients and customers, the impact from sanctions on asset values and investments some of our clients have in Russia. We also managed the increase in traded risks following increased volatility in other markets, especially credit and commodities. Regular stress tests were performed during 2022 to assess the impact of the war across the Group's portfolio.

In China, growth forecasts were revised downwards as it followed its 'zero-COVID' stance, exacerbating global supply chain bottlenecks. Pressures in China's commercial real estate industry remain with the timing of recovery still uncertain amidst recent government measures to support the sector. In the United States, the Federal Reserve announced consecutive interest rate hikes to counter inflationary pressures and hinted at more tapered rate rises in 2023. This poses challenges to some emerging markets, as their currencies weaken relative to the strength of the US dollar, by rising commodity prices, stagflation and tighter liquidity.

The impact from the war, tightening of global financing conditions and idiosyncratic domestic political and policy issues, have placed pressure on sovereign credit ratings during 2022. Within the Group's footprint, Sri Lanka and Ghana embarked on sovereign debt restructuring operations, while Pakistan has been adversely impacted by flooding and continues to face external financing risks in light of large external payments coming due, while FX reserves have declined. The Country Risk Early Warning System (CREWS) is the principal process for tracking a deterioration in risk indicators and has worked effectively during the year. CREWS is a triage system which categorises countries based on a combined assessment of the likelihood of a downgrade and the financial impact of a potential downgrade. Markets in the highest risk category are subject to enhanced monitoring of qualitative and quantitative risk triggers' and we have exposure management strategies in place for the highest risk markets.

We continue to scan the horizon for topical and emerging risks and collaborate with internal and external partners to mitigate risks as they are identified. Further details on how we manage topical and emerging risks can be found on pages 48 to 51.

Asset quality has been maintained, though we remain vigilant in the face of volatile global markets. We continue to demonstrate resilience as evidenced by strong capital and liquidity metrics. Non-financial risks areas such as Fraud, Data Management, Information and Cyber Security, Third Party, Technology, People and Change Management remain heightened. We continue to enhance our operational resilience and defences against these risks through vigorous enhancement programmes. We remain vigilant of sovereign risks and challenges in the property sector in China and we continue to closely monitor and manage these across the Group.

For our Corporate, Commercial and Institutional Banking (CCIB) business, we have identified vulnerable sovereigns with triggers and have an action plan for exposure management based on such triggers. We have closely monitored our clients that may face difficulties on account of increasing interest rate, foreign exchange movements, commodity volatility or increase in price of essential goods. Stress tests and portfolio reviews are also done to identify vulnerable exposures. These exposures are then tracked through our well-established Early Alert monitoring process. Actions which may be required if geo-political risks occur are also tracked so that the Group could act quickly if these events do occur.

For our Consumer, Private and Business Banking (CPBB) business, the key focus in 2022 was on the potential wider effects of the deteriorating economic conditions across our markets. While CPBB conducts its business mainly in local currency, the continued strength of the US dollar has an impact in our markets across Asia, Africa and the Middle East and we have been monitoring the potential secondary impacts of a decline in sovereign credit quality in some of our markets. For our consumer credit portfolios, we have been monitoring the impact on customer affordability through interest rate sensitivity analysis and tracking consumer price indices across our key markets. In our Business Banking portfolios, we have been focused on the risks to our clients associated with vulnerability to commodity supply chain issues, spikes in input costs and the effect of an overall decline in global demand. For Wealth Lending, which is secured by a largely liquid collateral pool, we have been proactively managing the portfolio through the continued market volatility and monitoring for horizon risks to the collateral, such as reduced corporate earnings in the event of recession. Where appropriate, we have tightened underwriting policies and collateral acceptance criteria.

## An update on our key risk priorities

2022 continued to present a challenging risk landscape, however, we faced this from an intrinsically strong position. Our risk management approach is at the heart of our business and is core to us achieving sustainable growth and performance. We have made progress on our key priorities, these being:

**Strengthening the Group's risk culture and conduct:** We remain committed to promoting a healthy risk culture and driving the highest standards of conduct. Both risk culture and conduct are integral components of our Enterprise Risk Management Framework (ERMF). Our ERMF sets out the guiding principles for our colleagues, enabling us to have integrated and holistic risk conversations across the Group and the three lines of defence. It underpins an enterprise level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Senior management across the Group promote a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging the status quo, and creating a transparent and safe environment for employees to communicate risk concerns. We strive to uphold the highest standards of conduct through delivery of conduct outcomes, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct. More broadly, we are continuing to focus on strengthening first-line Conduct Risk ownership, drawing enhanced Conduct Risk insights through the development of conduct analytics as part of the new Conduct Risk management standard. Furthermore, we have uplifted the Group Conduct Risk Management approach which has been achieved through a combination of providing better tools to enable consistent Conduct Risk oversight, increased engagement with the first and second line and targeted campaigns to improve Conduct Risk awareness across the Group. As Conduct Risk may arise from anywhere in the Group at any time, conduct outcomes should always be considered when material strategic decisions are made that may impact clients, investors, shareholders, counterparties, employees, markets, competition and the environment. The Group is also working towards complying with the UK Consumer Duty requirements for in-scope clients; these requirements set higher and clearer standards of consumer protection.

### Continuous enhancement of our information and cyber security (ICS) capabilities and governance:

We have refreshed the Group ICS Risk Strategy by updating our ICS Target Operating Model to increase focus on accountability, risk ownership, change management and executive empowerment. Our Board is regularly engaged on our approach to managing ICS Risks and we have appointed an ICS Risk Special Advisor to the Board. We also perform table-top cyber crisis testing exercises to ensure a consistent view on how to respond to cyber incidents.

To assess the security of our ICS systems and processes, our ICS capabilities include a formal process for internal controls testing, vulnerability assessments and penetration testing (an authorised simulated attack on a computer system, performed to evaluate the security of the system). We continue to deploy the Threat Scenario-led Risk Assessment which enables a more dynamic threat-led identification and management of ICS Risk by our businesses. Our ICS policies and standards are also aligned to a number of best practice global guidance, and we remain watchful on proposed new guidance.

Our ICS training programme includes annual mandatory learning and phishing readiness exercises, along with ongoing thematic campaigns which highlight the most prevalent threats and risks that colleagues face. We also deliver regular Group Board training on ICS risks. In addition to general ICS awareness, colleagues in roles identified as critical have additional training linked to their responsibilities.

**Managing Climate Risk:** Managing the risks from climate change is a core element of our strategy and Stands. We have made good progress this year in embedding Climate Risk considerations across the impacted Principal Risk Types. By using the results from our scenario analysis, we are building a good understanding of the markets and industries where the effects of climate change will have the greatest impact. Climate Risk assessments are now considered as part of Reputational and Sustainability transaction reviews for impacted clients in high-carbon sectors, and integrated into the credit application process for approximately 70 per cent of our corporate client exposure and the physical risk identification of our CPBB mortgage portfolios in our largest markets. As part of our ongoing academic partnership with Imperial College London, we supported new climate research on the range of opportunities that exist for private investors in nature related investments and cross-sectoral implications of electrification of transport in India. Key focus areas for 2023 include establishing and clarifying the linkages between net-zero portfolio management across high transition risk sectors and the impact thereof on Credit Risk parameters, building and embedding our in-house Climate Risk models, training and education, and working with our data providers and clients. All of these support the Group's commitments made as part of Accelerating Zero.



More details can be found at [sc.com/sustainability](https://sc.com/sustainability) and [sc.com/tcfd](https://sc.com/tcfd)



Further details on our overall approach to net zero can be found at [sc.com/netzero](https://sc.com/netzero)

### Managing our environmental, social and governance (ESG) risk:

We continue to advance risk management across the organisation in both our CCIB and CPBB client segments with end-to-end reviews of inherent risks and controls in line with our internal Environmental and Social Risk Catalogue. In keeping with our sustainable and transition finance goals, our risk management approach seeks to ensure that our Green, Sustainable and Transition Finance labels reflect the standards set out in our Green and Sustainable Product Framework, Transition Finance Framework and Task Force on Climate-related Financial Disclosures (TCFD).

**Managing Financial Crime Risk:** The Group is managing its financial crime risk within acceptable levels as assessed under the Group's risk assessment measures, including the Financial Crime Risk Type Framework, Risk and Control Self-Assessments and assurance reviews. However, some issues in 2022 have required remedial actions in order to avoid an unacceptable increase in Financial Crime Risk in certain areas. Russia-related sanctions have continued to escalate and are increasingly complex in nature to operationalise. While the Group has limited direct exposure to Russia-related sanctions, we continue to monitor and respond to changing sanction requirements. The Group continues to build and maintain partnerships with industry, government and the third sector to build consensus on effective efforts to combat financial crime and the damages it causes.



More information about the Group's commitment to fighting financial crime can be found at [sc.com/fightingfinancialcrime](https://sc.com/fightingfinancialcrime)

**Technology and Innovation:** Our technology capabilities are delivering our strategy of being a digital driven second-line of defence function, supporting first-line driven risk management processes. We have expanded our Climate Risk reporting capabilities and integrated ESG factors to help streamline risk assessment across the client lifecycle. We have automated the model development lifecycle with a digitised model inventory and approval workflow, and have deployed a single platform to support standardised model creation, review and validation. We have continued to expand our Enterprise Governance, Risk and Compliance with automated workflows in Operational Risk, Business Continuity, Assurance, and BCBS 239 assessments and peer reviews. Policy documentation management has been transitioned to a new platform and a significantly improved user experience. The Group Risk assessment process has been transitioned to a Big Data technology stack that utilises data more effectively and improves assessment turnaround time. We continue to build more intelligence into our self-service and case management tooling. The ASK Compliance platform serves as a single portal, where the first line of defence and our employees get answers to simple compliance queries using self-service tools, with an enhanced user experience launched in 2022. We will prioritise integrating relevant risk use cases into the existing self-service tools in 2023. Advisor Connect which is a configurable case management framework launched in Q3 2022 provides an auditable, consolidated view of cases and serves as a knowledge repository for the advisory teams. Advisor Connect is planned to be rolled out to prioritised group and country CFCC teams in 2023.

We continuously enhanced the country regulatory obligation management to improve the user experience. We continue to explore the application of emerging technologies such as Artificial Intelligence, Machine Learning and Application build through configuration and remain focused on streamlining the

identification of new regulations through horizon scanning, tracking amendments to existing regulations, and automating the mapping and impact analysis to policies and processes. Surveillance platforms are continuously enhanced with supervised model-based monitoring and voice and multilingual monitoring capabilities.

Digitalisation and technological developments remain key items on the Group's agenda as we pursue the execution of the Group's strategy. We continue to ensure that our control frameworks and risk appetite evolve accordingly to keep pace with new business developments and asset classes.

#### Embedding and strengthening Digital Asset Risk management capabilities:

The Group recognises the increasing prevalence of digital asset activity and associated risks. At present, the Group has very limited, and immaterial, direct exposure to digital asset related activity. Any potential increase in activity or exposures will be subject to detailed review and enhanced due diligence in accordance with the Group's Digital Asset Risk Management Approach. Notwithstanding the limited exposure, as a regulated global Bank with digital asset capabilities, we continue to strengthen our Digital Asset Risk management capabilities under the ERMF, with consideration given to learnings from existing initiatives as well as external market developments.

#### Our risk profile and performance in 2022

The proportion of the Group's gross loans and advances to customers in stage 1 has remained stable at \$295.2 billion or 93 per cent (31 December 2021: \$279.2 billion or 92 per cent) reflecting our continued focus on high-quality origination. Overall stage 2 gross loans and advances to customers decreased by \$3.8 billion to \$13.0 billion driven by CCIB due to exposure reductions and rating upgrades in Transport, telecom and utilities sectors, \$1 billion decrease in the Energy sector, offset by increase in stage 2 in China commercial real

estate. Stage 3 loans decreased by \$0.2 billion to \$7.9 billion (31 December 2021: \$8.1 billion) primarily as repayments, client upgrades and write-offs more than offset new inflows, including those relating to the sovereign ratings downgrade of Ghana and Sri Lanka and the China commercial real estate sector. The stage 3 cover ratio of 57 per cent was lower by 1 percentage point, while the cover ratio post collateral at 76 per cent increased by 1 percentage point.

In 2022, we have seen a 10 per cent decrease in Early Alerts exposure (31 December 2022: \$5.0 billion, 31 December 2021: \$5.5 billion), reflecting the net impact of regularisations of accounts back into non-high-risk categories, net impact of downgrades into credit grade 12 and exposure reductions partly offset by new inflows. Credit grade 12 balances decreased to \$1.6 billion (31 December 2021: \$1.7 billion) as the sovereign ratings downgrade of Pakistan was more than offset by downgrades into stage 3 primarily as a result of Sri Lanka and Ghana sovereign ratings downgrade. The Group remains vigilant in view of persistent challenging conditions in some markets and sectors.

The overall CPBB portfolio remains 86 per cent fully secured (31 December 2021: 86 per cent), with average residential mortgage loan-to-value (LTV) at 44.7 per cent (31 December 2021: 41.1 per cent). The portfolio has remained resilient with overall 30+ days past due across our programme lending segments at 0.58 per cent, which is consistent with pre-pandemic credit performance.

The percentage of investment-grade corporate exposure has also increased to 76 per cent compared with 69 per cent from 31 December 2021, reflecting the increase in reverse repurchase agreements held to collect and some increase in exposures to investment grade clients. Exposure to our top 20 corporate clients as a percentage of Tier 1 capital has increased to 65 per cent (31 December 2021: 61 per cent), driven by increased exposure to investment grade clients.

#### Key indicators

	2022	2021
<b>Group total business<sup>1</sup></b>	<b>316.1</b>	304.1
Stage 1 loans (\$ billion)	295.2	279.2
Stage 2 loans (\$ billion)	13.0	16.8
Stage 3 loans, credit-impaired (\$ billion)	7.9	8.1
Stage 3 cover ratio	57%	58%
Stage 3 cover ratio (including collateral)	76%	75%
<b>Corporate, Commercial &amp; Institutional Banking</b>		
Investment grade corporate net exposures as a percentage of total corporate net exposures	76%	69%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	65%	66%
Early alert portfolio net exposures (\$ billion)	5.0	5.5
Credit grade 12 balances (\$ billion)	1.6	1.7
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital <sup>2</sup>	65%	61%
Collateralisation of sub-investment grade net exposures maturing in more than one year	53%	49%
<b>Consumer, Private &amp; Business Banking</b>		
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	44.7%	41.1%

1 These numbers represent total gross loans and advances to customers

2 Excludes reverse repurchase agreements

The Group's ongoing credit impairment was a net charge of \$838 million (31 December 2021: \$263 million), including a \$83 million charge split across CCIB and Central and other items segments relating to sovereign ratings downgrade of Pakistan into credit grade 12. The impairment charge includes \$582 million in relation to China commercial real estate sector and \$283 million in relation to sovereign downgrades, partly offset by releases in the management overlay relating to COVID-19.

CCIB stage 1 and 2 impairments of \$148 million are driven by China commercial real estate downgrades, including a \$78 million increase for China commercial real estate overlay and sovereign downgrades in Africa and the Middle East which is offset by a \$102 million full release of COVID-19 overlay. Stage 3 impairment of \$279 million is largely from China commercial real estate downgrades, clients' rating changes due to the Sri Lanka and Ghana sovereign rating downgrade, offset by releases and repayments of a few notable clients.

CPBB charge decreased by \$20 million to \$262 million (31 December 2021: \$282 million). Stage 1 and 2 charge increased by \$121 million to \$150 million (31 December 2021: \$29 million). Stage 3 charge decreased by \$141 million to \$112 million (31 December 2021: \$253 million) as markets returned to normalised flows following the expiry of the majority of COVID-19 relief schemes in 2021. In 2022, there were increased charges for Korea and Taiwan due to worsening macroeconomic forecasts, as well as China due to portfolio maturity and book growth. This was offset by a net release of \$110 million (31 December 2021: \$15 million) in management overlays and a \$25 million release from significant increase in credit risk methodology changes and model updates largely in the Asia region.

Ventures impairment charge increased by \$13 million to \$16 million (31 December 2021: \$3 million) due to book growth in Mox Bank and Trust Bank Singapore.

Central and other items stage 1 and 2 impairments of \$95 million were driven by the sovereign downgrades in Asia. Stage 3 impairment charge of \$38 million was driven by the sovereign rating downgrade of Ghana and Sri Lanka.

## Credit impairment

	2022			2021		
	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million	Stage 1 & 2 \$million	Stage 3 \$million	Total <sup>1</sup> \$million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking	148	279	427	23	(67)	(44)
Consumer, Private & Business Banking	150	112	262	29	253	282
Ventures	13	3	16	3	–	3
Central & other items	95	38	133	23	(1)	22
<b>Credit impairment charge/(release)</b>	<b>406</b>	<b>432</b>	<b>838</b>	78	185	263
Restructuring business portfolio						
Others	(2)	–	(2)	(2)	(7)	(9)
Credit impairment charge/(release)	(2)	–	(2)	(2)	(7)	(9)
<b>Total credit impairment charge/(release)</b>	<b>404</b>	<b>432</b>	<b>836</b>	76	178	254

<sup>1</sup> Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

The average level of total trading and non-trading Value at Risk (VaR) in 2022 was \$52.5 million, 4.2 per cent lower than 2021 (\$54.8 million). The actual level of total trading and non-trading VaR as at the end of the 2022 was \$55.8 million, 28.6 per cent higher than 2021 (\$43.4 million), due to an increase in market volatility in H2 2022, driven by a number of Central Banks increasing interest rates to curb inflation.

Our Group liquidity coverage ratio (LCR) is 147 per cent (31 December 2021: 143 per cent) with a surplus to both Risk Appetite and regulatory requirements. The Group's advances-to-deposits ratio has decreased from 59.1 per cent to 57.4 per cent, driven by a reduction of 2 per cent in our customer deposits and 5 per cent in customer loans and advances.

Our Common Equity Tier 1 (CET1) ratio is 14.0 per cent (31 December 2021: 14.1 per cent). Further details can be found in the Capital Review section (page 320).



Further details of the risk performance for 2022 are set out in the [Risk profile](#) section

## An update on our risk management approach

Our ERMF outlines how we manage risk across the Group, as well as at branch and subsidiary level<sup>1</sup>. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification.

### Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal and integrated risks and risk appetite statement. In addition to principal risks, the Group has defined a Risk Appetite Statement for Climate Risk.

Principal Risk Types	Risk Appetite Statement
<b>Credit Risk</b>	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
<b>Traded Risk</b>	The Group should control its financial markets activities to ensure that Traded Risk losses do not cause material damage to the Group's franchise.
<b>Treasury Risk</b>	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items do not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
<b>Operational and Technology Risk</b>	The Group aims to control Operational and Technology Risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.
<b>Information and Cyber Security (ICS) Risk</b>	The Group has zero appetite for very high ICS residual risks and low appetite for high ICS residual risks which result in loss of services, data or funds. The Group will implement an effective ICS control environment and proactively identify and respond to emerging ICS threats in order to limit ICS incidents impacting the Group's franchise.
<b>Compliance Risk</b>	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that while incidents are unwanted, they cannot be entirely avoided.
<b>Financial Crime Risk</b>	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.
<b>Model Risk</b>	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, while accepting model uncertainty.
<b>Reputational and Sustainability Risk</b>	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.
Integrated Risk Types	Risk Appetite Statement
<b>Climate Risk</b>	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement.
<b>Digital Asset Risk</b>	This Integrated Risk Type is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.
<b>Third-Party Risk</b>	This Integrated Risk Type is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.

<sup>1</sup> The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

# Topical and Emerging Risks

Topical Risks refer to themes that may have emerged but are still evolving rapidly and unpredictably, while Emerging Risks refer to unpredictable and uncontrollable outcomes from certain events which may have the potential to adversely impact our business.

As part of our continuous risk identification process, we have updated the Group's Topical and Emerging Risks (TERs) from those disclosed in the 2021 Annual Report. We summarise these below, outlining the risk trend changes since the end of 2021, and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as performed by senior management.

The TER list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them but shows the Group's awareness and attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

The key changes to the TERs since the 2021 Annual Report are as follows.

- We have added two new TERs: "High inflation and US dollar strength" and "Global economic downturn risk". This reflects that continued inflation and consequent rate hikes will impact global growth, with a chance of global recession in 2023.
- "Energy security" has been broadened to "Energy security and shifting political alliances" to reflect those practicalities around energy security, that may reshape some political relationships, with a shift in power towards exporters.
- "Supply chain dislocations" has been renamed as "Extended supply chain issues and key material shortages" due to continuing supply shortages and restrictions of some exports, the impact of Russia-Ukraine war and China-US rivalry, and the push for sustainable alternative supply chains.
- "Social unrest" and "Adapting to endemic COVID-19 and a K-shaped recovery" are no longer presented as independent TERs; rather they are now considered as drivers for other overarching themes.

## Macroeconomic and Geopolitical Considerations

There is interconnectedness between risks due to the importance of US dollar financing conditions for global markets, and the global or concentrated nature of key supply chains for energy, food, semi-conductors and rare metals. The Group is exposed directly through investments, or indirectly through its clients to these risks. While the main risk impacts are financial, other ramifications may exist, for example, reputational, compliance or operational considerations.

### High inflation and US dollar strength

Inflation is now a global concern and a top policy issue in many countries which are experiencing the highest inflation levels in decades. Prices have surged due to a combination of customer demand and supply shortages.

The Federal Reserve's sustained fight against US inflation has led to US dollar appreciation against many other global currencies. This increases global import costs and debt servicing costs on US dollar denominated debt. There have been widespread price corrections for some asset classes. Some markets, especially emerging markets, have limited options to defend their currencies without causing other detrimental effects.

The operating environment is likely to be testing for the Non Bank Financial Institutions (NBFI) sector; segments within it could find it challenging to manage liquidity, credit, refinancing and market risk. The Archegos collapse of 2021 and the liability-driven investments volatility are the most notable recent examples. There are heightened expectations from major regulators with regard to the management of NBFIs risks.

Price inflation for essential goods, such as food and fuel has prompted a cost-of-living crisis across both developed and emerging markets in which the Group operates. This has sparked social unrest in some countries, with a heightened risk in emerging markets which experience disproportionate effects. However, the impact is felt across a wider bracket, including the vast global middle class, which raises the threat of instability, even in traditionally less volatile countries.

### Global economic downturn risk

Continued tightening of monetary policy to combat inflation in developed markets has contributed to the possibility of a global recession in 2023. Higher rates could increase debt distress levels across both developed and emerging economies.

Global growth slowed to 3.4 per cent in 2022, with the outlook for 2023 growth remaining muted at 2.9 per cent. Although China's reopening could lead to a faster than expected recovery, supply chain bottlenecks remain and severe COVID-19 outbreaks could lead to a reversal. Geopolitical escalation could also limit the speed of recovery, and supply chain restrictions may lead to deglobalisation and less efficient international trade.

The Group is exposed to downturns in China, such as observed turbulence in the property development sector.

### Expanding array of global tensions

The Russia-Ukraine war has catalysed a fundamental shift in power dynamics with a demarcation of underlying political alliances. Pressure is mounting on Russia, which may lead to increasingly desperate military and political actions.

Relations between China and other developed markets, particularly in the West, remain fragile, with sanctions being imposed by both sides. Increasing technological restrictions and potential escalations in relation to Taiwan's sovereignty are among a number of flashpoints. Economic geopolitical actions could also escalate distrust, decoupling, and increase inefficient production, potentially generating further inflationary pressures.

Election wins for extremist parties in a number of countries are adding to increased vulnerability and volatility – especially as economics is becoming subservient to politics. Volatility in traditionally stable economies could cause further disruption.

Rivalry between the United States and China may have structural, operational and strategic impacts on business models for companies that straddle both.

### Emerging markets sovereign risk

Emerging markets have been squeezed by escalating oil and food prices, high interest rates and the legacy of COVID-19 on key industries such as tourism.

Distress has already been observed across several of the Group's footprint markets, including defaults in Sri Lanka and Ghana, political instability in Pakistan, high inflation in Türkiye, and issues across Africa, particularly economies that are sensitive to fuel prices.

For some countries with fragile governance frameworks, there is a heightened risk of failure to manage social demands, which might culminate in increased political vulnerability. Furthermore, food and energy security challenges have the potential to drive other social impacts.

Tightening of financial conditions in developed markets has also led to local currency depreciations against the US dollar, increasing debt servicing costs, and potentially restricting debt re-financing. Foreign Exchange reserves have already been heightened depleted in some markets, and local monetary policy may undermine already weak growth.

### Extended supply chain issues and key material shortages

Demand and supply imbalances in global supply chains have become persistent as they are increasingly structural in nature. The main dislocations are linked to conflict and political restrictions on trade or investment. Repercussions range from companies that are a party in the particular supply chain, to end consumers and sovereigns.

Concentrated impacts to specific key industries such as semi-conductors can have contagion effects. Political wrangling over technological supremacy further increases the risk of market disruption and a retreat from globalisation. Potential targeted restrictions on semiconductors could lead to complete restructuring of global supply chains, impacting most sectors.

This could lead to a shift in supply chains for the future, with increased contingency costs and production potentially moving closer to consumers. This is further compounded by increased scrutiny around the environmental and social impacts of supply chains.

### Energy security and shifting political alliances

The Russia-Ukraine war has exacerbated an already strained energy supply model in developed markets, spurring a rapid pivot away from traditional supply lines. This came amid already increased tensions between nations as negotiating power shifted towards energy exporters.

Rising energy prices and potential supply shortfalls may cause a rise in social unrest, especially in countries where there is high dependence on energy imports.

In the wake of the conflict, a trade-off between pragmatism and environmentalism has materialised, with significant divergence as some countries have embraced the renewables opportunity while others have reversed, with rollbacks of green policies observed in some markets. Policymakers must balance supply and price pressures with climate goals, with a heightened risk of short term crises diverting attention and resources away from longer term required climate action.

Rising material costs will also impact renewable energy development, potentially slowing the transition. The Group's plans for sustainable finance business growth could be achieved at a slower than expected pace.

### How these risks are mitigated/next steps

- We conduct thematic stress tests and portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly.
- Vulnerable sectors are regularly reviewed and exposures to these sectors are managed as part of Credit Risk reviews.
- Sovereign ratings, exposures, outlooks and country risk limits are regularly monitored, and mitigating actions taken as required.
- Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and managed.
- We utilise Credit Risk mitigation techniques including credit insurance and collateral.
- We track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure.
- We remain vigilant in monitoring geopolitical relationships. Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions.

## Environmental and Social Considerations

### ESG stakeholder expectations

Environmental targets are becoming embedded in global business models, with increased pressure to set ambitious sustainability goals or apply more restrictions on financing to sensitive sectors.

There is also an increase in stakeholder expectations around fair and balanced disclosures, including marketing campaigns. Scrutiny around greenwashing has accelerated with various regulatory developments, such as the Financial Conduct Authority's consultation on anti-greenwashing rules.

There is fragmentation in the pace and scale of adoption and regulation around the world, which adds complexity in managing a global business. Fragmentation in ESG taxonomies may also lead to unintended consequences, including misallocation of capital, political and litigation risks.

Human rights concerns are increasing in focus with scope expanding beyond direct abuses to cover other areas such as data management, technological advancement, and supply chains.

There are risks if the Group is required to adapt to new fragmented regulations quickly, as well as meeting publicly stated sustainability goals and helping clients transition.

### How these risks are mitigated/next steps

- Increased scrutiny is applied to environmental and social standards when providing services to clients.
- We monitor regulatory developments in relation to sustainable finance and ESG risk management and provide feedback on consultations bilaterally and through industry groups on emerging topics.
- We focus on minimising our environmental impact and embedding our values through our Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance.
- We are integrating the management of greenwashing risks into our Reputational and Sustainability Risk Type Framework, policies and standards. Green, Sustainable and Transition Finance labels for products, clients and transactions reflect the standards set out in our Green and Sustainable Product Framework, Transition Finance Framework and TCFD reporting. We regularly review these frameworks and annually obtain external verification on the Sustainable Finance asset pool.
- The Group is committed to respecting universal human rights and we assess our clients and suppliers against various international principles, as well as through our social safeguards and supplier charter. More details can be found in our Modern Slavery Statement and Human Rights Position Statement.
- Detailed portfolio reviews and stress tests are conducted to test resilience to climate-related risks, in line with applicable regulatory requirements.
- Work is under way to embed Climate Risk considerations across all relevant Principal Risk Types. This includes stress testing/scenario analysis, integration of client Climate Risk assessments within the Credit process, building an internal modelling capability and linkages with our net zero targets to understand the financial risks and opportunities from climate change.

## Technological Considerations

### Data and Digital

Regulatory requirements and client expectations relating to data management and quality, including data protection and privacy, data sovereignty, the use of Artificial Intelligence (AI) and the ethical use of data are increasing. Regulation is also becoming more fragmented and complex, requiring more resources to ensure ongoing compliance.

Geopolitical tensions have added impetus to data sovereignty legislation, sometimes extraterritorial in nature. There can also be conflicting guidance within the same jurisdiction. There is heightened focus on economic sanctions and financial crime controls, reinforcing the need for robust control frameworks.

Data protection risks are increasingly driven by highly organised and sophisticated threat actors, with developments such as ransomware available as a service.

Data is becoming more concentrated in the hands of governments and big private companies, with relatively few providers of new technologies such as cloud services. Some third parties are reluctant to disclose AI model details, citing intellectual property, which increases model risk.

A balance between resilience and agility is required, as new technologies are onboarded while existing systems are maintained. Clear ownership, frameworks and oversight of new technologies is also required.

### How these risks are mitigated/next steps

- We monitor regulatory developments in relation to all aspects of data management, taking into account country specific requirements. We take a holistic view across data risks to facilitate an efficient and comprehensive risk control environment.
- We have established a Data Management and Privacy Operations team to assist with compliance with data management regulations. This includes a dedicated AI governance forum which includes review of third party solutions.
- We have an inflight programme of work to drive compliance to BCBS 239 requirements on effective risk data aggregation and risk reporting.
- We continue to deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats.

### New business structures, channels and competition

Failure to harness new technologies and new business models would place banks at a competitive disadvantage. However, these innovations require specialist skills, present new vectors for threats to materialise and require robust risk assessment accordingly. Differing access to new developments will also cause divergence and inequality to grow across countries and social groups.

Digital assets are gaining adoption and linked business models continue to increase in prominence. These present material opportunities for businesses and consumers, as well as potential risks as the space evolves, as evidenced by the collapse of Futures Exchange (FTX) and other recent events, further exacerbating digital asset market volatility.

Increasing use of partnerships and alliances increases exposure to third-party risk. There is also risk of inadequate risk assessments of new and unfamiliar activities.

### How these risks are mitigated/next steps

- We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector.
- Enhanced digital capabilities have been rolled out in CPBB, particularly around onboarding, sales, and marketing.
- A Digital Asset Risk Management Approach and policy has been implemented. This is regularly updated in response to evolving digital assets market activity.
- Strategic partnerships and alliances are being set up with Fintechs to enhance our competitiveness.

## People Considerations

### Talent pool of the future

The expectations of the workforce, especially skilled workers, are significantly shifting. The COVID-19 pandemic accelerated changes on how people work, connect and collaborate, with expectations on flexible working now a given. The focus is increasingly on 'what' work people do and 'how' they get to deliver it, which are becoming differentiators in the war for future skills. There is greater desire to seek meaning and personal fulfilment at work that is aligned to individual purpose.

These trends are even more distinct among Millennials and Gen Zs who make up an increasing proportion of the global talent pool, and as digital natives also possess the attributes and skills we seek to pursue our strategy.

With attrition increasing year on year, to sustainably attract, grow and retain talent, we must continue to invest in and further strengthen our Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted action.

### How these risks are mitigated/next steps

- Our culture and EVP work is designed to address the emerging expectations of the diverse talent we seek. The quarterly Brand and Culture Dashboard monitors our D&I Index and colleagues' perceptions of our EVP and whether we are living our Valued Behaviours. Local Management teams discuss the dashboard to identify actions, supported by a central library of interventions from across the Group.
- Our Future Workplace Now programme, which formalises hybrid working where suitable, has been rolled out across 43 markets, and 78 per cent of colleagues in these markets are now on flexi-working arrangements. We continue to monitor for potential people risks, and mitigating actions include hybrid learning festivals, watercooler moments toolkits, a social connections platform and people leader guidance.
- We are undertaking a multi-year journey of developing future-skills by creating a culture of continuous learning, to balance between 'building' and 'inducting' skills. We are deploying technology that democratises access to learning content and developmental experiences.
- To address our talent pool's increased expectations of us being purpose-led, we have published our Stands which guide our strategy.

## Stakeholders and Sustainability

- 54 Stakeholders
- 64 Sustainability
- 66 Accelerating Zero: Our approach to climate change
- 76 Reducing our emissions
- 90 Mitigating Environmental and Social Risk
- 113 Governance of our Sustainability Agenda

### ► Going net zero in 275 branches ►

In 2022, we created 275 net zero branches in India, China and Hong Kong, and certified 120 sites in Asia and two in Africa as being free of single-use plastic. We are continuing to invest in transitioning our branches to net zero with all new properties built and designed for True Zero Waste and zero emissions impact. Our aim is to have all property transitioned to net zero by 2025, including branches.

⊕ Read more online at [www.sc.com/netzero](https://www.sc.com/netzero)



# Stakeholders

As an international bank operating in 59 markets, stakeholder engagement is crucial in ensuring we understand local, regional and global perspectives and trends which inform how we do business.

## Our stakeholders



Clients



Regulators and governments



Investors



Suppliers



Society



Employees

This section forms our **Section 172** disclosure, describing how the directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. It also forms the directors' statement required under section 414CZA of the Act.

See the following pages for:

- How we engage stakeholders to understand their interests  
**See pages 55 to 63**
- How we engage employees and respond to their interests  
**See pages 60 to 63**
- How we respond to stakeholder interests through sustainable and responsible business  
**See pages 64 to 113**

Detailed information about how the Board engages directly with stakeholders and shareholders can be found in the Director's report on pages 134 to 231.

Examples of a selection of the Board's principal decisions are included throughout this section.

This section also forms our key non-financial disclosures in relation to sections 414CA and 414CB of the Companies Act 2006. Our non-financial information statement can be found at the end of this section on page 124.

## Helping Ismail build skills with Futuremakers

In March 2022, Ismail, a graduate with cerebral palsy, became a Futuremaker in our first economic-empowerment project for young people with disabilities in Pakistan.

The training helps learners like Ismail build the skills and confidence they need to make smart career choices and enter employment.

Ismail completed the training and entrepreneurship modules and applied his learning to ace an interview and land his first paid job at a government agency.

Listening and responding to stakeholder priorities and concerns is critical to achieving our Purpose and delivering on our brand promise, here for good. We strive to maintain open and constructive relationships with a wide range of stakeholders including regulators, lawmakers, clients, investors, civil society and community groups.

In 2022, we made improvements to some of our feedback processes, so that client needs could be addressed by relationship managers as they emerged. Our engagement took many forms, including one-to-one sessions using online channels and calls, virtual roundtables, written responses and targeted surveys. These conversations, and the issues that underpin them, help inform our business strategy and support us to operate as a responsible and sustainable business.

Stakeholder feedback, where appropriate, is communicated internally to senior management through the relevant forums and governing committees such as the Sustainability Forum, and to the Board's Culture and Sustainability Committee (CSC) which oversees the Group's approach to its main relationships with stakeholders.

We communicate progress regularly to external stakeholders through channels such as sc.com, established social media platforms and this report. More detailed information on material sustainability topics can be found in our Sustainability section on pages 64 to 124.



## Clients

### How we create value

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way with a great customer experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest and expand; and we help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

### How we serve and engage

In 2022, Corporate, Commercial and Institutional Banking (CCIB) strengthened its annual feedback process by capturing how clients feel about what we offer, including advice, customer service and digital channels.

CCIB also focused on building a consistent digital experience and accelerated delivery through Cash, Trade, Financial Markets and Data Solutions.

This was further enabled with self-serve digital tools and capabilities such as chatbot, our mobile banking app, application programming interface (API) connectivity and data analytics, which reduced operating costs and improved client experience. Our agile working practices have also accelerated our speed of decision-making and change delivery to meet client needs faster.

Refining our processes through continuous improvement has enabled us to achieve benefits in revenue and costs savings by creating capacity and reducing client waiting times.

As an integrated team, we drove digital transformation and leveraged networks in service to our clients on our proprietary platforms across 47 markets. We have processes and guidelines in place, specific to each of our client businesses, to understand and respond to issues and promptly resolve complaints.

Meanwhile, we continued to engage with our clients to help them expand across borders, using our international network to help them access existing and new trade corridors. Our presence in high-growth markets – and ongoing roll out of digital platforms – helps connect our clients to the global engines of trade and innovation.

As part of our aim to reach net zero carbon emissions by 2050, our newly-formed transition finance team have been working closely with our clients in hard-to-abate sectors on their own transition planning. This is in addition to our plan to mobilise \$300 billion of Sustainable Finance between 2021 and 2030.

Across both CCIB and Consumer, Private and Business Banking (CPBB), we have processes and controls to mitigate greenwashing risks, and to support transparency we publish the details of what constitutes our sustainable investments universe externally.

### Accelerating adoption of our API offerings

We are committed to helping our corporate clients achieve the benefits of real-time treasury operations, so we developed an application programming interface (API) banking platform for foreign exchange transactions, payment initiation, payment status and account balances. Our Premium Banking APIs were awarded the title of 'Top Performer' in the FinLync 2022 Power Rankings Report, in recognition of our revamped API Marketplace and sandbox for testing APIs.

In CPBB, we work closely with third-party ESG data providers to support the development of product ideas, and extensive due diligence is conducted by our in-house team on our high conviction suite of sustainable funds.

## Stakeholders

### continued



### Clients continued

In CPBB, training is provided to frontline staff across our branches, contact centres and digital channels to identify and support vulnerable clients, and we have also implemented an educational training programme for those clients who require assistance in navigating online and mobile channels.

Our push for a best-in-class client experience is underpinned by innovative products and digital straight-through services. This includes building capability to protect our clients against evolving risks in the ecosystem like fraud and cyber security and comes with education and increased client communication.

In order to act in the best interests of our clients, we use our insights gathered from our data alongside robust policies, procedures and the Group's risk appetite to design and offer products and services that meet client needs, regulatory requirements and Group performance targets, while contributing to a sustainable and resilient environment.

Wealth and Personal Banking products have increased sustainable product options for distribution to our clients. We now offer sustainable deposits in seven markets, green mortgages in six markets, sustainable investments in 16 markets and carbon-neutral cards in 17 markets.

All new products are subjected to a comprehensive approvals process. For investment products sold to individuals, this includes risk scores which aid our assessment of client suitability. We consider each client's financial needs and personal circumstances to assist us in offering suitable product recommendations.

We achieve this using a globally consistent methodology that takes into consideration local regulatory requirements to review product risks against the client's risk appetite, considering financial objectives, financial ability, and knowledge. Clients are also provided with clear and simple documentation that outlines key product features and risks prior to executing a transaction.

Fees and charges are disclosed to clients in line with regulatory requirements and industry best practice, and where available, benchmarked against competitors. For Personal and Business Banking products, agreed interest rates, fees and other charges as billed to clients are monitored and assessed locally, with global oversight.

Triggers for outlier fees and charges are defined and subject to annual review. Complaints are reviewed on an ongoing basis and are one of the factors that are taken into account prior to amendments to annual interest, fees and charges. We also assess our product portfolio for new risks to ensure they remain appropriate for client needs and aligned to emerging regulation. These quantitative and qualitative assessments, including Periodic Product Reviews, are intended to provide a complete view of whether to continue, enhance, grow or retire products.

Throughout 2022, we also maintained our sharp focus on improving the client experience across the Bank. We engaged with clients to show them the opportunities trade corridors could bring and how using our network could help them flourish.

Our focus on partnerships in CPBB is showing results with new partnerships launched in Vietnam, Indonesia and more recently Singapore in addition to the partnerships we have in China. These partnerships have incrementally acquired 1.2 million clients, many of whom have the potential to avail themselves of the full suite of CPBB products.

2022 saw a significant increase in our digital wealth capabilities with the delivery of Online Equity platforms in Malaysia and the United Arab Emirates and the myWealth Direct service in Hong Kong which offers personalised insights and investment ideas directly to clients.

In 2023, we will continue to listen and respond to stakeholder priorities and concerns, addressing feedback as it emerges, strengthen our digital transformation and innovation capabilities, and support our clients as they transition to net zero.

### Their interests

- Differentiated product and service offering
- Digitally enabled and positive experience
- Sustainable finance
- Access to international markets



## Regulators and governments

### How we create value

We engage with public authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

### How we serve and engage

We actively engage with governments, regulators and policymakers at a global, regional and national level to share insights and support the development of best practice, and adoption of consistent approaches, across our markets.

In 2022, we engaged with regulators, government officials and trade associations on a broad range of topics that included international trade, sustainability, data, cyber security, digital adoption, and innovation. We also engaged with officials on the financial services regulatory environment, in particular on prudential, financial markets, conduct and financial crime frameworks.

In support of this, we have a Group Public and Regulatory Affairs team responsible for engagement as well as identifying and analysing relevant policies, legislation and regulation. This work is overseen by various governance forums within the Bank, which comprise senior executives representing business and control functions to support alignment between advocacy and business strategies.



For more details on our engagement with regulators and governments, as well as our industry and membership associations please see [sc.com/politicalengagement](https://sc.com/politicalengagement)

### Their interests

- Strong capital base and liquidity position
- Robust standards for conduct and financial crime
- Healthy economies and competitive markets
- Positive sustainable development
- Digital innovation in financial services
- Operational resilience
- Customer protection



## Investors

### How we create value

We aim to deliver robust returns and long-term sustainable value for our investors.

### How we serve and engage

We rely on capital from debt and equity investors to execute our business model. Whether they have short- or long-term investment horizons, we provide our investors with information about progress against our strategic and financial frameworks.

Through our footprint and the execution of our sustainability agenda, we provide our investors with exposure to opportunities in emerging markets. We believe that our integrated approach to ESG issues, as well as a strong risk and compliance culture, are key differentiators.



## Investors continued

The Group has delivered a strong performance in 2022, with return on tangible equity (RoTE) back above pre-pandemic levels. We are executing well against the five strategic actions we set out earlier in the year while navigating through a challenging external environment. Our aim is to accelerate the delivery of our ambition of double-digit RoTE.

Regular and transparent engagement with our investors, and the wider market, helps us understand investors' needs and tailor our public information accordingly. In addition to direct engagement from our Investor Relations team, we communicate through quarterly, half and full-year results, conferences, roadshows, investor days and media releases. There was continued adoption of virtual mediums during the year, coupled with a growing number of face-to-face interactions from the very low levels seen in the last two years. We hosted two capital market days, focusing on our Financial Markets business and Consumer, Private and Business Banking Affluent Clients in June and November respectively.

### Principal Board decision – market entries and exits

We are accelerating our strategy to deliver efficiencies, reduce complexity and drive scale. During 2022, the Board approved a set of actions to focus resources within the Africa and Middle East (AME) region to those areas where they can have the greatest scale and growth potential, for the benefit of our shareholders, employees and customers.

Subject to regulatory approval, we intend to exit onshore operations in seven markets in AME, and in a further two markets to focus solely on our CCIB business. The Group has invested heavily in recent years in the AME region, including fundamentally transforming its digital capabilities in its African markets. It has also been expanding its footprint to cover some of the largest and fastest-growing economies, having recently opened its first branch in the Kingdom of Saudi Arabia and obtained preliminary approval for a banking licence in the Arab Republic of Egypt. The seven markets where there will be a full exit of operations are Angola, Cameroon, Gambia, Jordan, Lebanon, Sierra Leone and Zimbabwe. In Tanzania and Cote d'Ivoire, the Consumer, Private and Business Banking businesses will be exited and the focus will turn solely to CCIB.

As part of the Board's decision-making, it recognised that there were a number of potential challenges, risks, costs and significantly impacted stakeholders to consider, which management was also aware of. Carefully designed and executed engagement with regulators, governments and employees, as well as with other key stakeholders, continues to be crucial. The Board has received regular updates since the decision was made.

## Stakeholders

### continued



### Investors continued

Key investor feedback, recommendations and requests are considered by the Board, whose members keep abreast of current topics of interest. Standard Chartered PLC's Annual General Meeting (AGM) in May was open to shareholders to attend either in person or electronically where they were provided a platform to view a live video feed of the meeting. All participants were provided with the opportunity to submit their votes and ask the Board questions.

Similarly, the Group Chairman, alongside some members of the Board, hosted a 'hybrid' stewardship event for institutional investors in November which provided a platform for shareholders to receive an update on a number of topics, including sustainability, net zero and governance matters. The event included an open question-and-answer session across a range of key issues.

An external investor sentiment survey was also conducted on an anonymous basis during the year, seeking insight into how the Group was perceived, to identify areas of focus for investors and understand how the Group could improve its investor communications. This was particularly important given the changes in the external environment and the evolution of the Group's strategy. The Board discussed key areas which it should focus on to address concerns highlighted by investors and emerging from the report.

We continue to respond to growing interest from a wide range of stakeholders on ESG matters, including investors. We sought shareholder endorsement for our net zero pathway at the AGM, intended as a means by which we will measure progress, engage and gather views. We also work with sustainability analysts and participate in sustainability indices that benchmark our performance, including the Carbon Disclosure Product (CDP) Climate Change survey and Workforce Disclosure Initiative.

In 2023, we will continue to engage with investors on progress against our strategic priorities and actions, as well as our financial framework as we progress towards our returns target.

### Their interests

- Safe, strong and sustainable financial performance
- Facilitation of sustainable finance to meet the UN Sustainable Development Goals
- Progress on ESG matters, including advancing our net zero agenda



### Suppliers

### How we create value

Through the engagement of suppliers, both locally and globally, we seek to support our business with the provision of efficient and sustainable goods and services.

### How we serve and engage

Supplier selection, due diligence and contract management process is guided by our Third-Party Risk Management Policy and Standards. In 2022, we further strengthened our supplier governance given potential increased risk and regulatory scrutiny.

Our Supplier Charter sets out our aspirations in relation to ethics, human rights, diversity and inclusion (D&I), and environmental performance. All newly onboarded suppliers are expected to agree to adhere with the principles set out in our Supplier Charter. We seek to reinforce this through the terms of our standard contract templates, where possible, and we further encourage alignment to this by sending an annual letter to all our active suppliers. This also includes guidance regarding our technology platforms, sustainability aspirations, payment processes and other relevant principles such as Anti Bribery and Corruption.

We select and work with suppliers whom we believe support us to provide efficient and value-adding goods and services to our businesses both globally and locally. For example, during 2022, we partnered closely with our credit/debit card manufacturing supplier Thales, who went the extra mile to accommodate our demand amidst a scarcity of chips. This resulted in the Bank being able to successfully fulfil the spike in demand, due to the very successful launch of our Singapore digital-only bank – Trust Bank – securing our market positioning and fulfilling customer expectations.

In 2022, we continued to make progress on our supply-chain sustainability agenda. In pursuit of our ambition of achieving net zero in our operations by 2025, we continued to offset emissions from our business flights. In partnership with an independent climate consultancy, we continued refining the Scope 3 upstream emissions measurement methodology which was used to estimate our supplier emissions.

Our Stands have served to further embed our supplier D&I approach. In 2022, we started to report and monitor supplier D&I indicators across our footprint, and 93 per cent<sup>1</sup> of our core markets now have supplier D&I programmes to help accelerate progress and impact in our local communities. So far, more than 1,500 employees have been trained internally to build capability to deliver our supplier D&I aims.

In addition, we continue to partner with multiple local and global non-governmental organisations (NGOs) to identify and onboard more sustainable and diverse-owned suppliers across our core markets.

1 26 out of 28 in-scope markets



## Society

In Kenya we work with An-Nisa Taxi Limited, who provide self-employed female-driven taxi services to the Bank. This provides women employees and clients in Kenya with the option to work and travel in a safe environment. An-Nisa's overall vision is to increase employment opportunities for women in what is currently a male-dominated sector. Working with An-Nisa means Standard Chartered can directly contribute to positively impacting the life of the women who own and drive the taxis.

In 2023, supply chain sustainability will continue to be a primary focus. We intend to progress integration of environmental and social risks into our Third-Party Risk Management Framework. Also, we plan to roll out new initiatives to help create social impact and further reduce carbon emissions within our own operations and supply chain.

 Our Supplier Charter can be viewed at [sc.com/suppliercharter](https://sc.com/suppliercharter)

 Read more about our supplier diversity standard: [sc.com/supplierdiversity](https://sc.com/supplierdiversity)

### Their interests

- Sustainability and diversity
- Open, transparent and consistent tendering process
- Willingness to adopt supplier-driven innovations
- Accurate and on-time payments

### How we create value

We strive to operate as a sustainable and responsible company, working with local partners to promote social and economic development.

### How we serve and engage

We engage with a wide range of civil society and international and local NGOs, from those focused on environmental and public policy issues to partners delivering our community programmes. To shape our strategy, we aim for constructive dialogue that helps us to understand alternative perspectives and that our approach to doing business is understood. This includes working with NGOs that approach us about a specific client, transaction or policy.

In 2022, climate change, our net zero pathway, human rights and biodiversity continued to underpin many of our conversations. We primarily received NGO feedback via our public inbox and responded to queries in line with our Reporting & Engagement Standard. For complex issues such as climate change, we held bilateral virtual meetings with NGOs to exchange perspectives in greater depth. In advance of our AGM, we commissioned GlobeScan, a leading market research provider, to conduct 20 stakeholder interviews with leaders across NGOs, academia, business and specialty research institutes from seven countries to analyse how our net zero pathway aligns to external expectations.

In 2023, we anticipate mapping our NGO relationships to identify topics and geographies where we can strengthen our engagement.

We hosted a third edition of the Futuremakers Forum, bringing together over 1,700 clients, employers, NGOs, employees and project participants from 61 markets to build partnerships and create economic opportunities focused on young people. Through the two-day virtual event, we deepened our understanding of financial products and services young people want and need to unleash their full potential.

To increase employee engagement, we launched Mentors Den for almost 400 colleagues across 12 markets to provide career advice and support to over 650 Futuremakers participants. In 2022, Futuremakers reached 335,386 young people with education, employability and entrepreneurship opportunities.

### Their interests

- Climate change and decarbonisation
- Biodiversity and animal welfare
- Human rights
- Financial inclusion
- Social impact

## Stakeholders

### continued



### Employees

#### How we create value

We recognise that our workforce is key to driving our performance and productivity and that the diversity of our people, cultures and network sets us apart. To lead the way in addressing the evolving needs of our clients and the advances in technology, we are developing a workforce that is future-ready and are co-creating with our employees an inclusive, innovative and client-centric culture that drives ambition, action and accountability.

#### How we serve and engage

By engaging employees and fostering a positive experience for them, we can better serve our clients and deliver on our Purpose and Stands. A culture of inclusion and ambition enables us to unlock innovation, make better decisions, deliver our business strategy, live our valued behaviours and embody our brand promise: here for good. We proactively assess and manage people-related risks, for example, organisation, capability and culture, as part of our Group risk management framework.

Our People Strategy, which was approved by the Board in mid-2019, stays relevant and future-focused, with the pandemic having accelerated many of the future of work trends which informed our approach.

#### Their interests

Translating our here for good brand promise and Purpose of 'Driving commerce and prosperity through our unique diversity' into our colleagues' day-to-day experience is critical to us remaining an employer of choice across our footprint. The research we have on our Employee Value Proposition (EVP) tells us that our employees, or potential employees, want to: have interesting and impactful jobs; innovate within a unique set of markets and clients; cultivate a brand that sustainably drives commerce and offers enriching careers and development; and be supported by great people leaders. They want these elements to be anchored in competitive rewards and a positive work-life balance. The employment proposition is a key input to our People Strategy which supports the delivery of our business strategy.

#### Listening to employees

Frequent feedback from employee surveys helps us identify and close gaps between colleagues' expectations and their experience. In addition to our annual survey, we use continuous-listening mechanisms that capture colleague sentiment more frequently, through a rolling culture survey and through surveys at key moments for our employees, such as when they join us, when they leave, and when they return to work after parental leave.

In 2022, our annual My Voice survey was conducted in May and June: 87 per cent of our employees (65,988) and 44 per cent of eligible agency workers (1,797) participated in the survey.

Key measures of employee satisfaction have stayed stable in 2022, with an increase in our employee Net Promoter Score (NPS) (which measures whether employees would recommend working for us) and a slight drop in our employee engagement index. We are encouraged to see that 96 per cent of employees feel committed to doing what is required to help the Group succeed, 88 per cent feel proud about working for the Group, and 83 per cent say that the Group meets or exceeds their expectations. The scores indicate that we have continued to improve as a place to work.

In addition to leveraging inputs from employee surveys, the Board and Management Team also engage with and listen to the views of colleagues through interactive sessions. More information on the Board's engagement with the workforce can be found on page 162 in the Directors' Report.

Externally, our Glassdoor rating (out of five) has increased from 3.7 in 2019 to 3.9 in 2022, and 79 per cent would recommend working with us to friends. We also continue to be recognised as an employer of choice, in 2022, we ranked as one of the World's Best Employers in Forbes for the second time; ranked as a Diversity Leader for the third consecutive year in the Financial Times report on Diversity and Inclusion in Europe; ranked for the second time within the Top 100 organisations in the Refinitiv Diversity and Inclusion Index; and were also recognised in the Bloomberg Gender-Equality Index for the seventh consecutive year.

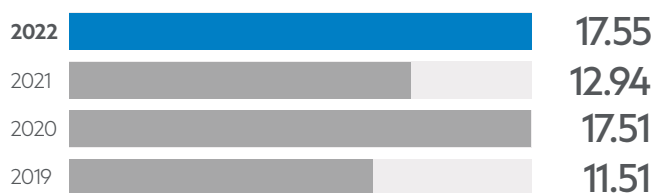
All of this is indicative of our progress in further strengthening our employee value proposition to attract, retain and grow the skills and talent that are critical to delivering our strategy and outcomes for clients.

#### Group KPI: Employee engagement

##### Employee net promoter score (eNPS)



↑ +4.1%



eNPS measures the number of promoters (who would recommend the Group as a great place to work) compared with detractors on a scale from -100 to +100. This is reflected in the percentage change calculation.

**Aim** Increase engagement across the Group by creating a better working environment for our employees that should translate into an improved client experience.

**Analysis** eNPS has increased year-on-year from 2021 and significantly increased since 2016 (2.44 in 2016) when we started our culture transformation.



## Employees continued

The health, safety, and resilience of our colleagues (including in worsening pandemic conditions in some markets or other crisis situations) continues to be a key priority. We are mindful that the levels of stress felt by employees increased in the 2022 My Voice survey from previous years. At the same time, the survey data also indicated that they felt more supported on their wellbeing needs, especially around their mental and physical health. Globally, we offer colleagues access to a mental health app, a physical wellbeing online platform, an employee assistance programme, wellbeing toolkits, learning programmes on resilience as well as an expanding network of trained Mental Health First Aiders. We also continue to aim to mitigate the causes of work-related stress, encourage focus on supportive behaviours within existing processes and decision-making, and seek to insert wellbeing skills-building across learning interventions.

### Adapting to a hybrid world of work

2022 saw renewed optimism as pandemic-related restrictions eased in many of our markets, creating opportunities for employees to increasingly engage with clients, colleagues and communities in person. We continue to implement the flexi-working model that we initiated in 2021, combining flexibility in working patterns and locations. The model has now been rolled out in 43 of our markets, with 78 per cent of employees in these markets on agreed flexi-working arrangements. This has been a significant step towards building on the positive lessons learnt from the pandemic around productivity and employee experience. Our model is enabling us to be more inclusive of the diverse needs of our workforce and support their wellbeing and at the same time consciously balance individual choice and flexibility with business priorities and client needs. Hybrid workers have expressed greater satisfaction with overall employee experience and work-life balance in the 2022 My Voice survey in comparison to employees working fully remotely or fully in the office.

As employees have started to experience their agreed hybrid working arrangements with the easing of pandemic-related restrictions, they have also been required to explore and adopt ways of working in a 'new normal' that balances the benefits of remote working with face-to-face interactions.

### Building leaders that Aspire, Inspire and Execute

Exceptional performance requires exceptional leadership. With inputs from our colleagues, we have captured in our Leadership Agreement what we believe it takes to lead at Standard Chartered. We are asking each colleague to Aspire, Inspire and Execute to take us from where we are today to where we have committed to be, and to deliver on our Purpose. In 2022, over 7,900 colleagues have voluntarily signed up to this agreement. We are embedding this standard of leadership into how we induct, develop, measure and recognise our leaders.

Toolkits and guidance have been provided to individuals and leaders to help navigate hybrid working, including support on how to organise team and individual work in ways that maximise productivity and wellbeing; on leading in key moments such as onboarding new team members, returning from parental leave and during performance conversations; and on recreating 'water cooler' moments in hybrid work environments. We continue to re-imagine our physical workspaces with the relevant infrastructure and technology to provide hubs for teamwork, collaboration and learning.



Read more about our approach to hybrid working at [sc.com/hybridworking](https://sc.com/hybridworking)

### Strengthening our culture of high-performance

As the Group transforms to achieve our strategic ambitions, we have refreshed the way we manage, recognise and reward performance (launched as myPerformance in 2022). We aim to build a strong culture of ambition, action and accountability by focusing on continuous feedback, coaching, and balanced two-way performance and development conversations. As we place even greater emphasis on recognising outperformance that is driven by collaboration and innovation, and encourage more flexibility and aspiration during goal-setting, we have removed individual performance ratings for all employees.

Behavioural changes are already visible and we will further embed the cultural shift through a multi-year journey. In 2022, over 291,000 pieces of feedback were exchanged among colleagues (which is 1.5 times the amount of feedback that was exchanged in the previous year). More than half of our people leaders received feedback from their direct reports, through our 'always on' feedback tool available to all colleagues as well as through the 360-degree feedback tool that has been launched for mid-to-senior people leaders. We believe that the increase in upward feedback indicates a greater sense of psychological safety in the organisation. The feedback is also providing useful input for further building leadership capabilities across the Group.

Strengthening leadership capability, specifically in our people leaders who are most directly responsible for the development of their teams, is a key enabler of our performance and culture. People leaders stepped up throughout the pandemic and we saw manager NPS continue to increase to 33.07 in 2022 (+ 3.35 points year-on-year). As the expectations that employees have of their people leaders continue to grow and evolve, we are also re-imagining how we embed leadership deep into the organisation. Our Leadership Agreement forms the foundation for a modernised leadership development offering that all people leaders will complete over the next three years. We are also encouraging leadership capability building across all employees through the Leadership Academy on our online learning platform diSCover, during our annual Global Learning Week, and through a 60-day Leadership Health journey of regular micro-learning activities.



Read our Leadership Agreement at [sc.com/leadershipagreement](https://sc.com/leadershipagreement)

## Stakeholders

### continued



### Employees continued

#### Developing skills of future strategic value

The rapid changes in the world of work demand that our employees strengthen a combination of human and technical skills to keep pace. We are building a culture of continuous learning that empowers employees to grow and follow their aspirations. We are helping them to build the skills needed for high performance today, to reskill and upskill for tomorrow and to be global citizens who understand the changing nature of the world in which we operate. Since 2020, the average hours invested by employees in personal development has increased by 23.8 per cent to 26.8 hours in 2022.

We have continued to balance learning in classrooms with learning through our online learning platform diSCover, which is also accessible via a mobile app. Over 77,000 colleagues actively used the platform in 2022 and 32,000 colleagues have used one or more of our Future Skills Academies which include the Data & Analytics, Digital, Cyber, Client Advisory, Sustainable Finance and Leadership Academies. Employees also have the opportunity to learn and practise new skills on the job through projects (often cross-functional and cross-location) and mentoring made available through our AI-enabled Talent MarketPlace platform. Since the launch of the platform, employees have signed up for over 1,200 projects, unlocking close to \$4 million in terms of productivity.

We have further scaled the design and deployment of targeted upskilling and reskilling programmes directed towards critical 'future' roles where our strategic workforce planning analysis has predicted the increasing need for talent, including universal bankers, data translators, cloud security engineers and cyber security analysts. This approach has united our recruitment, talent management and learning efforts to target, upskill and deploy employees into new roles. We are strengthening and scaling our work on sustainability, innovation, performance, digital and leadership skills-building, both across and within roles.

#### Building a disability confident organisation

Removing barriers and increasing accessibility have been key focus areas. We build on the results from our internal Disability Confident Assessment, conducted in more than 40 markets to date, to take directed action. We continue to enhance the accessibility of our technology, including providing sign language functionality in e-learning programmes.

Our continued partnership with the Purple Tuesday initiative across more than 35 markets is increasing the visibility of role models and careers for those with disabilities. It is also building capabilities to break down myths and stereotypes when engaging with clients and colleagues with disabilities. We're encouraged that, in 2022, a greater number of colleagues disclosed about having a disability and the annual My Voice survey highlighted improvements in their experience.

#### Creating an inclusive workplace

We believe that inclusion is how we will enable our diverse talent to truly deliver impact. Our progress in this space is reflected in our annual My Voice survey, where 83.1 per cent of employees reported positive sentiments around our culture of inclusion, which is higher than last year. This has been enabled by increasing awareness around diversity and inclusion principles, unconscious bias and micro behaviours as well as emphasising the importance of creating an inclusive environment – aspects that are covered in the 'When we're all included' learning programme which had been completed by over 28,000 colleagues by the end of 2022.

Colleagues are also encouraged to join employee resource groups aligned to shared characteristics or life experiences (including gender, ethnicity and nationality, generations, sexual orientation, and disability). ERGs across our markets provide additional learning, development and networking opportunities, especially for underrepresented populations, and are a valuable source for better understanding the lived experience of our workforce. This has already resulted in improvement through actions – such as the expansion of more accessible and assistive technology to support better access to necessary tools for work, the launch of our SC Pride Charter to cultivate a respectful and safe work environment, and the release of an inclusive language guide to promote psychological safety and review business terms to be more inclusive.



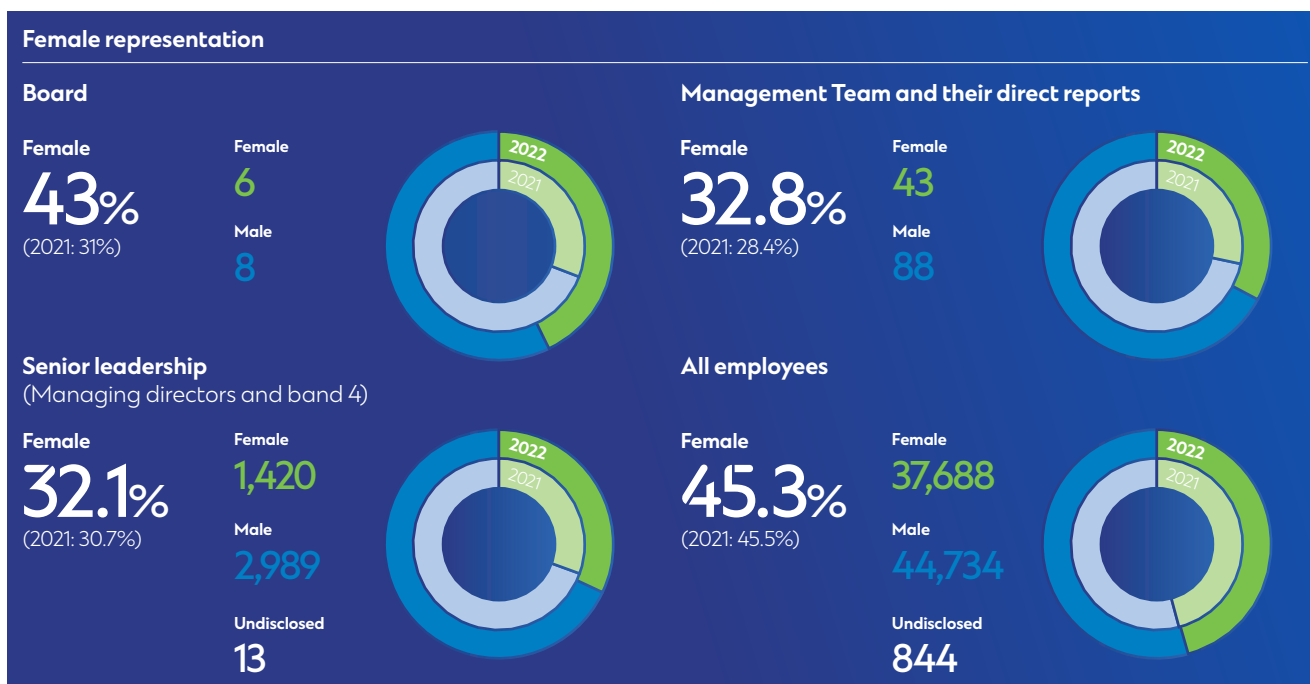
Read our inclusive language guide at [sc.com/inclusivelanguageguide](https://sc.com/inclusivelanguageguide)

Our gender diversity continues to grow with more women leaders moving up to senior roles. Women currently represent 43 per cent of the Board, 16 of our CEOs are women, and representation of women in senior leadership roles increased to 32.1 per cent at the end of 2022. We are committed to continuous improvement in this area and aspire to have 35 per cent representation of women at a senior level by 2025. This aspiration is further supported by programmes such as our IGNITE Coaching programme, which develops our women talent in preparation for future roles.

We remain focused on building a workforce that is truly representative of our client base and footprint. As of 2022, 21 per cent of our Board identifies as being from a minority ethnic background, and we have committed to the aspiration of reaching a minimum of 30 per cent. Further, 22.9 per cent of our Global Management Team and their direct reports identify as Black, Asian or minority ethnic. In the United Kingdom, Black representation in senior leadership is 2.5 per cent and Black, Asian and minority ethnic in senior leadership is 18.1 per cent. In the United States, Black/African American representation in senior leadership is 3.1 per cent and Hispanic/Latinx in senior leadership is 9.4 per cent. We continue to develop strategic partnerships and extend our Futuremakers RISE programme to increase the diversity of our talent pipelines. As we work towards achieving our 2025 UK and US ethnicity senior leadership aspirations, we are also focusing on nurturing local talent in markets across Asia, Africa and the Middle East. We provide employees, where legally permissible, the ability to self-identify ethnicity data through our online systems, and are increasing awareness



## Employees continued



on the value and purpose of collecting this information. As we encourage and expect increased participation and self-declaration of ethnicity, we aim for it to provide additional insights towards building an even more representative workforce.

We recognise six key D&I dates\* across the year and use these as focal points to facilitate open dialogue on inclusion internally and externally. Through these global campaigns we engage and strengthen relationships with clients and external stakeholders, collectively raising awareness, promoting best practices and committing to take practical steps to advance the D&I agenda in the community.

\* International Day Against Homophobia, Transphobia and Biphobia, International Day of Persons with Disabilities, International Men's Day, International Women's Day, and World Day for Cultural Diversity for Dialogue and Development, World Mental Health Day

### Equal pay – Gender and Ethnicity Pay Gaps

To better understand the strengths and gaps of the organisation, and develop action plans to tap into the potential of a truly diverse and inclusive workforce, we have been analysing and publishing our gender pay gap statistics for our five hub locations (UK, US, Hong Kong, Singapore, and UAE). The gender pay gap is calculated based on the approach by the UK government and compares the average pay of men and women without accounting for some of the key factors which influence pay, including different roles, skills, seniority and market pay rates.

Compared with last year, our mean bonus pay gaps have decreased in every market while our mean hourly pay gaps have remained mostly flat, with reductions seen in Singapore, Hong Kong, and UAE. While our gender pay gaps have steadily improved since our first disclosure for 2017, they remain at a level that signifies proportionally more male than female colleagues in senior roles and/or roles with higher market rates of pay.

To complement the legislative approach in the UK, we also calculate an adjusted pay gap, which compares women and men at the same hierarchy level and in the same business area. Mirroring previous years, the narrow margins for the adjusted pay gap analysis indicate that our female and male colleagues in the same business areas and at the same levels of seniority are paid similarly. Equal pay is a key commitment in our Fair Pay Charter and we carry out checks during hiring, promotion and year-end review in all markets to challenge potential bias and ensure there is equal pay for equal work.

In addition to the gender pay gap analysis, this year we have also prepared for the first time an ethnicity pay disclosure for the UK and the US. These two markets are our regional hubs where we have set ethnicity targets for senior management representation.



Further details of our ethnicity pay and gender pay analysis can be found in our Fair Pay Report at [sc.com/fairpayreport](https://sc.com/fairpayreport)

2022 Gender pay gap	UK	Hong Kong	Singapore	UAE	US
Mean hourly pay gap <sup>1</sup>	29%	20%	30%	30%	25%
Mean bonus pay gap <sup>2</sup>	49%	39%	41%	57%	44%

1 The hourly pay gap is calculated by taking the difference between the mean female and male hourly pay, expressed as a percentage of the male amount

2 The Bonus pay gap is calculated by taking the difference between the mean female and male bonus payments received in the 12 months prior to 5 April, expressed as a percentage of the male amount

# Driving a Sustainable Future

Including our response to the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD)

## Our approach to ESG Reporting

We adopt an integrated approach to corporate reporting, embedding non-financial information throughout this annual report.

In line with our 'comply or explain' obligation under the UK's Financial Conduct Authority's Listing Rules, we can confirm that we have made disclosures consistent with the TCFD recommendations and recommended disclosures in this annual report, except for one area: we do not fully disclose Scope 3 greenhouse gas emissions as we are in the process of conducting the detailed analysis of our portfolio starting with the sectors which are most carbon intensive.

Consequently, in relation to financed emissions, in this 2022 Annual Report, we disclose our Scope 3 greenhouse gas emissions (GHG) for eight sectors. For FY23, we plan to disclose our Scope 3 financed emissions for four additional sectors. Beyond that, we aim to incrementally improve the portfolio coverage as market data on emissions becomes more widely available. Further information is available on pages 76 to 83. In line with the current UK Listing Rules requirements, our TCFD disclosures also take into account the implementation guidance included in the TCFD 2021 Annex.

Our disclosures are also guided by core standards, frameworks and principles to the extent relevant to our business, as envisaged under the voluntary Global Reporting Initiative (GRI), SASB Standards, and the World Economic Forum (WEF) Stakeholder Capitalism Metrics framework, Equator Principles (EP) and UN Principles for Responsible Banking.



This integration is intended to promote transparency, build trust and provide our investors with a better understanding of the implications of climate-related risks and opportunities for our businesses, strategy, financial planning, governance and risk management.

The following pages set out our approach and progress relating to sustainability and its content is subject to the statements included in (i) the 'Forward-Looking Statements' section; and (ii) the 'Basis of Preparation and Caution Regarding Data Limitations' section provided under 'Important Notices' at page 498. Additional information can be accessed through our suite of supporting sustainability reports and disclosures at [sc.com/sustainability](https://sc.com/sustainability) hub or via the links below:

→ See pages 68 to 72 for a summary of our TCFD disclosures.

Report/Disclosure	Description	Location
<b>ESG Data Pack</b>	• Granular breakdown of quantitative ESG information.	→ <a href="https://sc.com/esgdatapack">sc.com/esgdatapack</a>
<b>ESG Reporting Index (to be published by end Q1 2023)</b>	• Alignment index tables to our priority reporting frameworks, including GRI, SASB Standards, WEF, EP and UN PRB.	→ <a href="https://sc.com/esgreport">sc.com/esgreport</a>
<b>Modern Slavery Statement</b>	• This report sets out the steps we have taken to assess and manage the risk of modern slavery and human trafficking in our operations and supply chain.	→ <a href="https://sc.com/modernslavery">sc.com/modernslavery</a>
<b>Sustainable Finance Impact Report</b>	• We present the impact of our Sustainable Finance assets on a portfolio basis, covering the whole range of our \$13.5bn worth of assets.	→ <a href="https://sc.com/SFimpactreport">sc.com/SFimpactreport</a>
<b>CDP Climate Change</b>	• We participate in the CDP Climate questionnaire, scoring an A- in 2022.	→ <a href="https://sc.com/ESGratings">sc.com/ESGratings</a>
<b>Workforce Disclosure Initiative (WDI)</b>	• We continued our participation in the WDI in 2022, winning the award for most transparent disclosures, and the Contingent Workforce Data Award. We achieved an overall disclosures score of 99% in the most recent assessment.	

# Creating our inaugural Chief Sustainability Office

Achieving economic, social and environmental sustainability is one of the greatest challenges of our generation and a priority for the Group. In 1987, the United Nations Brundtland Commission defined sustainability as **“meeting the needs of the present without compromising the ability of future generations to meet their own needs”**. Here at Standard Chartered we are considering what sustainability means to us, and how it can be translated into implementable investments and actions across the Group.

Our Purpose is to drive commerce and prosperity through our unique diversity. Through our valued behaviours to never settle, be better together, and do the right thing, we intend to truly live our brand promise to be here for good.

However, there are a number of global challenges ahead. We are faced with worsening climate impacts, stark inequality, and unfair aspects of globalisation. Nowhere is this felt more keenly than in our core markets of Asia, Africa and the Middle East.

We are taking a stand to combat these challenges and setting long-term ambitions to help address the most pressing issues we face today when seeking to deliver sustainable social and economic development across our business, operations and communities. In 2021, we formally recognised Sustainability as a core component of our strategy, elevating it to a pillar of our Group Strategy (see page 23). In July 2022, we took this a step further and appointed Marisa Drew as our Chief Sustainability Officer (CSO), to help drive our sustainability agenda and bring together our existing Sustainable Finance, Net Zero Programme Management and Sustainability Strategy Teams. The dedicated CSO office harmonises our existing efforts in sustainability and is responsible for creating and executing the Group-wide sustainability strategy, including delivery against our net zero pathway. With a presence in parts of the world where sustainable finance can have the greatest impact, and a wealth of experience across the Sustainable Finance (SF) and Environmental and Social Risk Management (ESRM) teams, our CSO office is well placed to support our clients in their transition to net zero, mobilise capital at scale and help develop solutions.

We want to help make the world a better, cleaner and safer place. We also want to contribute towards facilitating a just transition – one where climate objectives are met without depriving emerging markets of their opportunity to grow and prosper.

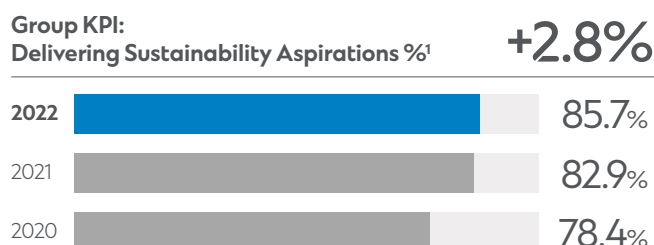


For more information on our sustainability governance see [pages 113 to 116](#).

## Measuring what matters most – understanding our materiality

Since 2016, our approach to striving towards a sustainable and responsible business has been underpinned by our suite of Sustainability Aspirations. These set out how we aim to promote social and economic development and deliver sustainable outcomes in the areas in which we believe we can make the most material contribution to the delivery of the UN Sustainable Development Goals (UN SDGs). We measure progress against the targets set out in our Sustainability Aspirations and incorporate selected Aspirations into the Group Scorecard to ensure consistent measurement, drive widespread awareness and subsequently support delivery. As a signatory of the UN Principles of Responsible Banking (PRB), we utilise the guidance and tools provided as an input to validating the areas of our greatest impact.

'Materiality' is considered to be the threshold for significance of reporting ESG issues for users of financial statements: investors and other stakeholders. We take into consideration the guidance as provided by the IFRS Foundation Standards, understanding that material issues are those which could reasonably be expected to influence decisions of those users. We also note that materiality for ESG considers both quantitative aspects as well as qualitative information, including a regard for sustainable social and economic development. This will evolve over time and we plan to continue to assess our approach and reporting based on relevance to our users.



<sup>1</sup> Each Aspiration contains one or more performance measures. The KPI is the proportion of all measures that have been achieved or are on track to be delivered at the end of the reporting period.



Further details on each Aspiration can be found between [pages 485 and 487](#).

# Accelerating zero: Our approach to climate change

We believe that climate change is one of the greatest challenges facing the world today and that its impact will hit hardest in the markets where we operate, namely Asia, the Middle East and Africa.

Many of these markets are currently reliant on carbon-intensive industries for their continued economic growth. Facilitating a just transition – one where climate objectives are met without depriving developing countries of their opportunity to grow and prosper – will require care, capital and specialised support.

We are well placed to help by directing capital to emerging markets that have both the greatest opportunity to adopt low-carbon technology and some of the toughest transition financing and climate challenges.

In recognition of the important role we can play in the transition, and in line with our Stand to Accelerate Zero, in October 2021, we announced our plan to reach net zero across our operations, supply chain and financed emissions by 2050, as well as our plan to set ambitious interim targets to substantially reduce our financed emissions by 2030. As a UK headquartered bank, our pathway takes into consideration the UK's commitment under the Paris Agreement to reduce GHG emissions by at least 100 per cent of 1990 levels by 2050, and to reduce economy-wide GHG emissions by at least 68 per cent by 2030. However, we are applying these targets and ambitions across our global footprint, despite a number of our footprint markets not having a commitment in place to reach net zero within this timeline at the time of our net zero pathway publication in October 2021.

In May 2022, our Board sought an ordinary resolution on our net zero pathway at our Annual General Meeting (AGM).



See [sc.com/netzerowhitepaper](https://sc.com/netzerowhitepaper) for more information.

## Principal board decision – Shareholder advisory vote on net zero pathway

In October 2021, we announced our plan to reach net zero in our financed emissions by 2050 and proposed this as a shareholder advisory resolution at the Company's 2022 AGM. Market Forces and Friends Provident Foundation filed a resolution outlining a different climate approach. Notwithstanding the fact that all parties are highly committed to contributing to the transition to net zero, the Board unanimously recommended that shareholders vote for our advisory resolution and against the requisitioned resolution, considering this to be in the best interests of the

Company and its shareholders as a whole. The Board reviewed the pathway before its publication and supported the Group's strategic approach.

In advance of the AGM and as part of the Board's process, the Group undertook extensive engagement with investors, proxy voting agencies, NGOs and other stakeholders to gather feedback on our net zero pathway. A summary of feedback was provided to the Board once these engagements had concluded and was carefully reviewed. Engagement included:

- Engagement facilitated by Investor Forum, a not-for-profit investor-funded engagement platform, with investors to understand their perspectives on our net zero pathway.
- Bilateral engagement by the Group, led by the Group Chairman and relevant Board members, with investors and proxy voting agencies to exchange perspectives on our net zero pathway.
- A roundtable hosted by Investor Forum, and with participation of the Group Chairman to gather further feedback on the Group's net zero pathway.
- Bilateral engagement, which included the Group Chairman, with Market Forces and Friends Provident Foundation to exchange perspectives on the transition to net zero. Although we sought to reconcile our perspectives in one joint resolution, we were ultimately unable to do so.
- Commissioning a market research firm to interview leaders from NGOs, academia, business and specialty research institutes from seven countries to analyse how our net zero pathway aligns against external expectations.

In line with the Board's recommendation, the advisory resolution was endorsed with 83 per cent of shareholder support at the 2022 AGM, and the requisitioned resolution did not pass. The Board is aware that the transition to net zero is an ongoing process that requires continued review and challenge to assess its appropriateness. The Board oversees the Group's sustainability strategy with input from the Culture and Sustainability Committee. It is regularly apprised of the progress we are making against the ambitions in the net zero pathway and continues to be actively involved.

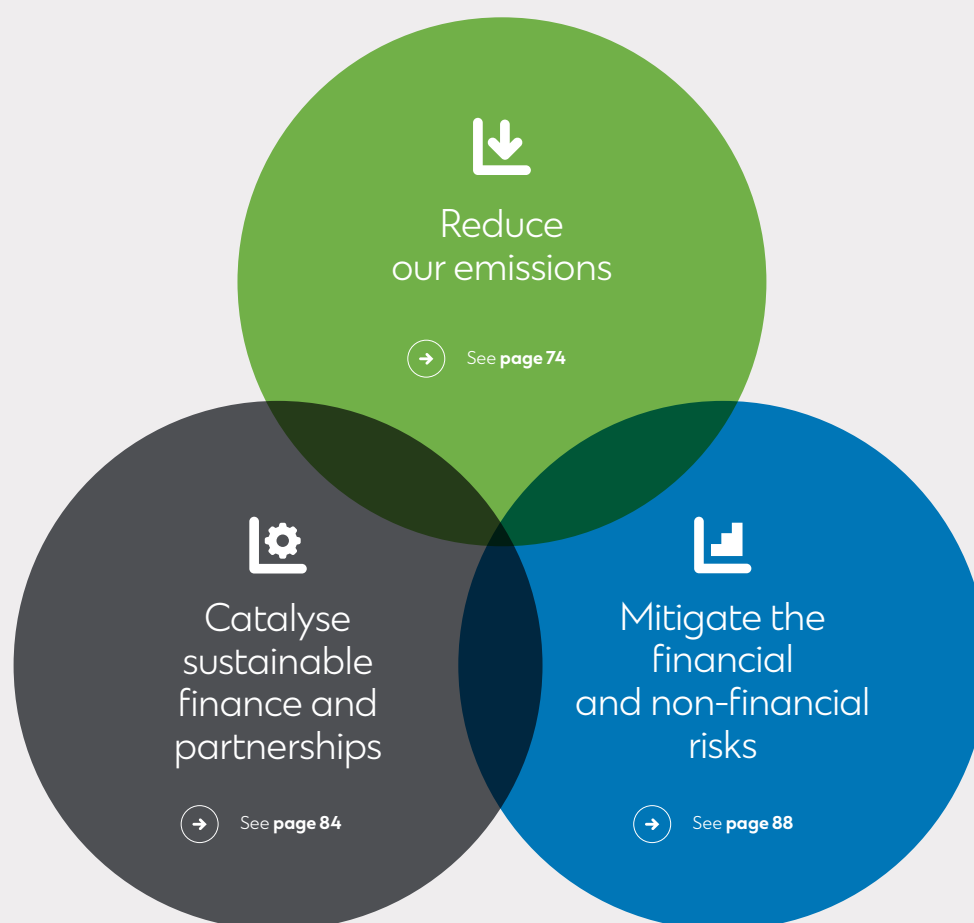
## Our net zero plan

Our net zero plan aims to facilitate solutions to reduce our emissions, catalyse sustainable finance and partnerships, and mitigate the financial and non-financial risks we may face associated with climate change.

In 2022, we mobilised \$23.4 billion through our sustainable financing activities, bringing our cumulative sustainable finance total to \$48 billion since 2021. We continue to focus on reducing the most harmful activities, by seeking to reduce absolute financed thermal coal mining emissions by 85 per cent by 2030, from the 2020 baseline, alongside our long standing commitment to not provide any direct financing to coal-power projects.

We have further investigated options and provided financed emissions baselines and targets for eight sectors: Oil and gas, Power, Coal mining, Steel, Other Metals and mining, Aviation, Automotive manufacturers, and Shipping, covering approximately 61 per cent of the emissions within our CCIB portfolio. This work will continue through 2023 with four further sector deep dives in the Aluminium, Cement, Commercial Real Estate (accelerated from 2024 to 2023) and Residential Mortgages sectors.

As introduced on page 68, this year we have integrated our TCFD disclosures in this Annual Report. The majority of this information can be found in the following section, with supplementary information found, for example, within the Risk overview (pages 42 to 51), Corporate Governance (pages 146 to 183) and the Group Chief Financial Officer's review (pages 32 to 40).



## TCFD summary and alignment index

The following table sets out the TCFD recommendations and recommended disclosures and summarises where additional information can be found. Where we have not included climate-related financial disclosures consistent with all of the TCFD recommendations and recommended disclosures, further information is provided on pages 64 and 77.

Recommendation	Response	Disclosure location
<b>Governance</b>		
<b>a) Describe the Board's oversight of climate-related risks and opportunities</b>		
Process and frequency of communication to Board	<ul style="list-style-type: none"> <li>The Board and its supporting committees, including the Board Risk Committee and Culture and Sustainability Committee, are responsible for the oversight of climate-related risks and opportunities. They receive regular Climate Risk updates to guide them when reviewing and making strategic decisions.</li> </ul>	Governance of our Sustainability Agenda – page 113
Incorporation of climate-related issues into Board and Board Committee planning and decisions	<ul style="list-style-type: none"> <li>Climate Risk was considered as part of our formal annual corporate strategy and financial planning process.</li> <li>In 2022 we developed management scenarios with an aim to strengthen business strategy and financial planning to support the Group's net zero ambition.</li> <li>The Board reviewed and approved our approach to reach net zero financed emissions by 2050.</li> <li>Regional and client-segment Chief Risk Officers review revenue reliance from clients in high-carbon sectors and/or locations in regions most exposed to Physical Risk.</li> </ul>	Governance of our Sustainability Agenda – page 113  Qualitative review of climate risks and opportunities in annual business strategy and financial planning – page 95  Investing in Climate Research – page 87
Board oversight of climate-related goals and targets	<ul style="list-style-type: none"> <li>The Board oversees the Group's overall net zero plan, and in 2022 reviewed progress on delivery against the Group's net zero plan and approved the Group Climate Risk Appetite Statement and related Board-level metrics.</li> </ul>	Governance committees and steering groups with committees – page 114  Sustainable Finance Governance Committee – page 116
<b>b) Describe management's role in assessing and managing climate-related risks and opportunities</b>		
Roles and responsibilities for climate-related risks and opportunities	<ul style="list-style-type: none"> <li>Specific roles and responsibilities for the oversight of climate change have been delegated to management. These are defined within the 'Governance committees and steering groups with responsibility for climate-related issues' section. Climate-related agenda frequency and inputs are also set out for these bodies.</li> <li>The Chief Sustainability Office as led by the CSO is responsible for creating and executing the Group-wide sustainability strategy, including delivery against our net zero pathway.</li> <li>Responsibility for identifying and managing financial risks from climate change sits with the Group Chief Risk Officer (Group CRO) as the appropriate Senior Management Function (SMF) under the Senior Managers Regime (SMR).</li> <li>The Group CRO is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight and central responsibility for the Group's second line of defence against Climate Risk.</li> <li>The organisation structure associated with climate change has also been set out in the 'Governance of our Sustainability Agenda' chapter of our annual report.</li> </ul>	Governance of our Sustainability Agenda – page 113  Governance committees and steering groups with committees – page 114
A description of the associated organisational structures and their monitoring of climate-related issues	<ul style="list-style-type: none"> <li>Several committees within the Group support the Board and Management Team on the management and monitoring of climate change and its associated impacts.</li> <li>The organisation structure associated with climate change has also been set out in the 'Governance of our Sustainability Agenda' chapter of our annual report.</li> </ul>	Governance of our Sustainability Agenda – page 113  Assessing and managing climate risk – page 117
Processes used to inform management	<ul style="list-style-type: none"> <li>Management is informed by several committees and forums, with climate-related information communicated via channels including our Group CRO and Climate Risk Information Reports.</li> </ul>	Governance committees and steering groups – page 114

Recommendation	Response	Disclosure location
<b>Strategy</b>		
<b>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term</b>		
Relevant short-, medium-, and long-term time horizons	<ul style="list-style-type: none"> <li>In our strategic business planning, we consider 'short-term' to be less than two years, 'medium-term' to be two to five years and 'long-term' to be beyond this. For climate scenario analysis we can run 30-year scenarios for both Physical and Transition Risk. Some elements of our Physical Risk scenario analysis can also extend to 2100.</li> </ul>	<p>Our net zero timeline – page 73</p> <p>Scenario analysis – page 90</p>
Processes used to determine material risks and opportunities	<ul style="list-style-type: none"> <li>We utilise a range of tools and methodologies, to assess Transition and Physical Climate Risk, which we apply to our clients, portfolios and our own operations. These includes: scenario analysis, location-based hazard and risk scores, temperature alignment scores and Munich Re's NATHAN tool (acute physical risk impact assessments).</li> <li>In addition, we engage with our corporate clients to understand their transition and physical risks, as well as their plans to prepare for climate change.</li> <li>In 2022, we continued to enhance our understanding of climate-related risks, and significantly strengthened our stress testing and scenario analysis abilities for a range of management scenarios that are more plausible.</li> </ul>	<p>Scenario analysis – page 90</p> <p>Overview of our Climate Risk toolkit and application – page 99</p>
Climate-related risk and opportunities identified	<ul style="list-style-type: none"> <li>We have assessed the impact of Climate Risk to the banking book using scenario analysis over a 30-year time horizon, which has enabled us to identify and mitigate climate risks which may manifest.</li> <li>In addition, sustainability and climate change have moved from being predominantly risk-based initiatives to becoming a value driver. This gives us an opportunity to deploy our market and industry knowledge to advise our clients on their individual sustainability journeys.</li> <li>Sustainable finance is an opportunity to both defend our existing business from Transition Risk, and to fund our clients' transition from a high-carbon present to a low carbon future. Through supporting clients on their net zero journeys, and providing further finance to clients as they adapt to be less carbon intensive and emitting over time, we help mitigate their, and our, Transition Risk. Our aim to achieve Sustainable Finance income of \$1 billion by 2025 and to mobilise \$300 billion of Sustainable Finance by 2030 are measures of this success.</li> <li>We do not fully disclose impacts on financial planning and performance (including proportions of income, costs and balance sheet related to climate-related opportunities), detailed Climate Risk exposures for all sectors and geographies or physical risk metrics. Data limitations, and our plans to mitigate these, are discussed in greater detail in the report.</li> </ul>	<p>Note 1 significant judgement and estimates – page 348</p> <p>Sustainable Finance mobilised – page 84</p>
Significant concentrations of credit exposure to carbon-related assets	<ul style="list-style-type: none"> <li>We have disclosed our exposures to high-carbon sectors which includes the expected credit losses on these balances as well as the maturity profiles associated with them. Our exposure to high-carbon sectors makes up 14.4% of our CCIB loan balances.</li> <li>We aim to become net zero in our financed emissions by 2050, with interim 2030 targets for our highest emitting sectors.</li> <li>In 2022, we made progress towards this goal, and set out to measure, manage and reduce emissions starting with our most carbon-intensive sectors, in line with our net zero roadmap.</li> </ul>	<p>Exposure to high carbon sectors – page 78</p> <p>Reducing our emissions – page 74</p>
<b>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning</b>		
Impact of climate-related risks and opportunities on business areas	<p>The specific areas impacted by climate issues include:</p> <p><b>Operations</b></p> <ul style="list-style-type: none"> <li>We have measured and reduced our greenhouse gas (GHG) emissions since 2008 and since 2018 we have been actively targeting a reduction in our Scope 1 and 2 emissions towards a well-below two degrees Celsius scenario.</li> <li>We intend to optimise our office and branch network, continually maximising efficiency while leveraging clean and renewable power where appropriate, in line with our commitment to the global corporate renewable initiative, RE100, and to help us meet our own challenging targets.</li> </ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>Through our Supplier Charter, we encourage our suppliers to support and promote standards in environmental protection and to manage and mitigate environmental risks.</li> <li>In 2022, we launched a global project to define strategies to address emissions related to Scope 3 Category 1, 2, 4 and 6. Our internal targets cover reducing our emissions related to Upstream transportation and distribution and Business travel by 28 per cent against 2019 levels over the next seven years. Simultaneously, for Purchased goods and services and Capital goods categories, we plan to engage our suppliers (covering circa 67 per cent of spend) to set science-based targets in the next five years.</li> </ul> <p><b>Products and services</b></p> <ul style="list-style-type: none"> <li>We have set targets to achieve \$1 billion of Sustainable Finance income by 2025, to mobilise \$300 billion of Sustainable Finance by 2030, and to launch and grow green mortgages in key markets across our footprint.</li> <li>In 2022, we made progress against these targets, reporting \$0.5 billion Sustainable Finance income, mobilising \$23.4 billion through our Sustainable Finance activities, and launching green mortgages in three new markets.</li> </ul> <p><b>Investment in research and development</b></p> <ul style="list-style-type: none"> <li>Our four-year partnership with Imperial College London covers long-term research on Climate Risk, advisory on shorter-term, internally focused projects to enhance Climate Risk capabilities and training of our colleagues, Management Team and Board.</li> </ul>	<p>Reducing emissions in our operations – page 74</p> <p>Our suppliers – reducing Scope 3 upstream emissions – page 75</p> <p>Catalysing finance and partnerships for transition – page 84</p>

## TCFD summary and alignment index continued

Recommendation	Response	Disclosure location
Incorporating climate-related inputs into the financial planning process	<ul style="list-style-type: none"> <li>In 2022, Climate Risk was considered as part of our formal annual corporate strategy and financial planning process. In addition, we developed management scenarios with an aim to strengthen business strategy and financial planning to support the Group's net zero journey.</li> <li>In addition to this, from a capital perspective, Climate Risk considerations have been part of our Internal Capital Adequacy Assessment Process (ICAAP) submissions.</li> </ul>	<p>Qualitative review of climate risks and opportunities in financial planning – page 95</p> <p>Processes for managing Climate Risk – page 113</p> <p>Note 1 significant judgement and estimates – page 348</p>

**c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario**

Approach to scenario analysis	<ul style="list-style-type: none"> <li>Over recent years, we have progressively strengthened our scenario analysis capabilities and developed our infrastructure and capabilities to incorporate Climate Risk into data, modelling, and analysis.</li> <li>Our work to date, using current assumptions and proxies, indicates that our business is resilient to all Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and International Energy Agency (IEA) scenarios that were explored.</li> <li>In 2021, we recognised Sustainability as a core component of our strategy, elevating it to a pillar of our Group Strategy. In July 2022, we formalised this further and appointed our inaugural Chief Sustainability Officer (CSO), to help drive our sustainability agenda and bring together our existing Sustainable Finance, Sustainability Strategy, and Net Zero Programme Management, teams.</li> </ul>	<p>Creating our inaugural Chief Sustainability Office – page 65</p> <p>Scenario analysis – page 90</p>
Scenarios used	<ul style="list-style-type: none"> <li>In 2022 we engaged a third-party vendor to begin development of bespoke internal modelling capabilities to provide greater transparency.</li> <li>In 2022, we assessed the impact on our CCIB corporate client portfolio based on three IEA scenarios and three Phase 2 scenarios from the NGFS.</li> <li>We also assessed the impact of sea-level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios to explore the Physical Risk impact on the CPBB residential mortgage portfolio over short- and long-term time horizons for internal risk management purposes.</li> </ul>	Scenario analysis – page 90
Impact of climate-related risks and opportunities on business strategy	<ul style="list-style-type: none"> <li>We are working to reduce our exposure to high carbon emitting activities and are supporting clients in these industries to transition to lower carbon technologies.</li> <li>Our sustainable finance priorities, including new emerging products such as sustainable deposits, carbon trading and ESG Advisory, and dedicated transition frameworks, are a robust response to transition risks in the short term, strengthening our resilience towards a 2°C or lower transition scenario.</li> </ul>	<p>Qualitative review of climate risks and opportunities in annual business strategy and financial planning – page 95</p> <p>Catalysing finance and partnerships for transition – page 84</p>

**Risk Management**
**a) Describe the organisation's processes for identifying and assessing climate-related risks**

Processes for identifying and assessing risk	<ul style="list-style-type: none"> <li>To support the management and monitoring of Physical and Transition risks, we continue to conduct case level reviews for enhanced due diligence on high 'Climate Credit' and 'Climate and Reputational and Sustainability Risk' for our corporate clients.</li> <li>The toolkits are used to identify and assess: <ul style="list-style-type: none"> <li>Physical Risk: current-day and longer-term time horizons (2050, 2100) representative concentration pathway (RCP) scenarios 2.6, 4.5 and 8.5, for acute weather events (e.g. storms, floods or earthquakes) and chronic sea-level rise.</li> <li>Transition Risk: translates Orderly, Disorderly and 'Hot-House' world transition scenario variables from NGFS and Net Zero Emissions by 2050, and Sustainable Development and Announced Pledges scenario variables from IEA to financial impact at a client level. Further information on client level assessments can be found on page 102 and the limitations of our methodology on page 94.</li> <li>Temperature alignment: provides a temperature score to indicate client- and portfolio-level global warming potential up to 2030.</li> <li>We define Climate Risk as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. Within this, we assess and define sub-risk types in the form of a climate risk taxonomy which includes: <ul style="list-style-type: none"> <li>Physical Risk: Risk arising from increasing severity and frequency of climate and weather-related events.</li> <li>Transition Risk: Risks arising from the adjustment towards a carbon-neutral economy, which will require significant structural changes to the economy.</li> </ul> </li> </ul> </li> </ul>	<p>Overview of our Climate Risk toolkit and application – page 98</p> <p>Climate Risk Taxonomy table – page 96</p>
--	---	--

Recommendation	Response	Disclosure location
Existing and emerging regulatory requirements related to climate change	<ul style="list-style-type: none"> <li>We have established a process for tracking various Climate Risk-related regulatory developments and obligations set by both financial and non-financial service regulators at Group and regional/country level, with roles and responsibilities set out in the Climate Risk Policy.</li> <li>Regulatory requirements or enhancements needed are recorded through workplans across various teams. The workplans are coordinated and monitored through various working groups by having the relevant accountable executives participate in the relevant forums.</li> </ul>	Processes for managing Climate Risk – page 113
Characterising climate-related risks in the context of traditional banking industry risk categories	<ul style="list-style-type: none"> <li>We have identified seven Principle Risk Types (PRT) that are most materially impacted by potential climate risks and describe transmission channels for Climate Risk manifesting as financial and non-financial risk.</li> </ul>	Existing risk classification and climate-risk transmission channels – page 97 Overview of our Climate Risk toolkit and application – page 99

#### b) Describe the organisation's processes for managing climate-related risks

Processes for managing and mitigating risks	<ul style="list-style-type: none"> <li>We manage Climate Risk according to the characteristics of these PRTs and are embedding climate-risk considerations into the relevant frameworks and processes as well as setting risk appetites for each.</li> <li>Our Climate Risk Appetite Statement (RAS) is approved annually by the Board and is supported by Board and Management Team level risk appetite metrics across Credit – CCIB and CPBB, Reputational and Sustainability Risk (RSR), Traded Risk and Country Risk.</li> <li>We regularly review the scope and coverage of our risk appetite metrics for enhanced risk identification and management. Additional metrics to address our public targets across key sectors and a stress loss metric built on scenario outcomes have been identified and are being monitored for inclusion in risk appetite reporting in 2023.</li> <li>We have toolkits to quantitatively measure climate-related Physical and Transition Risks to determine if they should be prioritised for risk management purposes.</li> </ul>	Mitigating environmental and social risk – page 88 Sustainable Finance mobilised – page 84
---	--	---

#### c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Integration into Enterprise Risk Management Framework	<ul style="list-style-type: none"> <li>Climate Risk is recognised in the Group Enterprise Risk Management Framework (ERMF) as an integrated risk type, i.e. it manifests through existing risk types and is managed in line with the impacted risk type frameworks. We manage Climate Risk according to the characteristics of these PRTs and are embedding climate-risk considerations into the relevant frameworks and processes for each. In 2022, we have continued to build Climate Risk into existing risk-management processes, focusing on identifying, assessing, and monitoring across risk types.</li> </ul>	Integrating climate-related risks into overall risk management – page 100
---	---	---

### Metrics and Targets

#### a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management processes

Key metrics used to measure and manage climate-related risks and opportunities as well as metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities	<p>We disclose the following metrics in order to measure and manage climate-related risks and opportunities:</p> <p>GHG emissions:</p> <ul style="list-style-type: none"> <li>Absolute Scope 1, Scope 2, and Scope 3; financed emissions intensity</li> </ul> <p>Climate-related transition risks:</p> <ul style="list-style-type: none"> <li>Temperature Alignment score</li> <li>Client-level Climate Risk assessment scores by region</li> <li>Projected potential average minor notch credit grade downgrade by 2050</li> <li>Exposure to high-emitting sectors</li> <li>Increase in Counterparty Credit Risk (CCR) stress exposures from physical climate event</li> </ul> <p>Climate-related physical risks:</p> <ul style="list-style-type: none"> <li>Location-based hazard and risk scores</li> <li>Outstanding exposure at very high gross Physical Risk %</li> <li>Outstanding exposure subject to very high gross Flood Risk</li> <li>Market Risk stress loss from physical climate event</li> </ul> <p>Climate-related opportunities:</p> <ul style="list-style-type: none"> <li>Green and social assets</li> <li>Sustainable finance income</li> </ul> <p>Capital deployment:</p> <ul style="list-style-type: none"> <li>\$300 billion mobilisation progress</li> </ul>	Reducing our emissions – page 74 Overview of our Climate Risk toolkit and application – page 99 Exposure to high-carbon sectors – page 78 Sustainable Finance mobilised – page 84 Green and Social Assets – page 86
--	---	---

## TCFD summary and alignment index continued

Recommendation	Response	Disclosure location
Climate-related incentive structures	<ul style="list-style-type: none"> <li>Selected sustainability targets, including those with a climate change dimension, are incorporated into our annual Group Scorecard which informs variable remuneration for all colleagues under our Target Total Variable Compensation plan, including executive directors and Group Management Team. Sustainability has also been included in the 2022–2024 Long-Term Incentive Plan performance measures.</li> </ul>	Annual percentage change in remuneration of directors and employees – page 210 Incentive Structure – page 119
<b>b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks</b>		
Our own operations	<ul style="list-style-type: none"> <li>Despite only a 5 per cent reduction in our measured real estate, we reduced our Scope 1 and 2 emissions by more than 42 per cent to 49,434 tonnes during 2022. 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.</li> </ul>	Reducing our emissions – page 74
In our supply chain	<ul style="list-style-type: none"> <li>In partnership with an independent climate consultancy, we continued improving the accuracy of our methodology and estimated our supplier emissions.</li> <li>The process for Scope 3 upstream vendor emissions measurement is being embedded into our wider annual reporting process and is expected to be executed in the first quarter of each year based on the previous year's vendor spend.</li> </ul>	Reducing our emissions – page 74
Measuring our financed emissions	<ul style="list-style-type: none"> <li>Analysing our exposure to high-carbon sectors (i.e. sectors that are responsible for the majority of the GHG emissions in the atmosphere) is the starting point of our financed emission calculations.</li> <li>We built on our progress in 2021 where we baselined our emissions for five of our high-emitting sectors namely Oil and gas, Power, Coal mining, Steel and other Metals and mining to include three additional transport sectors in 2022 being Automotive manufacturers, Aviation and Shipping.</li> </ul>	Supporting our Corporate, Commercial and Institutional Banking (CCIB) clients with the transition – page 77
<b>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b>		
Details of targets set and whether they are absolute or intensity based	<ul style="list-style-type: none"> <li>The targets we have set for climate-related risks are primarily our net zero, across Scopes 1, 2 and specifically 3 financed emissions, starting in 2030, with thermal coal targets in the shorter term from 2024. Our progress is set out in the Financed emission section.</li> <li>On climate-related opportunities, we have a \$1 billion of Sustainable Finance income and \$300 billion mobilisation of Sustainable Finance targets to 2025 and 2030 respectively.</li> <li>During the year, we revised the measurement of our Oil and gas sector emissions from an income-based carbon intensity to absolute financed emissions to better reflect the sector emission profile, effectively creating a carbon budget for the sector which is intended to decrease over time.</li> <li>In 2022, we continued to expand the coverage of our financed emissions calculations and this report announces three further sectoral targets covering transportation. By 2030, we aim to reduce emissions in the transportation sector: <ul style="list-style-type: none"> <li>– 34% in aviation (production intensity)</li> <li>– Reduce our alignment delta in shipping from +2.6% to 0%</li> <li>– 49% in automotive manufacturers (production intensity).</li> </ul> </li> </ul>	Measurement and progress of our financed emissions – page 79
A description of the methodologies used to calculate targets and measures.	<ul style="list-style-type: none"> <li>The methodologies used to calculate baseline emissions are set out in the Our Clients – reducing our financed emissions section.</li> </ul>	Measurement and progress of our financed emissions – page 79
Other key performance indicators used	<ul style="list-style-type: none"> <li>In 2021, we set our Sustainability Aspirations to include an interim target to aim to reach net zero in our operations by 2030 and in our financed emissions by 2050. In 2022, we updated our target for reaching net zero in our operations by 2030 and brought it forward to 2025.</li> </ul>	Sustainability Aspirations – page 493

## Our net zero timeline

To help us remain on track, we have set short- to medium-term quantifiable targets to manage our progress and disclose our data on an annual basis. Details of our targets in this area, as well as progress towards these, are set out throughout this section of the report.

In our strategic business planning, we consider 'short-term' to be less than two years, 'medium-term' to be two to five years and 'long-term' to be beyond this. For climate scenario analysis we can run 30-year scenarios for both Physical and Transition Risk. Some elements of our Physical Risk scenario analysis can also extend to 2100 (see page 92).





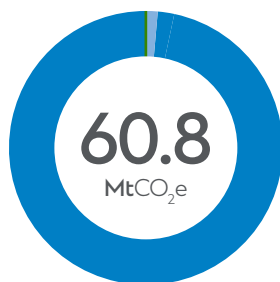
## Reducing our emissions

Since 2018 we have been working on aligning our operational and financed emissions to the Paris Agreement's goal of well below two degrees Celsius of global warming by the end of the century.

We focus on three areas within our strategy to reduce direct and financed greenhouse gas (GHG) emissions: our operations, those associated with our supply chain (indirect impacts in value chain) and our financed emissions associated with our clients.

### Emissions<sup>1</sup>

- **Scope 1&2:** SCB's own emissions  
0.08% (0.05 MtCO<sub>2</sub>e)<sup>2</sup>
- **Scope 3:** Indirect impacts in value chain Cat 1 to 14  
3.65% (2.22 MtCO<sub>2</sub>e)<sup>2</sup>
- **Scope 3:** CCIB Corporates Financed Emissions  
96.26% (58.50 MtCO<sub>2</sub>e)



➔ For more information on our own operations refer to **page 75**

➔ For more details on our own financed emissions refer to **page 76**



### Our operations – reducing our environmental footprint

We are mindful of the direct environmental impact of our branches and offices and are determined to reduce their impact.

We have measured and reduced our GHG emissions since 2008, and since 2018 we have been actively targeting a reduction in our Scope 1 and 2 emissions in line with a well-below two degrees celsius scenario. In 2021, we enhanced this ambition, setting out targets to achieve net zero in our operations by 2025.

Our approach is simple. We intend to optimise our office and branch network, retiring unused and ineffective space to retain a working environment in line with modern requirements for home- and hybrid-working solutions.

In partnership with our long-term strategic real estate suppliers such as CBRE and JLL, we are working to maximise efficiency while leveraging clean and renewable power where appropriate, in line with our commitment to the global corporate renewable energy initiative, RE100, and to help us meet our own challenging targets.

Despite only a 5 per cent reduction in our measured real estate, we reduced our Scope 1 and 2 emissions by more than 42 per cent to 49,434 tonnes during 2022. 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 (being through direct power purchase agreements, green utilities and renewable energy certificates) and across the portfolio.

While new ways of working have led to a direct reduction in our property requirements and associated emissions, we recognise that these emissions have simply been shifted. Throughout 2022, we have begun measuring additional categories of Scope 3 emissions including waste, employee commuting and downstream leased assets. See page 75.

- ➔ Read the principles and methodology for measuring our environment data at [sc.com/environmentcriteria](https://sc.com/environmentcriteria)
- ➔ For further details on our environmental performance see page 489 and our ESG data pack at [sc.com/esgdatapack](https://sc.com/esgdatapack)
- ➔ Read the independent environmental assurance at [sc.com/environmentalassurance](https://sc.com/environmentalassurance)

We are also committed to reducing waste. In 2022, we reduced our overall waste by 37 per cent, and our waste per employee by 39 per cent to 19.2kg, achieving our target to reduce waste to 40kg per employee per year three years ahead of schedule. This was primarily due to new ways of working reducing employee presence in our buildings.

### Improving our office efficiency

We have created a rolling asset replacement strategy for lighting in our offices. We now aim to only install LED and circadian lighting, and any new fit-out or project, small churn-related changes or upgrades always include improved lighting.

1 Standard Chartered measures greenhouse gas emissions using the Greenhouse Gas Protocol

2 Source: The Group's aviation portfolio which it leases to airlines has been added in our Supply Chain Scope 3 (Cat. 13 as per the GHG protocol)

Water availability is a growing challenge in many of our markets. Although we did not face any issues sourcing potable water in 2022, we continue to take a responsible approach to managing water across the Group.

We continue to work towards our target to recycle 90 per cent of our waste by 2025. We have commenced the True Zero Waste programme across our top 20 buildings by size and expect to see the first results next year.

During 2023, we will continue to accelerate our True Zero Waste certification programme across more offices. This certifies 90 per cent of waste diverted from landfill or incineration and will require further investment and education in waste management and avoidance. Additionally, we will certify more single-use-plastic free buildings and promote more sustainable practices.



### Our suppliers – reducing Scope 3 upstream

With approximately 11,700 suppliers, we recognise our contribution to climate impacts through the goods and services we procure and understand that severe weather events could result in material disruptions to our supply chain that may potentially impact our ability to serve our clients.

From 1 April 2022 all new and renewing material third-party corporate services arrangements in-scope for Business Continuity Management controls are subject to climate risk assessment as part of third-party continuity plans.

Through our Supplier Charter, we encourage our suppliers to support and promote standards in environmental protection and to manage and mitigate environmental risks.

In 2022, we continued to make progress against our supply chain sustainability agenda. We saw an approximately 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. Due to a limited number of suppliers able to report emission figures to the Group, our methodology relies primarily on emission factors combined with an increasing volume of data reported by suppliers via the CDP climate change survey and emission figures reported by suppliers to the Group. We expect that both supplier emission calculations and our methodology will continue to evolve over time. Using these insights, we identified and engaged our key highest-emitting suppliers to better understand and align on sustainability actions, metrics and goals.

The process for Scope 3 upstream supplier emissions measurement has been developed and embedded into our wider annual reporting process, with emissions provided for Purchased goods and services, Capital Goods, Upstream transport and Other Business Travel. These emissions are based on the previous year's actual spend, hence a one year time lag: 2022 emissions relate to 2021 expenditure.

Furthermore, we launched a global project to define strategies to address emissions related to Scope 3 Categories 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 set science-based targets in the next five years.

In 2022, to build internal understanding of our supply chain sustainability aspirations and drive united engagement for our net zero goals, we delivered training and awareness sessions which were attended by approximately 450 participants from across the organisation.

Scope of emissions	2022 (tCO <sub>2</sub> e)	2021 (tCO <sub>2</sub> e)	2020 (tCO <sub>2</sub> e)
<b>Scope 1</b> direct emissions (combustion of fuel)	<b>2,071</b>	2,902	3,988
<b>Scope 2</b> energy indirect emissions (purchase of electricity)	<b>47,363</b>	82,761	113,870
<b>Total Scope 1 and 2<sup>1</sup></b>	<b>49,434</b>	85,662	117,858
<b>Scope 3</b> other indirect emissions			
Purchased goods and services (other) <sup>2</sup>	<b>380,732</b>	330,244	–
Purchased goods and services (global data centres) <sup>3</sup>	<b>706</b>	43,132	29,562
Capital goods <sup>2</sup>	<b>34,496</b>	47,217	–
Upstream transportation and distribution <sup>2</sup>	<b>20,300</b>	20,949	–
Waste generated in operations <sup>4</sup>	<b>498</b>	–	–
Business travel (air travel)	<b>39,107</b>	3,654	33,930
Business travel (miscellaneous other than flights) <sup>2</sup>	<b>2,654</b>	4,994	–
Employee commuting <sup>3</sup>	<b>61,917</b>	–	–
Downstream leased assets (corporate real estate) <sup>4</sup>	<b>8,594</b>	–	–
Downstream leased assets (leased aircraft) <sup>4</sup>	<b>1,671,867</b>	–	–
Investments <sup>2,5</sup>	<b>58,500,000</b>	45,200,000	–
<b>Total Scope 3 emissions</b>	<b>60,720,871</b>	45,650,190	63,492
<b>Total emissions</b>	<b>60,770,305</b>	45,735,852	181,350

1 We use an independent third-party assurance provider to verify our greenhouse gas (GHG) emissions. In 2022, our measured Scope 1 and Scope 2 emissions, as well as waste and water consumption, were assured by Global Documentation Ltd, ensuring the accuracy and credibility of our reporting.

2 The reporting period for carbon emissions is 1 October to 30 September. This only differs for category 1: Purchased Goods, category 2: Capital Goods, category 4: Upstream Transportation and Distribution, Category 6: Miscellaneous travel and category 15: Investments where the period 1 Jan to 31 December on a one year lag is used.

3 The decrease in emissions from data centres was due to the offset of REC's (Renewable Energy Certificate) against the total energy consumption. REC's are a type of Energy Attribute Certificate that represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources ie the proportion of power sourced from a national grid that is produced using renewable energy sources.

4 Emissions for Category 5: Waste generated in operations, Category 7: Employee Commuting and Category 13: Downstream Leased Assets was measured and reported for the first time in 2022.

5 These are financed emissions of our CCIB lending portfolio.

→ For further details on our Scope 3 vendor emissions see our ESG data pack at [sc.com/esgdatapack](https://sc.com/esgdatapack)

→ Read our Supplier Charter at [sc.com/suppliercharter](https://sc.com/suppliercharter)



## Our clients – reducing our financed emissions

We aim to support our clients in their own transitions to net zero and see our role in supporting this alignment to the Paris Agreement's goal as a critical part of our climate response plans. We aim to become net zero in our financed emissions by 2050, with interim 2030 targets for our highest-emitting sectors.

In 2022, we made progress towards this goal, and set out to measure, manage and reduce operational and financed emissions via the implementation of our net zero pathway. In 2021, we announced that we expect all clients (beginning with those in high-carbon sectors) to have a strategy to transition to a low-carbon business model. Since then, we have focused on assessing clients in sectors where we have set 2030 net zero targets (Oil and gas, Metals and mining and Power). We have also developed an initial methodology for assessing the credibility of client transition plans. We expect this area to evolve, and will look to adapt our methodology accordingly.

Our methodology draws on information gathered from our client Climate Risk Assessments (see page 88) and considers the guidance on Credible Transition Plans by the Glasgow Financial Alliance for Net Zero (GFANZ) and the UK's Transition Plan Taskforce. In 2022, we tracked the existence of a transition plan for our corporate clients, and by the end of 2023 intend to have a view of credibility of those transition plans for our largest exposures. We acknowledge that targeting net zero will not be a linear pathway, especially for a bank which operates primarily in the emerging markets and recognises its role in helping to support a just transition. As such, in the shorter term, our financed emissions may increase as we focus on funding our clients' transition journeys toward reaching net zero emissions.

## Standard Chartered joins PCAF

During 2022 the Group joined the Partnership for Carbon Accounting Financials (PCAF). Joining PCAF will help us to take a consistent approach to assessing and reporting emissions for its financed and facilitated transactions.

PCAF is a global partnership of financial institutions to develop and implement a harmonised approach for assessing and disclosing the greenhouse gas (GHG) emissions of their loans and investments and is becoming the market standard approach.

PCAF has developed GHG accounting methodologies that can be applied by financial institutions who have exposure to listed equity and corporate bonds, business loans and unlisted equity, project finance, mortgages, commercial real estate and motor vehicle loans. PCAF currently represents financial institutions with total financial assets in lending and investments in excess of \$40 trillion dollars.

## Calculating financed emissions

PCAF define financed emissions as the GHG emissions from loans and investments provided by financial institutions to their clients i.e. the proportion of our clients' emissions we finance. To calculate our baseline projections, we measure three types of financed emissions using three methodologies:

- **Revenue-based carbon intensity:** a measurement of the quantity of GHG emitted by our clients per USD of their revenue.
- **Absolute financed emissions:** a measurement of our attributed share of clients' GHG emissions.
- **Production-based intensity:** a measurement of the quantity of GHG emitted by our clients per USD of their production capacity.

Our methodology is based on global standards, including those set by the Science Based Target initiative (SBTi), the Net Zero Banking Alliance (NZBA) and PCAF.

$$\text{Revenue based intensity} = \frac{\sum \left( \frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client emissions} \right)}{\sum \left( \frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client revenues} \right)}$$

$$\text{Absolute financed emissions} = \sum \left( \frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client emissions} \right)$$

$$\text{Production-based intensity} = \frac{\left( \frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client emissions} \right)}{\text{Client per unit of production}}$$

EVIC stands for economic value including cash and is the sum of the client's debt plus equity. If the client is listed, that equity is the client's market capitalisation. The numerical value of the clients EVIC will impact the measurement of all three financed emission methodologies. If, for example, the market capitalisation of a listed client increases (through the client's share price increasing), the financed emissions will decrease on an absolute financed emission, revenue based intensity and production based intensity basis.

Further, for revenue based intensity, when client revenues increase (for example, commodity based clients experiencing higher commodity prices) the revenue based emissions intensity will decrease.

It is noted that there is a one-year lag on data used for financed emissions. This is a result of the time taken for our clients to report their financial and carbon emission information. Therefore, the Group's 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. We still refer to these as the 2022 and 2021 updates.

## Exposure

### Supporting our Corporate, Commercial and Institutional Banking (CCIB) clients with the transition

In our net zero whitepaper, released in 2021, we provided details of our financed emissions for the 2021 year, using the 2020 balance sheet. Our first baseline emissions measured 45.2 MtCO<sub>2</sub>e (covering 77 per cent of the CCIB exposure portfolio for which the Group could source financial information), and set out our approach to achieve emissions reduction by 2030 in our most carbon-intensive sectors of:

- 63 per cent in Power (Scopes 1 and 2 intensity)
- 33 per cent in Steel (Scopes 1 and 2 intensity)
- 33 per cent in Other metals and mining (ex. Coal Mining) (Scopes 1 and 2 intensity)
- 30 per cent in Oil and Gas (Scopes 1, 2 and 3 intensity)
- 85 per cent in Coal Mining (Scopes 1, 2 and 3 absolute)

The following section sets out our progress made against these targets during 2022, and builds on this foundation with the announcement of three further sectoral baselines and targets being Automobile Manufacturers, Aviation, and Shipping. With the addition of these further three sectors, we have set targets for eight sectors in total. The emissions of the CCIB lending book across all counterparties in all sectors is estimated to be 58.5MtCO<sub>2</sub>e. These total emissions are where the Group is able to obtain client financial information, being the clients' EVIC. In 2022, the Group was able to source client data for 87 per cent of the CCIB lending portfolio to calculate the 58.5MtCO<sub>2</sub>e. Of these emissions, 61 per cent is due to the emissions of the counterparties in the eight high-carbon sectors for which the Group has set targets. These eight sectors represent 14.4 per cent of the CCIB lending book as of 30 September 2022.

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. Analysing our exposure to high-carbon sectors (i.e. sectors that are responsible for the majority of the GHG emissions in the atmosphere) is the starting point of our financed emission calculations. In order to identify which of our lending is to high-carbon sectors, we use the Task Force on Climate-related Financial Disclosures (TCFD) sector categorisation, namely: energy; transportation; materials and buildings; and agriculture, food and forest products. The most material sub-sectors to the Group for which baselined targets have been set are presented below.

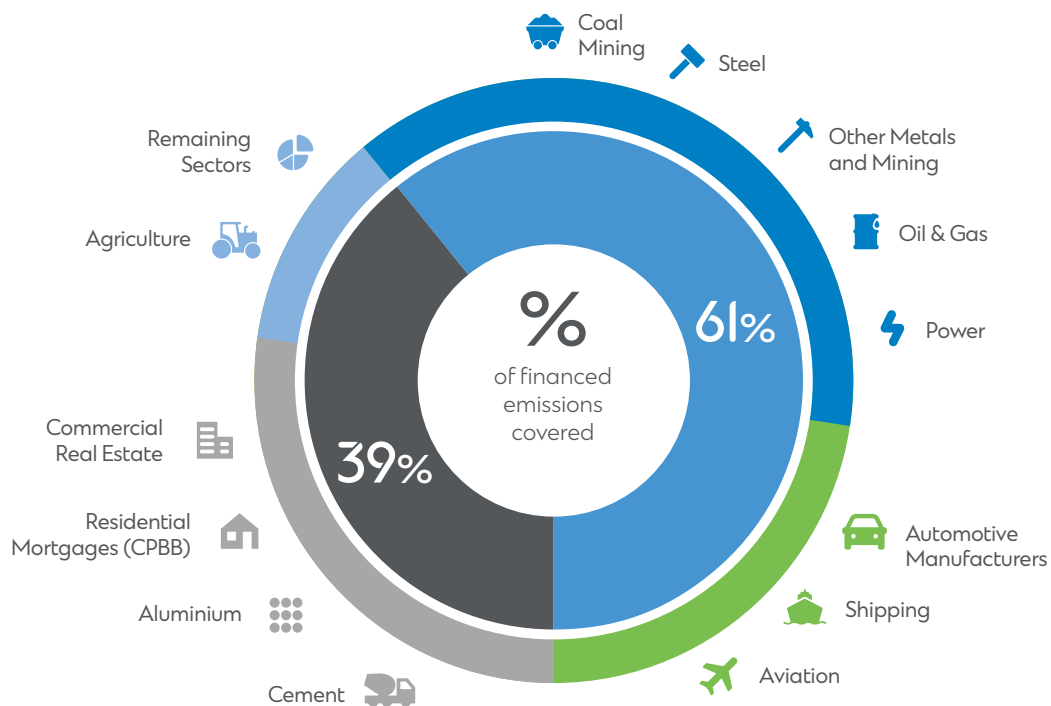
### Percentage of financed emissions covered %

#### Included in analysis

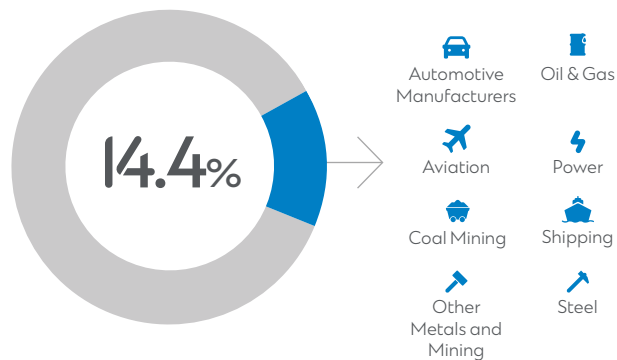
● 2021 ● 2022 ● 2023 ● 2024 and later

#### Emissions coverage

● Completed ● Not completed



## High-carbon sectors as a % of total CCIB lending



We have extended our financed emissions analysis and disclosure on our exposure to high-carbon sectors.

Sectors are identified and grouped as per the International Standard Industrial Classification (ISIC) system and exposure numbers have been updated to include all in-scope ISIC codes used for target setting among the seven high-carbon sectors.<sup>2</sup>

The maximum exposures shown in the table include Loans and Advances to Customers at Amortised cost, Fair Value through profit or loss, and committed facilities available as per IFRS 9 – Financial Instruments in \$million. Green and other sustainable finance loans which support the transition to the net zero economy are also included. The full exposure does not provide an indication of how many clients have net zero pathways in alignment with our own, and hence can be banked through the transition of their businesses from a higher-carbon present to a lower-carbon future. As reporting efforts harmonise around green, sustainable and transition taxonomies, we will evolve our reporting accordingly.

Loans and advances and undrawn balances to high-carbon sectors<sup>2</sup>

Sector	Loans and advances (drawn funding) \$m		Undrawn commitments and financial guarantees \$m	
	2022 <sup>1</sup>	2021 <sup>3</sup>	2022 <sup>1</sup>	2021 <sup>3</sup>
Automotive manufacturers	3,439	3,168	3,036	3,675
Aviation	2,497	2,846	1,276	1,114
Coal mining	69	133	8	10
Steel	1,681	1,838	1,007	837
Other Metals and mining	2,847	2,021	3,237	3,729
Oil and gas	6,641	7,077	13,926	14,750
Power	4,918	4,916	3,843	5,594
Shipping	5,456	5,596	1,510	1,491
<b>Total balance</b>	<b>27,548</b>	<b>27,595</b>	<b>27,843</b>	<b>31,200</b>

Maturity and expected credit losses of exposure to high-carbon sectors<sup>2</sup>

Sector	2022 <sup>1</sup> \$m	Maturity buckets			2022 <sup>1</sup> \$m
	Loans and advances (drawn funding)	Less than 1 year	More than 1 to 5 years	More than 5 years	Expected credit loss
Automotive manufacturers	3,439	2,855	534	50	–
Aviation	2,497	120	916	1,461	65
Coal mining	69	5	31	32	12
Steel	1,681	1,456	216	8	38
Other Metals and mining	2,847	2,330	312	205	45
Oil and gas	6,641	2,506	2,203	1,931	276
Power	4,918	1,495	1,434	1,988	117
Shipping	5,456	801	2,988	1,668	51
<b>Total balance</b>	<b>27,548</b>	<b>11,567</b>	<b>8,635</b>	<b>7,344</b>	<b>603</b>









1 This is as at 30 September 2022

2 The ISIC codes used by the Group above are as follows:

**Automotive** manufacturers (Manufacture of motor vehicles and Motor Finance); **Aviation** (Passenger air transport); **Coal** (Coal Mining); **Steel** (Iron and Steel basis Industries and casting of iron and steel); **Other Metals and Mining** (Iron Ore Mining, Gold and Precious Metals, Copper & Zinc, Stone quarrying clay and sand pits, Mining & Quarrying NEC; Support activities for other mining and quarrying, Casting of non-ferrous metals, Aluminium, Non-ferrous metal basis industries, Metal products services, Manufacture of fabricated metals); **Oil & Gas** (Extraction of Oil, Oil rig operators, Support activities for petroleum and natural gas extraction, Extraction of natural gas, Petroleum refineries, Manufacture and repair of mining, Oilfield & gasfield and related machinery and equipment); **Power** (Electricity generation and distribution, Water Supply & distribution, Collection of non-hazardous waste); **Shipping** (Sea and coastal freight water transport, Support services to water transport/NEC, Sea and coastal passenger water transport, Gas Manufacture & distribution)

3 2021 balances are as at 31 December

## Measurement and progress of our financed emissions: sectoral deep dives

Sector	Absolute Financed Emissions MtCO <sub>2</sub> e		Intensity Financed Emissions kgCO <sub>2</sub> e		Change YTD 22 vs YTD 21	2030 target	Target based on
	2022 <sup>1</sup>	2021 <sup>8</sup>	2022 <sup>1</sup>	2021 <sup>8</sup>			
<b>Standard Chartered Group</b>	<b>58.5<sup>7</sup></b>	<b>45.2</b>					
 <b>Oil and gas</b>	<b>10.2</b>	13.7	<b>2.8</b>	3.0	-8.3%	-30%	Revenue Emissions Intensity
 <b>Power</b>	<b>6.3</b>	7.7	<b>2.1</b>	3.7	-43.6%	-63%	Revenue Emissions Intensity
 <b>Coal mining</b>	<b>2.3</b>	3.3			-30.3%	-85%	Absolute Emissions
 <b>Metals and mining</b>	<b>0.4</b>	0.4	<b>0.9</b>	1.0	-7.4%	-33%	Revenue Emissions Intensity
 <b>Steel</b>	<b>2.7</b>	2.7	<b>1.9</b>	2.2	-12.0%	-33%	Revenue Emissions Intensity
<b>Transport</b>	<b>13.9</b>	2.7	<b>-</b>	<b>-</b>	<b>415%</b>		
 <b>Auto Manufacturers<sup>2</sup></b>	<b>4.3</b>		<b>160g CO<sub>2</sub>e/Vkm</b>			-49%	Production Emissions intensity <sup>5</sup>
 <b>Aviation<sup>3</sup></b>	<b>2.2</b>		<b>1,152g CO<sub>2</sub>e/ Rtk</b>		NA	-34%	Production Emissions intensity <sup>5</sup>
 <b>Shipping<sup>4</sup></b>	<b>7.4</b>		<b>+2.6% delta</b>			0%	Production Emissions intensity <sup>5</sup>
<b>Other<sup>6</sup></b>	<b>22.7</b>	<b>14.7</b>			<b>NA</b>		

1 2022 financed emissions are calculated based on 31 December 2021 data

2 Vkm means vehicle per km

3 Rtk means per revenue tonnes km

4 An alignment delta is an asset by asset plot against a set curve, either below (being negative which means less CO<sub>2</sub> per asset than the curve) or above (being positive which means more CO<sub>2</sub> per asset than the curve). In this instance the assets are ships and how they plot against the International Maritime Organisation curve

5 Sector specific intensity being CO<sub>2</sub> per distance traveled

6 'Other' includes manufacturing, wholesale and retailers, commercial real estate, aluminium and cement sectors

7 The exposure to clients is from the Group's systems, however, the ability to find counterparty EVIC's and carbon disclosed is evolving and currently relies on third party inputs and individual searches for financial information. EVIC information is usually found via external aggregators, internal risk systems and individual financial information searches. For emissions, this is done through external aggregators and where not available, regression analysis and proxy information is used

8 2021 financed emissions are calculated based on 31 December 2020 data

## Standard Chartered Group total

Our total financed emissions in 2022 are 58.5 MtCO<sub>2</sub>e, up from 45.2 MtCO<sub>2</sub>e in 2021. This represents an increase of 29 per cent. This increase is not unexpected and reflects a combination of: sector deep dives, which capture full sector value chain emissions; methodological improvements based on evolving industry best practice; and expanded coverage of our emissions footprint based on increasing data availability. These factors contributing to the 2022 reported group emissions figure are therefore not a reflection of an inherent increase in our clients' underlying emissions footprints.

Over time, we will seek to capture and report on emissions reductions versus those attributed to methodology changes and expanded coverage of sector emissions.

- **Expansion in scope** – prior to conducting our sector deep dives as articulated in our net zero pathway, we took a top-down corporate level approach in calculating the baseline. In particular, for the transport sector, our corporate level approach accounted for only Scope 1 and 2 emissions (e.g. solely the emissions from their direct manufacturing and administrative activities). Through the transport sector deep dives we were able to do a full mapping of the sector value chain from a bottom up perspective, which included the underlying asset level emissions. Therefore, emissions have been counted for each underlying vehicle produced, aircraft flown and ship sailed, in addition to the manufacturing and administrative activities. This significantly increased our baseline emissions in 2022 from 2.7 to 13.9 MtCO<sub>2</sub>e.
- **Increased data coverage** – we continue to improve our data coverage. In 2022, our client coverage of financial (EVIC) information increased YoY from 77 per cent to 87 per cent. This increased data availability also increased our baseline emissions.

- **Financial volatility** – offsetting the prior two factors, increases in commodity prices increased profitability and resulted in higher share prices in these sectors, both of which increased EVICs, therefore decreasing absolute financed emissions for the Group.

Further, for revenue emissions intensity (as applicable to the Oil and gas, Power, Steel and Other metals and mining sectors), this increased profitability decreased revenue-based carbon intensity (as the ratio of emissions to revenue earned decreased). In 2023, we will be moving to production-based intensity metrics for these sectors which will reduce the impact of market volatility on our emissions profile.

We acknowledge that our ambition to achieve net zero in our financed emissions by 2050 will not be a linear decreasing pathway given the above factors.

## Individual high-carbon sectors

We measured progress against our emission targets in three forms: **absolute financed emission** (Coal mining and a baseline for Oil and gas), **revenue-based carbon intensity** (Oil and gas, Power and Metals and mining), and **production-based intensity** (Auto manufacturers, Aviation and Shipping).

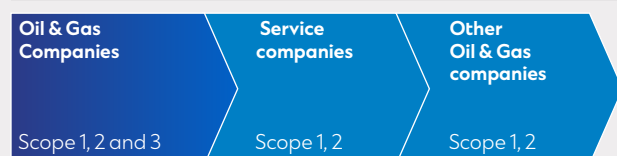
- Oil and gas has shown movement in revenue-based intensity as well as the absolute financed emission baseline. There was a decrease in absolute emissions, due to increasing EVICs and a portion of the 2021 population (Gas-related ships) moving to the Shipping transport sector.
- Coal mining exposure decreased to less than \$100 million; this is a run-down book with no new coal mining loans made in the year.
- Steel financed emissions remain widely flat across 2021–2022, decarbonisation of steel will be a long-term journey with limited short-term impact.
- Power on an economic intensity basis saw a significant decrease, primarily attributed to macroeconomic factors of increased commodity prices passed onto customers with resulting higher revenues. The Power portfolio does however have approximately 25 per cent of its exposure to renewable energy counterparties, which is also bringing this intensity metric down.

We continue to refine our approach to measuring production targets. In 2023, noting the shortcoming of economic intensity, these sectors will be measured using production-based intensity metrics (CO<sub>2</sub> per kWh or tonne of steel produced).

## Oil and gas

The decarbonisation of this sector is central to global efforts to reach net zero, and is particularly relevant within the markets in which we operate as around half of the sector's global emissions originate in Asia, Africa and the Middle East. Oil and gas represents the single biggest contributor to our total absolute financed emissions, representing 17 per cent of the total.

### Oil and gas value chain in scope



### Our portfolio

Balance \$bn	2022 financed emissions	Target	Target type
6.3	10.2 MtCO <sub>2</sub> e	-30% (2020–2030)	Revenue emission intensity

### Progress

In our net zero whitepaper, we targeted an emissions reduction in the Oil and gas sector of 30 per cent (Scopes 1, 2 and 3 intensity) by 2030.

During 2022, we revised the measurement of our Oil and gas sector emissions from a revenue-based carbon intensity to absolute financed emissions. This better reflects the sector emission profile and provides alignment with the emerging consensus of peer banks as to the best way in which to measure and set targets for the sector. This effectively creates a carbon budget which is intended to decrease over time, which further helps meet the expectations of our key stakeholders. Our new absolute baseline is 10.2MtCO<sub>2</sub>e and we will disclose targets for this baseline by the Group's 2023 Annual General Meeting.

In 2022, using the existing intensity target, we achieved an 8 per cent reduction year-on-year. This reduction was primarily due to macroeconomic factors, including an increase in clients' underlying corporate value (EVIC) due to increases in commodity prices linked to the war in Ukraine and rising energy prices. This has resulted in a proportionate reduction in our share of financed emission contributions.

#### Calculation methodology/Science-based scenario selected

For the Oil and gas sector, our calculations are based on the International Energy Agency (IEA) Net Zero Emission by 2050 (NZE) and the Current Policies Scenario (CPS).

In the NZE scenario, the share of fossil fuels in global energy falls from around 80 per cent in 2020 to 20 per cent in 2050, and the residual usage of fossil fuels by 2050 is primarily related to goods where carbon is embedded (e.g. plastics), or production facilities fitted with CCUS (Carbon capture, utilisation and storage). Any remaining usage of fossil fuels is limited to sectors where low-emissions technology options are scarce. Scope 2 emissions are projected using the power generation emissions pathway. Scope 3 downstream emissions make up around 90 per cent of total emissions in the Oil and gas sector and have been calculated assuming that all fuel is burnt and there is no impact from CCUS.

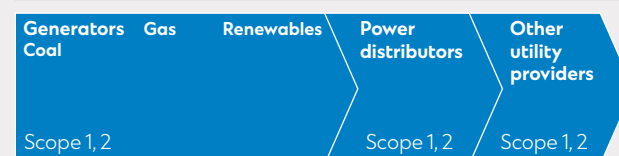
#### Changes in baseline method

For 2022, we have updated the Oil and gas sector emission measurement from revenue-based carbon intensity to absolute financed emission to better reflect sector emission profile.

## Power Generation

The Power sector sits at the forefront of the energy transition, with many industries relying on electrification to achieve net zero by 2050. However, this will not be possible without a sufficient supply of low-carbon electricity. The private sector is well-established as the leading source of finance for power generation in most economies around the world.

### Power Generation value chain in scope



### Our portfolio

Balance \$bn	2022 carbon intensity	Target	Target type
4.0	2.07 KgCO <sub>2</sub> e	-63% (2020–2030)	Revenue emission intensity

### Progress

We have set ourselves the target to reduce emissions in the Power Generation sector by 63 per cent (Scopes 1 and 2 intensity) by 2030. In 2022, we achieved a 44 per cent reduction, primarily driven by increases in commodity prices which are passed onto customers by power producers, thereby increasing the revenue earned by the producer.

Increases in the producer's revenue and EVICs decreases our proportion of financed emissions, both on an absolute and economic intensity basis. Absolute reductions in emissions are therefore primarily because of macroeconomic factors. As a caveat, the Group continues to grow our financing provided to renewable power producers, which now represents approximately 25 per cent of the power portfolio and contributes towards this intensity decrease.

#### Calculation methodology

Scope 1 is the most material component of the Power sector's emissions. By contrast, Scope 2 is insignificant and relates to energy used to operate power plants which cannot be isolated from the overall industry electricity consumption. Scope 3 is not included as there is no agreed approach to its quantification in this sector.

#### Changes in baseline method

We intend to update our measurement basis of the power sector from a revenue-based intensity measure to a production-based measure in 2023. We believe this will provide a more accurate measure of our counterparty CO<sub>2</sub> emissions, which will be per unit of power produced (KWh).

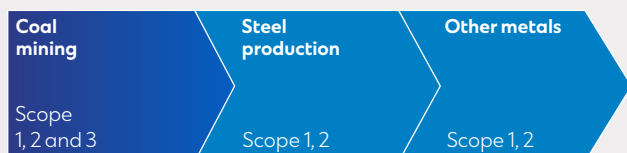


## Metals and mining

The Metals and Mining sector provides raw materials that support much of the global economy. The sector contributes around 12 per cent of global CO<sub>2</sub> emissions (Scope 1 and 2), of which Asia, Africa and the Middle East contribute more than 75 per cent.

Our net zero whitepaper detailed our targets to achieve an emissions reduction of 33 per cent for Steel (Scopes 1 and 2 intensity); 33 per cent for Other Metals and Mining (ex. Coal mining) (Scopes 1 and 2 intensity); and 85 per cent for Coal mining (Scopes 1, 2 and 3 absolute).

### Metals and mining value chain in scope



### Our portfolio

Sector	Balance \$bn	2022 financed emissions	Target	Target type
Steel	1.4	1.9	-33%	Revenue emissions intensity
Other Metals and Mining	0.7	0.9	-33%	Revenue emissions intensity
Coal Mining	<0.1	2.3	-85%	Absolute financed emission

### Progress

In 2022, we achieved a 30 per cent reduction in the absolute emissions associated with our Coal mining portfolio, from 3.3 to 2.3 MtCO<sub>2</sub>e. This has been achieved by allowing the periodic run-down of our loan book in this sector.

For Steel and Other Metals and Mining, we achieved a 11 per cent reduction in the revenue intensity target. This decrease was primarily due to increases in commodity prices reducing our proportion of the client's emissions. Price increases resulted in an increase in client revenue which therefore reduced our share of emissions.

### Calculation methodology

#### Mining projections

We have used a Baringa scenario to calculate Scope 1 emissions from coal mining. The Power sector has been followed for Scope 2 emissions and Scope 3 emissions have been based on coal production adapted from the IEA's Net Zero Emissions scenario.

#### Steel producer projections

Emissions for the steel sector are often quoted or published in a way that partially includes Scope 1 and/or Scope 3. In our methodology, we differentiate Scope 1 from Scopes 2 and 3 to support clearer, more precise calculations. Scope 3 emissions are not currently calculated due to limited data availability; however, we continue to engage our clients and standard setters to develop a suitable approach to calculating Scope 3 emissions for steel.

#### Changes in baseline method

We intend to update our measurement basis of the Metals and mining sector from revenue-based intensity measures to a production-based measure in 2023. We believe this will provide a more accurate measure of our counterparty CO<sub>2</sub> emissions which will be provided by unit of metal produced (e.g. tonne of steel).



## Thermal coal

We will only provide financial services to clients who:

### By 2024

are less than 80% dependent on thermal coal (based on % revenue)



### By 2025

are less than 60% dependent on thermal coal (based on % revenue)



### By 2027

are less than 40% dependent on thermal coal (based on % revenue)



### By 2030

are less than 5% dependent on thermal coal (based on % revenue)

### Progress

In October 2021, we enhanced our Power Generation and Extractive Industries Position Statements to test our clients' dependency on thermal coal at client entity level and at group level (tested at group level previously). Since then, we identified 37 client entities that derive 100% of their revenue from thermal coal. Of these, 14 entities have been fully exited in 2022 with the remainder in progress, subject to contractual commitments.

All our criteria on thermal coal is tested on an annual basis via our Environmental and Social Risk Assessments. Where a client triggers a threshold but approaches us to provide Transition Finance we will consider our involvement on a case-by-case basis, including instances where a client is reducing greenhouse gas emissions through the early retirement of coal power assets.

## Expanding our financed emissions coverage

In line with our aim to measure, manage and reduce our financed emissions, in 2022, we continued to expand the coverage of our calculations and are pleased to announce three further sectoral targets covering transportation.

By 2030, we aim to reduce emissions in the transportation sector:

- 34 per cent in Aviation (production intensity)<sup>2</sup>
- Reduce our alignment delta in Shipping from +2.6 per cent to 0 per cent<sup>1</sup>
- 49 per cent in Automotive manufacturers (production intensity)<sup>2</sup>

1 Alignment with the International Maritime Organisation (IMO) emissions trajectory curve

2 Sector specific intensity being CO<sub>2</sub> per Km distance traveled



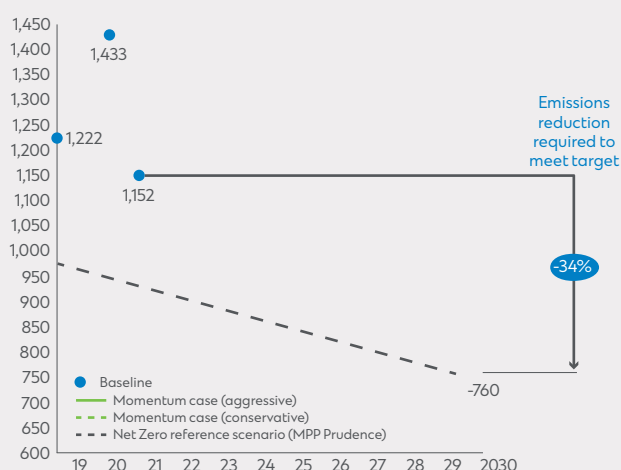
## Aviation

The aviation sector includes all activities related to domestic and international air travel. It is responsible for over 2 per cent of global energy-related CO<sub>2</sub> emissions, as per the IEA Tracking report 2022.

Our 2022 portfolio emissions baseline is 1152 gCO<sub>2</sub>e/Rtk (revenue tonne kilometre). Reaching net zero in this sector will be challenging; however, we believe we can make progress towards net zero by leveraging new fleet technology, sustainable aviation fuels (SAF) and engaging ambitious counterparties.

We have set ourselves the target to achieve a 34 per cent reduction in production intensity<sup>2</sup>, from our baseline.

**Emission intensity (gCO<sub>2</sub>e/RTK)**



### Calculation methodology

The emissions are calculated based on Mission Possible Partnership (MPP) Prudence (1.5C scenario) by counting aviation fuel burn by each aircraft to which asset-backed finance has been provided. The calculation uses a well-to-wake formula which includes all emissions from the point of oil extraction to being burnt by the aircraft engines. Therefore, Scopes 1, 2 (for the corporate) and 3 (emissions for each aircraft) are included for each counterparty funded.

For each aircraft, we receive total km travelled, estimate total fuel burnt on a well-to-wake basis (based on total distance travel and aircraft engine type) and add onto this a load (weight) factor of specific aircraft to calculate Revenue Tonnes per Kilometre.



## Shipping

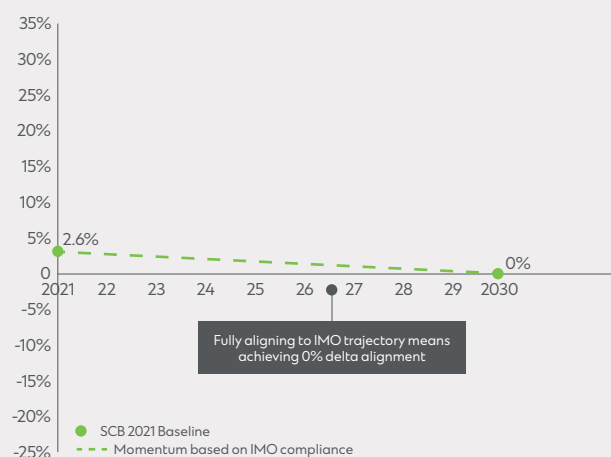
The shipping sector consists of moving goods or passengers by water and is responsible for 2.9 per cent of global emissions.<sup>1</sup>

Our shipping portfolio has a baseline 'alignment delta' of +2.6 per cent in 2022. Achieving the current International Maritime Organisation (IMO) target of zero delta is feasible and future regulations are likely to drive the industry to net zero. Key levers for the sector include:

- Support transition through investment in retrofit, alternative fuels and greener vessels (e.g. young and dual fuel vessels).
- Deepen relationships with ambitious counterparties and engage others.

### Alignment delta

(calculated against current IMO trajectory)



### Calculation methodology

Shipping emissions are calculated by counting fuel oil burn for each ship to which asset-backed finance has been provided.

Each owner or lessee is required to report to a regulator the distance its ships have travelled during the year, as well as fuel consumed per vessel. Some vessels consume more energy based on their type of cargo.

IMO conversion factors are used to convert fuel burnt to CO<sub>2</sub> emissions, with these emissions divided by distance travelled and Dead Weight Tonnage (the loaded weight of a ship) to provide the gCO<sub>2</sub>e/Vkm (vehicle kilometre).

The IMO also has a 2050 trajectory. This is not yet 1.5 degree compliant, however the Poseidon Principles, which are shipping specific, requires that banks measure and report their 'alignment delta' and provide a trajectory for each type of vessel in a different weight category to that trajectory.

<sup>1</sup> IMO, 2020. Fourth IMO GHG Study. <https://www.imo.org/en/OurWork/Environment/Pages/Fourth-IMO-Greenhouse-Gas-Study-2020.aspx>

<sup>2</sup> Sector specific intensity being CO<sub>2</sub> per Km distance travelled



## Automotive manufacturers

Automotive manufacturers includes industries associated with the production, wholesaling, retailing and maintenance of motor vehicles. The sector is responsible for 17 per cent of global emissions.

Our portfolio emissions baseline was 160 gCO<sub>2</sub>e/Vkm in 2022. A focus on financing the growth of the electric vehicle industry is key to success in this sector.

We have set ourselves the target to achieve a 49 per cent reduction in production intensity<sup>1</sup> from our baseline.

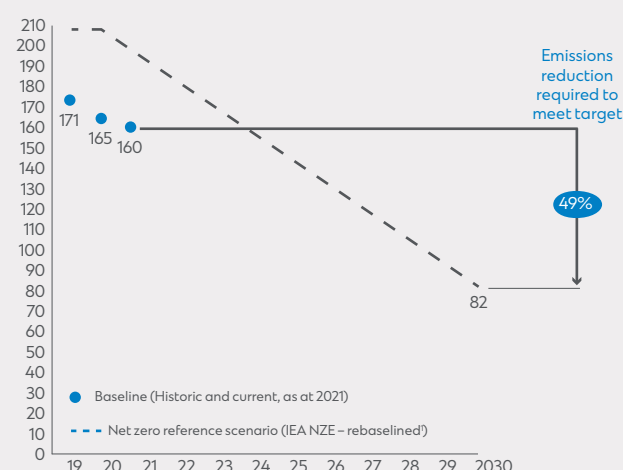
### Calculation methodology

There is currently no automotive sector-specific target. Therefore, the target is based upon the IEA net zero 1.5C scenario.

The total emissions calculated are the Scope 1 and 2 emissions of the original equipment manufacturers (OEM), being the manufacturing carbon cost) + Scope 3, being the lifetime tailpipe emissions x vehicles produced + OEM emissions from supply chain.

This is divided by the total kilometres travelled of vehicles produced to calculate gCO<sub>2</sub>e/Vkm.

### Emission intensity (gCO<sub>2</sub>e/vkm)



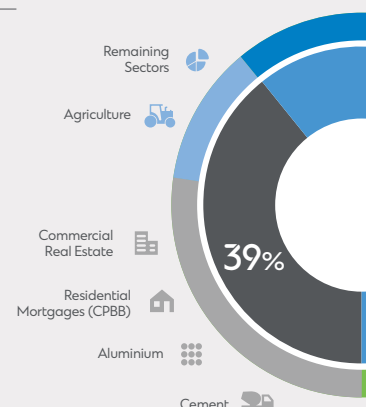
1. Augmented to be new light duty vehicles only, CO<sub>2</sub> to CO<sub>2</sub>e, scope 3 TTW to scope 1-3 excl. WTT

## What comes next

As a member of the NZBA, we are committed to measure and set targets against all our high-carbon sectors within three years.

### Enhancements: Targets to be set in the future

Activity	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
<b>Aluminium</b>	Data collection		→			
<b>Cement</b>	Data collection		→			
<b>Mortgage (CPBB)</b>			→			
<b>Commercial Real Estate</b>	Data collection		→			
<b>Agriculture</b>						→
<b>Remaining Sectors</b>						→



### Enhancements to existing targets

We have made, or will be making, the following changes to the way we set targets. This is to better reflect our progress against reductions without these being impacted by changes in commodity prices influencing revenue intensities.



### CPBB mortgage emissions

Within our CPBB segment, we set a target to measure and report mortgage emissions with a view to setting targets by December 2023. During 2022 we completed baseline emissions measurement for Singapore, Hong Kong and Korea, covering more than 80 per cent of the consumer mortgage portfolio.

1 Sector specific intensity being CO<sub>2</sub> per Km distance travelled



## Catalysing finance and partnerships for transition

In recent years, sustainability has moved from a predominantly risk-based initiative to become a value driver for many banks as they seek opportunities to mitigate climate change and its effects, and tackle social issues through the provision of finance.

Our Opportunity 2030 report ([www.sc.com/opportunity2030](http://www.sc.com/opportunity2030), published in 2020) identified a \$10 trillion investment opportunity in contributing to the SDGs, including clean energy. It is this opportunity which we are targetting through our low-carbon products and services.

With our strong emerging markets footprint, we recognise the role we have to play in facilitating a just transition, directing capital and specialised support to the regions that need it most to support sustainable economic growth. More than 90 per cent of our sustainable financing is directed at communities within the Asia, Africa and the Middle East region (see [sc.com/SFImpactReport](http://sc.com/SFImpactReport) for more detail).

We have focused on strengthening our capabilities in transition finance throughout 2022, including deploying a dedicated Transition Acceleration Team within the CSO organisation to support clients in high-carbon sectors. This team includes specialists with industry knowledge to advise our clients in their individual sustainable finance journeys.

**We have set ourselves targets to achieve Sustainable Finance income of \$1 billion by 2025, and mobilise \$300 billion of Sustainable Finance between 2021 and 2030.**

We have set ourselves a target to mobilise \$300 billion of Sustainable Finance by 2030. This includes the facilitation of green and social bond raising, provision of funding commitments to green and social causes as outlined below, advisory services to support our clients on their own journeys to net zero and facilitation of Sustainability Linked Loans.

In 2022, we mobilised \$23.4 billion through our sustainable financing activities, bringing our cumulative sustainable finance total towards this target to \$48 billion since 2021. This target update covers the time period from 1 January 2021 to 30 September 2022. Note the decline in our capital markets activity is consistent with the overall market for green, social and sustainable issuances in 2022. Further our Project Export Finance (PEF) portfolio was impacted by supply chain issues and market sentiment.

1 Mobilisation of Sustainable Finance is defined as any investment or financial service provided to clients which supports: (i) the preservation, and/or improvement of biodiversity, nature or the environment; (ii) the long-term avoidance/decrease of CO<sub>2</sub> emissions, including the alignment of client's business and operations with a 1.5 degree trajectory (known as transition finance); and (iii) a social purpose.

2 Lending transactions are measured as per the loan commitment/underwritten amount provided to the counterparty. This lending meets the requirements of the Group's Green and Sustainable Product Framework.

### Sustainable Finance mobilised<sup>1</sup>

	2021 \$24.6bn	2022 \$23.4bn	2021-2030 \$300bn
Product	2022 \$mn	2021 \$mn	Cumulative progress \$m
<b>Balance-sheet related transactions provided<sup>2</sup></b>			
Green/Transition Project Export Finance (PEF) lending	985	1,647	2,632
Social/Sustainable PEF lending	872	1,290	2,162
Financing Solution (FS) and Leveraged and Acquisition Finance (LAF) lending	2,599	2,427	5,026
Sustainable linked loans (SLL) <sup>3</sup>	5,201	8,544	13,745
Transition finance	144		144
Green mortgages <sup>4</sup>	3,500		3,500
Business banking Small and Medium Enterprise (SME) lending <sup>5</sup>	535	499	1,034
Micro finance	778	618	1,396
<b>Capital Market/Advisory<sup>6</sup></b>			
Green/Transition bonds	2,899	3,961	6,860
Social/Sustainable bonds	3,593	4,688	8,281
Mergers & Acquisition (M&A)/Advisory <sup>7</sup>	2,279	905	3,184
<b>Total sustainable finance mobilised<sup>8</sup></b>	<b>23,385</b>	<b>24,578</b>	<b>47,964</b>
Of the above			
CCIB	18,572	23,461	
CPBB	4,813	1,117	
	<b>23,385</b>	<b>24,578</b>	

3 SLLs are measured as the committed/underwritten amount as provided to the counterparty. SLLs provide funding to counterparties with KPIs linked to either green or social targets, and if those targets are met the interest rate charged is reduced by a certain percent and increases if the targets are not met. SLLs are not specific use of proceed instruments and the funding raised may not be used for green and/or social purposes but rather for general business purposes.

4 Green mortgages are lending from Consumer, Private and Business Banking (CPBB) that meets a specific energy rating. During the year, these mortgages were reviewed and identified by CPBB as meeting the requirements of the Group's Green and Sustainable Product framework.

5 Business banking SME and Microfinance lending which is the provision of finance to the Development Assistance Committee (DAC) lower- and middle-lower-income countries as per the Organisation for Economic Co-operation and Development (OECD). The inclusion of business banking is linked to the Access to Finance sub-theme within the Group's Green and Sustainable Product Framework incorporating Employment generation, and programmes designed to prevent and/or alleviate unemployment, including through the potential effect of SME financing and microfinance. With the inclusion of business banking, the Entrepreneur (Lending to SMEs and Microfinance) aspirations would be double counted and these aspirations have therefore been retired.

6 Capital market bonds are measured by the proportional bookrunner share of facilitated activities as determined by third-party league table rankings based on the level of services provided.

7 M&A/Advisory represents sole financial adviser, measured by the total deal size divided by the number of advisers on the deal.

8 Mobilised \$23.4bn of Sustainable Finance is for YTD Sept 2022 and \$48bn delivered between 2021-2022 includes full year 2021 and YTD Sept 2022.

In pursuit of this, throughout 2022 we continued to expand and develop our suite of sustainable products in line with our Sustainable Finance product frameworks. These frameworks, developed in collaboration with Sustainalytics, a leading provider of ESG and corporate governance research, are reviewed annually.

Following the launch of our new Transition Finance Framework in 2021, we updated our Green and Sustainable Product Framework and expanded the list of eligible activities.

In CCIB, new product launches included Sustainable Fiduciary Deposits, sustainability-linked sale and leaseback for aviation finance, and ESG structured products with rates underlying.

Within CPBB, we connected retail clients with access to sustainable finance offerings, launching new products including structured notes, sustainable deposits and Green Mortgages. Throughout 2022, we increased the number of markets where we offer Green Mortgages to six, through successful product launches in Vietnam, South Korea and Malaysia.

In total, we now have 31 sustainable finance products spanning both our CCIB and CPBB client segments. By reviewing the income potential from this growing suite of Sustainable Finance products and services, alongside our client base and the estimated scale of the opportunity, we believe that we are on track towards our target of achieving \$1 billion of Sustainable Finance income<sup>1</sup> by 2025.

In 2022, we reported \$0.5 billion Sustainable Finance related income against this target, and increased our Sustainable Finance asset base by 45 per cent to \$13.5 billion between July 2021 and September 2022. This increase was largely due to the identification and tagging of \$3.8 billion in Green Mortgages, primarily within the Hong Kong market.

The majority of our Sustainable Finance asset base (\$10.2 billion of the \$13.5 billion) has been extended to a variety of green projects which help lower carbon emissions, such as renewable energy projects, commercial real estate and funding for the development of rail projects.

Our social lending makes up the remaining \$3.3 billion of our total Sustainable Finance asset pool and encompasses categories such as healthcare, education and access to finance.

### Our Sustainable Finance Frameworks

Our Green and Sustainable Product Framework governs our Sustainable Deposits products and suite of Sustainable Trade Products, and sets out what qualifies as 'green', 'social' or 'sustainable'.

The Sustainability Bond Framework governs our debt products, providing transparency and guidance on the use of proceeds and the impact of the green, social and sustainable bonds issued by the Group.

We have outlined our approach to defining Transition Finance in our Transition Finance Framework<sup>4</sup>. This Framework is informed by the IEA NZE 2050 scenario.

### Sustainable Finance income

Product <sup>1</sup> (\$m)	2022 <sup>3,4</sup>	2021	YOY <sup>2</sup>
Transaction Banking	80	32	150%
Trade & Working capital	60	25	140%
Cash Management	20	7	186%
Financial Markets	326	241	35%
Macro Trading	54	21	157%
Credit Markets	268	217	24%
Financing & Securities Services	4	3	33%
Lending & Portfolio Management	102	88	16%
	508	361	41%









<sup>1</sup> SF income is defined as a portion of the Groups income, generated by products and services as approved by the Sustainable Finance Governance Committee. This includes, interest and margin earned on assets as disclosed in the Green and Sustainable assets, and fees from advisory and hedging activities for clients' ESG products.

<sup>2</sup> YoY = year-on-year variance which is better/(worse) comparing 2022 to 2021.














<sup>3</sup> CPBB income will be added to this product suite in subsequent reporting periods.

<sup>4</sup> Our Transition Finance Framework can be found at: <https://av.sc.com/corp-en/content/docs/Standard-Chartered-Bank-Transition-Finance-Framework.pdf>.

Green Assets<sup>1</sup>

Theme (\$m)	Sept'22 \$m	June'22 \$m	June'21 \$m	SDG
<b>Clean Transport</b>	<b>541</b>	532	527	
<b>Energy Efficiency</b>	<b>507</b>	164	–	
Manufacture of components for renewable energy technology	<b>393</b>	42	–	
Energy-efficiency technology	<b>84</b>	122	–	
Transport	<b>30</b>	–	–	
<b>Green Building</b>	<b>7,014</b>	6,326	3,436	
Green Building	<b>3,216</b>	2,826	3,436	 
Mortgage Portfolio HK	<b>3,785</b>	3,491		
Mortgage Portfolio SG	<b>13</b>	8		
<b>Pollution Prevention and Control</b>	<b>102</b>	110	–	 
<b>Renewable Energy</b>	<b>2,122</b>	2,425	1,526	
Grid expansion	<b>59</b>	63	104	
Hybrid Wind & Solar	<b>154</b>	237	174	
Hydropower	<b>25</b>	27	20	
Manufacture of components for renewable energy technology	<b>274</b>	450	481	
Solar	<b>785</b>	976	269	
Waste to Energy	<b>111</b>	94	51	
Wind	<b>714</b>	577	414	
<b>Sustainable Water and Wastewater Management</b>	<b>10</b>	29	13	
	<b>10,295</b>	9,585	5,502	

Social Assets<sup>1</sup>

Theme (\$m)	Sept'22 \$m	June'22 \$m	June'21 \$m	SDG
<b>Access to Water</b>	<b>42</b>	36	32	
<b>COVID-19</b>	<b>39</b>	37	197	 
Critical Care Equipment	<b>21</b>	4		
Healthcare Facilities	<b>3</b>	15		 
Hygiene Products	<b>6</b>	9	197	
Pharma and Medical Goods	<b>4</b>	4		
Protective Equipment	<b>4</b>	4		
<b>Healthcare infrastructure</b>	<b>105</b>	152	140	
Hospital	<b>101</b>	147	140	
Hospital Equipment	<b>4</b>	5		
<b>Road Infrastructure</b>	<b>57</b>	46	105	 
<b>Access to Finance</b>	<b>2,930</b>	3,013	3,122	
Business Banking	<b>2,587</b>	2,640	2,618	 
Micro Finance	<b>341</b>	373	465	 
Fund finance	–	–	165	
SME loans	<b>2</b>	–	–	
	<b>3,173</b>	3,284	3,760	
<b>Total Sustainable Finance Assets</b>	<b>13,468</b>	12,869	9,262	

Sustainable liabilities<sup>1</sup>

	Sept'22 \$m	June'22 \$m	June'21 \$m
Total bond issuances	<b>2,083</b>	1,983	1,095
Total sustainable deposits (CCIB)	<b>3,154</b>	3,056	1,943
Total sustainable CASA (CCIB)	<b>335</b>	182	–
Total sustainable CASA and deposits (CPBB)	<b>217</b>	118	10
	<b>5,789</b>	5,339	3,048

<sup>1</sup> Amounts included in the table are as at September 2022, June 2022 and June 2021 from left to right and have been taken from the Sustainable Finance Impact Report (sc.com/SFImpactreport). September 2022 has been prepared under the same basis as the Impact Report and reviewed by Sustainalytics.



See [sc.com/SFImpactreport](https://sc.com/SFImpactreport) for more highlights from our Sustainable Finance portfolio in 2022

### A shared ambition – working in partnership

We have identified several opportunities for the Group to play an active role in shaping global standards ranging from net zero to carbon markets. Along these lines, we are actively involved in the leadership of several standard-setting or standard-influencing efforts.

For instance, we are active participants of the Glasgow Financial Alliance for Net Zero (GFANZ) Principles Group, an ambitious programme to generate the commitment, investment and alignment needed to drive forward the transition to net zero. Together with the CEO of Macquarie Group, our CEO is the Co-Chair of the GFANZ Working Group on Capital Mobilisation to Emerging Markets and Developing Economies, and throughout 2022, our Group Head, Conduct and Financial Crime and Compliance has chaired the Net Zero Banking Alliance (NZBA) – the industry-led banking element of GFANZ.

Our Group Chairman has co-chaired the United Nations' Global Investors for Sustainable Development (GISD) Alliance, which has set ambitious objectives to scale up long-term finance and investment in sustainable development; and our Global Head, Sustainable Finance has continued to hold the position of Chair of the Equator Principles Association. In 2023, we intend to support the Equator Principles Steering Committee as our term as Chair comes to an end. We are also joining the Roundtable on Sustainable Palm Oil as a member of the Board of Governors.

In addition, we are members of the United Nations Environment Programme Finance Initiative and the Climate Bonds Initiative, as well as one of the initial members of the Task Force on Climate-related Financial Disclosures (TCFD) and signatories of the Poseidon Principles, a global framework for assessing and disclosing the climate alignment of financial institutions' shipping portfolios. Our Global Head of Sustainability Strategy and Net Zero represents the Group on SBTi's Financial Net-Zero Expert Advisory Group (EAG).

Our Head of Carbon Markets Development is a Board member of the Integrity Council for the Voluntary Carbon Markets (IC-VCM), which is focused on developing a high-quality international carbon market. The IC-VCM carried out a consultation on its Core Carbon Principles over the summer, receiving over 350 responses and 5,000 individual comments. Our Group CEO sits on the Distinguished Advisory Group of the IC-VCM and will aim to be involved in the development and trading of carbon markets around the world.

Meanwhile, we increased our representation at COP27 and the G20 and were actively involved in the launch of several groundbreaking initiatives on the margins of each; these include the launch of the Africa Carbon Markets Initiative (ACMI) and Egypt's Nexus for Water, Food & Energy (NWFE) at COP27, the \$20 billion commitment to advance Indonesia's Just Energy Transition Partnership (JETP) at the G20, and the \$15.5 billion commitment to the Vietnam JETP.

The Group participates in various industry initiatives, forums and roundtables, including the Climate Financial Risk Forum (CFRF) and Global Association of Risk Professionals (GARP) roundtable, to ensure we benchmark our risk management capabilities and stay abreast of changes.

Similarly, we are engaged at local and regional levels to share insights, comment on regulatory consultations, and better understand the regulatory landscape and practices across our footprint.

### Investing in Climate Research

Our four-year partnership with Imperial College London covers long-term research on Climate Risk, advisory on shorter-term, internally focused projects to enhance Climate Risk capabilities and training of our colleagues, Management Team and Board.

In 2022, we sponsored a research project on 'Investing in Nature to Tackle Biodiversity Loss and Enhance Food Security', which explored the risks and opportunities facing the global agricultural sector from climate change.

- Part 1 expanded on the known risks of climate change on the agriculture sector by examining the failings of major climate models, as well as the immediacy of the significant impacts of climate change on the agriculture sector.
- Part 2 explored the potential for nature-based solutions to tackle the interlinkages between agriculture, land-use, and climate change.
- Part 3 focused on the financial opportunities surrounding natural assets and sustainable agriculture.

In addition, we worked with Imperial College London on three advisory projects during 2022, to develop a methodology to assess the impact of Climate Risk on sovereign ratings; develop Physical Risk report cards for sovereigns; and enhance the energy consumption calculation methodology and emission factor database for mortgage portfolios in our key markets.



## Mitigating Environmental and Social Risk

While transitioning to a net zero economy creates clear opportunity, it also comes with risk. But before we can manage the risk, first we must be able to identify, assess its size and monitor it.

In the front line, our Environmental and Social Risk Management team within the Chief Sustainability Office aims to drive growth while managing the environmental and social (E&S) risks associated with financing related to our CCIB clients. Our approach is embedded directly into our credit approval process and supports us to work with our stakeholders to identify, manage, mitigate and monitor the potential impacts that stem from our financing decisions.

Our Position Statements, approved by the Group Responsibility and Reputational Risk Committee (GRRRC), outline the standards we apply to assess whether to provide financial services to our clients, and help us to identify and assess E&S risks related to our CCIB clients.

We use these statements – which draw on International Finance Corporation (IFC) Performance Standards, the Equator Principles (EP) and global best practice – to assess whether to provide financial services to clients operating in sensitive (including high-carbon) business sectors. In addition, we have specific guidance for clients operating in sectors with a high potential environmental or social impact. Our list of prohibited activities can be found at [sc.com/prohibitedactivities](https://www.sc.com/prohibitedactivities).

In 2022, we reviewed 1,170 clients and 550 transactions that presented potential E&S risks. If we find a material E&S issue, we take steps to proactively engage the client to mitigate identified risks and impacts, and support and guide our clients to improve their E&S performance over time.

In relation to climate, we encourage all clients in the Power generation, Metals and mining, and Oil and gas sectors to have a strategy to transition their business, in line with the goals of the Paris Agreement. We review a client's approach to transition using the output from our client Climate Risk assessments. In particular, we utilise a client's Transition Risk mitigation score, which considers both quantitative inputs (e.g. emissions measurement data and reduction targets), and qualitative overlays through direct client conversations to assess management focus and commitment.

We aim to support and guide our clients to a low-carbon pathway and offer them sustainable financing as the main levers to help us achieve our net zero targets. We will also be assessing our exposure to emissions-intensive clients and/or assets and will seek to replace these over time by adding new low-carbon-intensity clients and/or assets to our portfolio.

This does not mean walking away from our existing clients, but instead working with them to finance investment in low-carbon methods and technologies, particularly across Asia, Africa and the Middle East where investment could have the biggest impact. However, for clients who do not align with our Position Statements, we may look to withdraw financial services and exit the relationship if we cannot work with them to align over time.

### Group Climate Risk Appetite Statement

**“The Group aims to measure and manage financial and non-financial risks from climate change, and reduce the emissions related to our own activities and those related to the financing of clients in order to support alignment with the Paris Agreement”**

We recognise how important it is to get this right, so in support of our Sustainability Aspirations, we updated our E&S Risk Management Framework based on our 2021 Position Statement refresh, and we expanded our capacity, establishing a team within our Global Business Service centre in Warsaw to conduct enhanced E&S due diligence on clients. In addition, all relationship managers and credit officers are offered training in assessing E&S risk, as well as having access to detailed online resources. 4,944 colleagues received E&S related training in 2022.

In 2022, we prioritised our approach to biodiversity by undertaking a pilot biodiversity risk assessment. This included a loan book analysis to identify impacts and dependencies from biodiversity-related risks at a sector, country and financial services level. We are continuing to develop our approach to biodiversity, expanding on the review conducted this year to gain a clearer view of the biodiversity risk associated with the Group's activities.

In 2023, we plan to update our Position Statements covering all sensitive sectors, with the requirements to become effective the following year.



Read more about our Position Statements at [sc.com/positionstatements](https://www.sc.com/positionstatements)



Read more about our prohibited activities at [sc.com/prohibitedactivities](https://www.sc.com/prohibitedactivities)



Read more about our reporting against the Equator Principles at [sc.com/equatorprinciples](https://www.sc.com/equatorprinciples)

## Climate Risk appetite metrics

Risk Type	Metrics Reported	Climate Risks Reported
<b>Credit Risk – CPBB</b>	Concentration of consumer mortgage exposure with high gross physical (flood) risk across the Group's seven key markets	Physical risks: flood risk
<b>Credit Risk – CCIB</b>	Net nominal exposure concentration to clients with High Transition and Physical Risk, and Low Readiness	Physical Risk and Transition Risk
<b>Traded Risk</b>	Climate risk is incorporated within Traded Risk Stress Risk Appetite	Physical Risk
<b>Reputational &amp; Sustainability Risk</b>	Net nominal exposure concentration to clients with High Temperature Alignment and Low Transition Readiness to monitor misalignment to Paris Agreement	Temperature alignment – the degree of projected warming up to 2030 under an orderly scenario
<b>Country Risk</b>	Concentration of Gross Country Risk (GCR) exposure for countries exposed to extreme transition and physical risks	Physical and Transition Risk based on internal country Climate Risk index

Supporting our frontline teams, we have a dedicated second-line Climate Risk team. Our Climate Risk Appetite Statement (RAS) is approved annually by the Board, and is supported by Board and Management Team level risk appetite metrics across Credit – CCIB and CPBB, Reputational and Sustainability Risk (RSR), Traded Risk and Country Risk.

The metrics are approved by the Group Risk Committee (GRC) (for Management Team level risk appetite metrics) and the Board (for Board level risk appetite metrics) annually. Monitoring of adherence to risk appetite metrics commenced in January 2022 and any breaches are reported to the GRC and Board Risk Committee (BRC).

We are expanding the scope and coverage of our risk appetite metrics for enhanced risk identification and management. Additional metrics to address our public targets across key sectors and a stress loss metric built on scenario outcomes have been identified and are being monitored for inclusion in risk appetite reporting in 2023. The focus for 2023 will be to increase the coverage of existing metrics and introduce new risk appetite metrics.

The uncertainties surrounding how and when Physical and Transition Risk will impact mean that no tool or methodology is perfectly able to estimate risks from climate change now or in the future. However, we need to move quickly so we are developing methodologies, engaging with clients and integrating Climate Risk into our mainstream risk management activities and assessments. We will seek to adapt our approach as the impact from Climate Risk becomes clearer and the tools and methodologies to gather reliable data mature.

We have toolkits to quantitatively measure climate-related Physical and Transition Risk and in 2022, we continued to enhance our understanding of climate-related risks, and significantly strengthened our stress testing and scenario analysis capabilities for a range of management scenarios that are more plausible. We continue to engage with our corporate clients to understand their Transition and Physical Risks, as well as their plans to prepare for climate change.

The data we captured helped us develop our own client-level climate-risk assessments for both existing and new clients, improve our internal climate modelling capabilities and strengthen the risk measurement and monitoring of the portfolios. Despite significantly advancing in these areas, quality and availability of data is a pervasive issue. While we are focusing on improving the data quality, improvements are likely to take several years. In view of the paucity of data and little to no transition or physical risk related historic data for model testing, several assumptions and limitations must be made while building these models. The limitations and challenges continue to exist which are discussed throughout our disclosures.



For more details on how we apply scenario analyses and consider time horizons, please see [pages 90 to 95](#).



For more detail on how we recognise Climate Risk within our ERMF, the risks identified, as well as the processes and toolkits used to do this, see [pages 96 to 112](#).

# Assessing the resilience of our strategy using scenario analysis

To assess climate-related risks and opportunities in the short-, medium-, and long-term we use scenario analysis to consider how risks and opportunities may evolve under different situations.

Over recent years, we have progressively strengthened our scenario analysis capabilities and developed our infrastructure and capabilities to incorporate Climate Risk into data, modelling, and analysis. Despite significantly advancing scenario analysis capabilities over the past three years, the modelling of Climate Risk impact over a 30-year period has been expectedly challenging across multiple dimensions, including scenario data and pathways, availability of client-specific data, and modelling limitations.

Notwithstanding these challenges, our work to date, using certain assumptions and proxies, indicates that our business is resilient to all Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and International Energy Agency (IEA) scenarios that were explored. For more details on the limitations pertaining to the scenario analysis, please see page 94.

With the aim to enhance our internal scenario analysis capabilities in line with our Risk Appetite Statement, in 2022 we assessed the impact of Transition Risk on our CCIB corporate client portfolio based on three IEA scenarios and three Phase 2 scenarios from the NGFS, and participated in the Monetary Authority of Singapore Industry-Wide Stress Test. We also assessed the impact of sea-level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios to explore the Physical Risk impact on the Consumer, Private and Business Banking (CPBB) residential mortgage portfolio over short- and long-term time horizons for internal risk management purposes.

The results of these analyses are being used to further inform strategy and business planning, set Risk Appetite, identify portfolios with elevated risk concentration, and establish linkages to enhanced credit risk assessments.

While we have continued to use external models to support scenario expansion and modelling of Transition and Physical Risks, in 2022 we built on this foundation and developed internal model-building capabilities supported by an external vendor. The outputs of these models will be used to support IFRS9 impact analysis, stress testing runs and various risk management processes. Our aim is that these internal models will provide greater transparency when compared to vendor models and enable us to run various scenarios and calibrate the models as required. We aim to continuously improve these models throughout 2023 to cater for shorter, more plausible scenarios that can inform our business strategy and financial planning.

The following section describes the scenarios we use, their inputs, assumptions, limitations and key insights.

## Scenarios used at Standard Chartered

### Transition Risk scenarios

In 2022, we adapted the following scenarios to our CCIB clients:

#### IEA Scenarios:

- **Net Zero Emissions by 2050** scenario, which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO<sub>2</sub> emissions by 2050.
- **Sustainable Development** scenario, which specifies a pathway to ensure universal access to affordable, reliable, sustainable energy by 2030 (SDG 7.1); substantial reduction in air pollution (SDG 3.9) and effective action to combat climate change (SDG 13).
- **Announced Pledges** scenario, which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term net zero targets, will be met in full and on time.

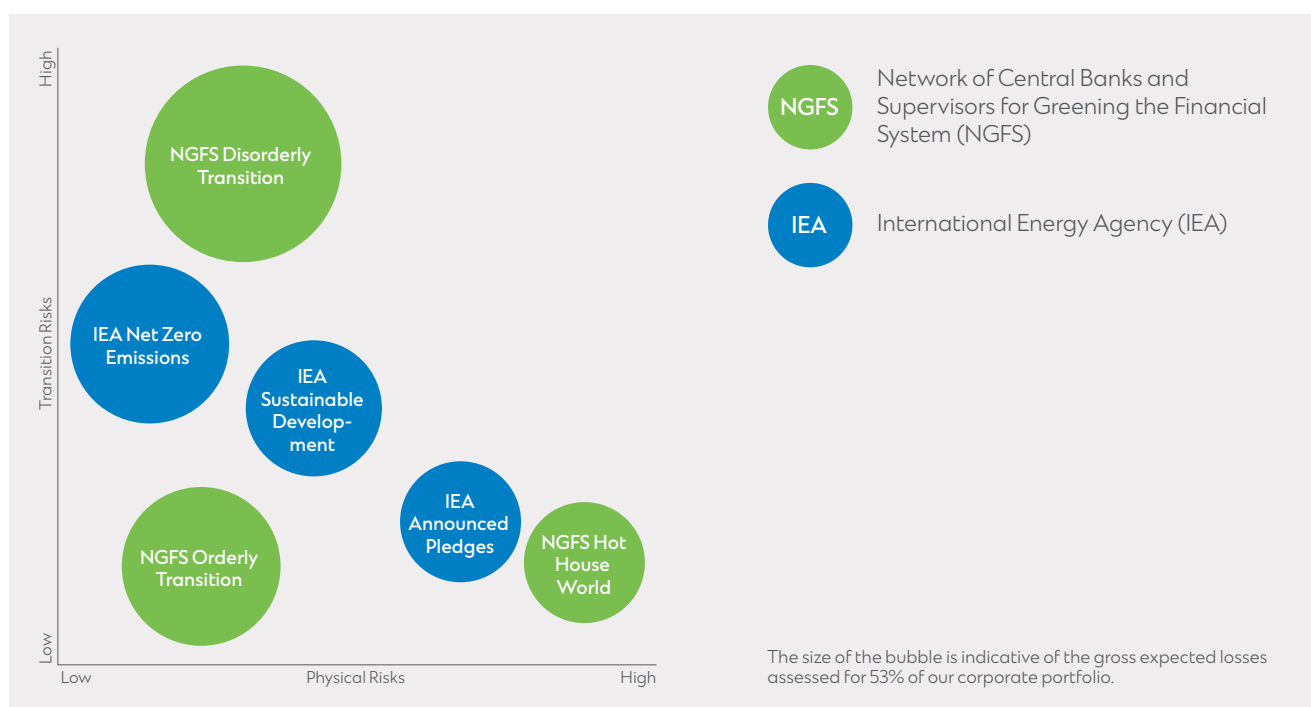
#### NGFS Phase 2 framework:

This maps scenarios in three different worlds with two scenarios produced under each category:

- **'Hot House' world** scenarios, also noted as 'No Additional Policies', include only currently implemented or pledged policies, which at a global level are insufficient to halt significant global warming resulting in severe Physical Risk.
- **Orderly** scenarios assume climate policies are introduced early and become increasingly stringent, with both physical and transition risks relatively subdued.
- **Disorderly** scenarios explore higher Transition Risk due to policies being delayed or being divergent across countries and sectors.

Each of the three IEA and NGFS scenarios are characterised by different levels of Transition Risk, driven by various features in each scenario.

## Scenarios used in Standard Chartered Scenario Analysis



## Features of the IEA and NGFS scenarios used in Standard Chartered scenario analysis

	IEA			NGFS		
	Net Zero Emissions by 2050	Sustainable Development	Announced Pledges	Orderly Transition	Disorderly Transition	No Additional Policies
<b>Transitional Risks<sup>1</sup></b>	<b>High</b>	<b>High</b>	<b>Moderate</b>	<b>Limited</b>	<b>High</b>	<b>Limited</b>
<b>Scenario objective</b>	To show what is needed to achieve net zero energy-related and industrial CO <sub>2</sub> emissions by 2050	Explores pathway to achieve universal energy access and meet goals to combat climate change	Show where current NDCs get world towards 1.5°C target – highlights ambition gap against Paris Agreement	Early and orderly transition towards a low-carbon future	Delayed and disorderly transition with global action commencing only in 2031	Physical risk is high as no new climate policies are introduced beyond those implemented by end-2021. Severe flood event assumed in first half of 2022
<b>Temperature rise<sup>2</sup></b>	<b>1.5°C</b>	<b>1.7°C</b>	<b>2.1°C</b>	<b>1.6°C</b>	<b>1.8°C</b>	<b>3.0°C</b>
<b>Carbon price<sup>3</sup> in 2050</b>	<b>109</b>	<b>95</b>	<b>71</b>	<b>725</b>	<b>670</b>	<b>4</b>
<b>Oil price increase (2050 vs 2021, %)</b>	<b>-62%</b>	<b>-29%</b>	<b>-9%</b>	<b>-13%</b>	<b>-9%</b>	<b>76%</b>
<b>Gas price increase (2050 vs 2021, %)</b>	<b>-49%</b>	<b>-48%</b>	<b>-48%</b>	<b>-76%</b>	<b>-87%</b>	<b>-76%</b>

<sup>1</sup> <http://www.unepfi.org/wordpress/wp-content/uploads/2018/04/EXTENDING-OUR-HORIZONS.pdf>

<sup>2</sup> <http://www.unepfi.org/wordpress/wp-content/uploads/2018/07/NAVIGATING-A-NEW-CLIMATE.pdf>

<sup>3</sup> <https://av.sc.com/corp-en/content/docs/emissions-whitepaper.pdf>

## Physical Risk Scenarios

Our Physical Risk tool, provided by Munich Re's Location Risk Intelligence platform, uses standardised scenarios and set time horizons to assess future risk from acute and chronic physical risks. The forward-looking risk indices are derived based on the RCP scenarios published by the IPCC. Given the academic challenges with forward-looking Physical Risk scenarios, it is not possible at this point to customise these as we have done for Transition Risk scenarios.

### Forward-looking physical risks, scenarios and time horizons used in our Physical Risk assessments

NATHAN climate hazard indices	Description of current and projected climate hazard scores	RCP Scenario	Time horizon
Tropical Cyclone (TC)	Tropical Cyclone zones	4.5, 8.5	2050, 2100
River Flood	River Flood zones	4.5, 8.5	2050, 2100
Sea-Level Rise	Sea-Level Rise zones	2.6, 4.5, 8.5	2100
Heat Stress	Heat Stress Index based on range of high-temperature indicators	2.6, 4.5, 8.5	2050, 2100
Precipitation Stress	Precipitation Stress Index based on heavy precipitation indicators	2.6, 4.5, 8.5	2050, 2100
Fire Weather Stress	Climatological index for wildfire hazard	2.6, 4.5, 8.5	2050, 2100
Drought Stress	Drought Stress Index based on Standardised Precipitation-Evapotranspiration Index (SPEI)	2.6, 4.5, 8.5	2050, 2100

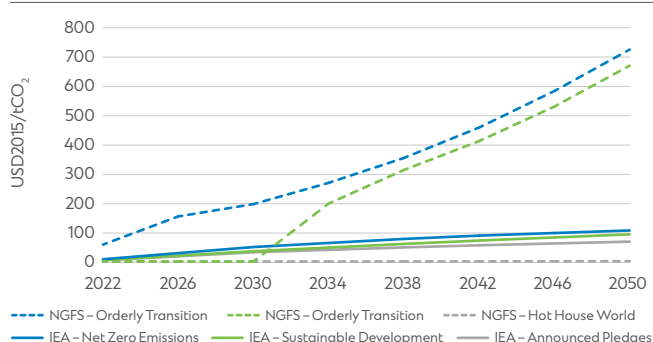
## Key scenario parameters that inform Group scenarios

### Global carbon price

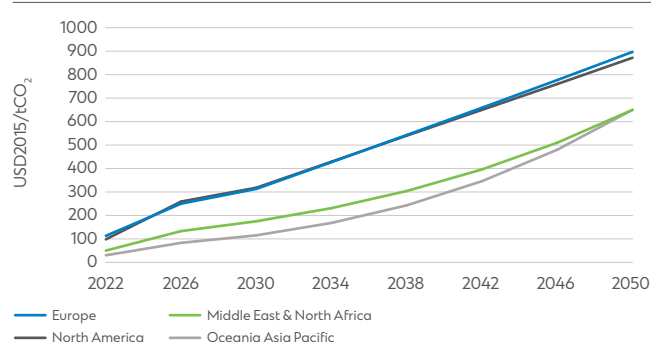
In the NGFS orderly transition scenario, the global carbon price rises progressively to above ~\$700 by 2050 as the transition progresses. By contrast, in the NGFS Disorderly Transition scenario, the global carbon price is very low throughout the 2030s, and then rises steeply in line with the extreme decarbonisation effort required in the late 2030s onwards. In the IEA scenarios, the global carbon price is significantly lower compared to NGFS scenarios and rises to ~\$100 by 2050 only in the Net Zero Emissions scenario.

Carbon prices can vary significantly across regions. In the Middle East and North Africa, and Oceania and Asia Pacific, the trend of carbon prices in an orderly scenario is gradual over the 30-year horizon, peaking at around \$650. North America and Europe on the other hand experience a more rapid pick up in carbon prices between 2020 and 2025 to approximately \$250, after which they gradually increase to reach a price of just under \$900 by 2050.

### Global carbon price used in the NGFS and IEA scenarios and applied at Standard Chartered



### Regional carbon price used in the NGFS orderly transition scenario and applied at Standard Chartered



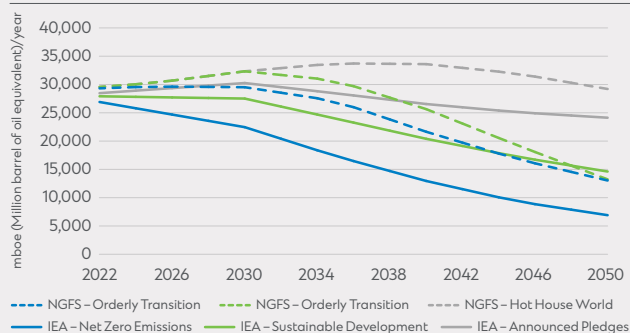


## Oil and gas

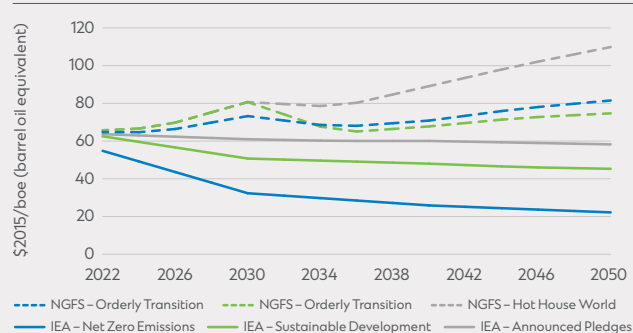
Oil demand varies depending on the scenario pathway taken. In the NGFS 'Hot House' world scenario, the oil demand remains like the present day across the time horizon, whereas in both NGFS Orderly and NGFS Disorderly Transition scenarios, oil demand begins to fall after 2030 and drops by about half by 2050. By contrast, in the IEA Announced Pledges scenario, the oil demand shows a marginal decline to the present day, whereas in both IEA Net Zero Emissions and IEA Sustainable Development, oil demand begins to fall after 2030 and drops by about half by 2050.

The oil price is expected to be impacted. Under both NGFS Orderly and NGFS Disorderly Transition, the oil price continues to increase steadily by 2050. In the NGFS Disorderly scenario, there is an initial increase before it peaks by 2030 and after which it follows the Orderly Transition scenario. In the 'Hot House' world scenario, the oil price is expected to increase continuously to above \$100 by 2050. By contrast, in the IEA Announced Pledges scenario, the oil price remains similar to the present day across the time horizon, whereas in both IEA Sustainable Development and IEA Net Zero scenarios, the oil price continues to fall and drops by about half by 2050.

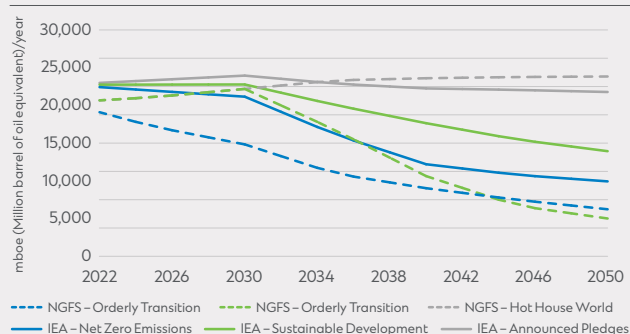
**Global oil demand**



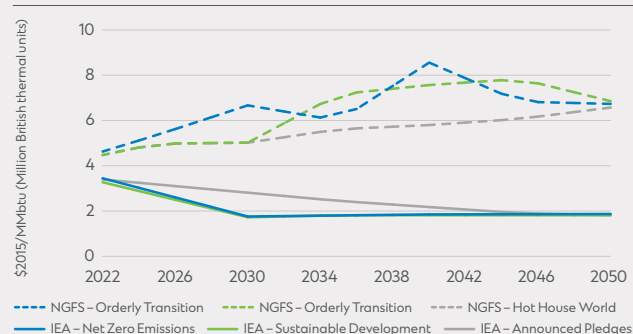
**Global oil price**



**Global gas demand**



**Global gas price**





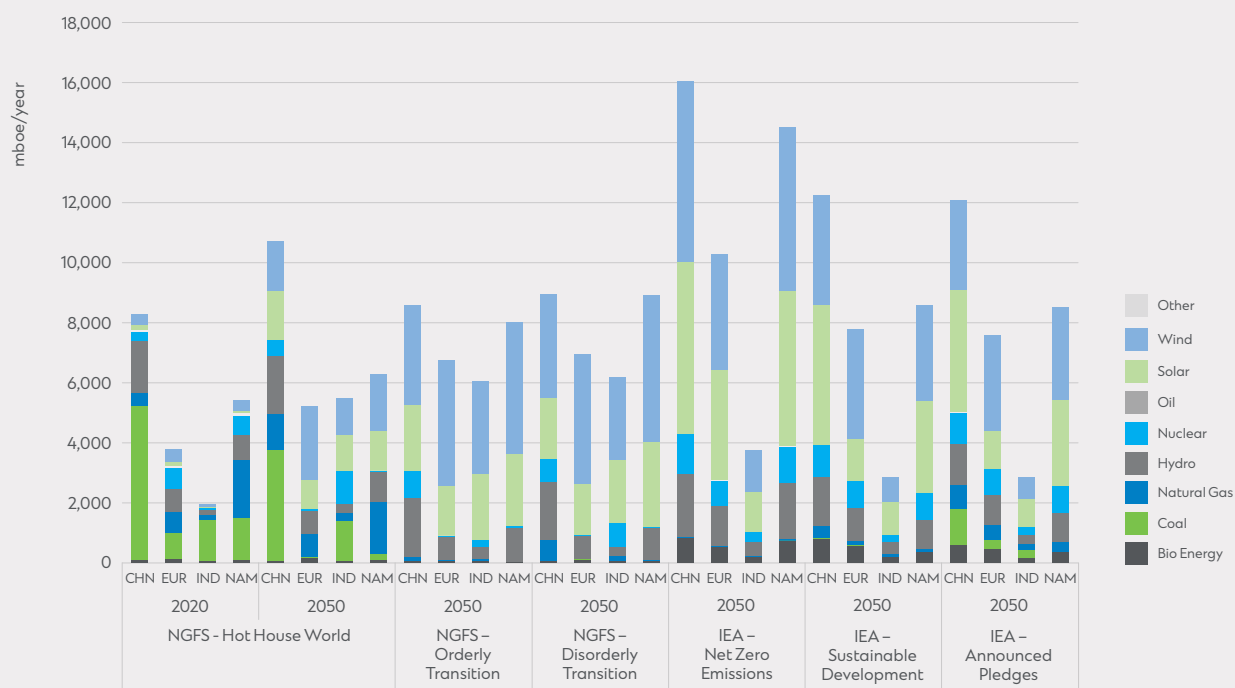
## Regional Power Generation

Power sector decarbonisation is not uniform across all regions in our scenarios, reflective of current market conditions and regional need for energy. It also considers that population growth and economies expand at different rates.

Both the NGFS Orderly and NGFS Disorderly Transition scenarios are characterised by a highly decarbonised power sector in 2050 with a significant expansion in renewables. Similarly, IEA Net Zero and IEA Sustainable Development scenarios show significant expansion in renewables.

In the NGFS 'Hot House' world scenario, renewables are projected to increase to meet the growing demand, while the total hydrocarbon power production remains relatively stable. Similarly, in the IEA Announced Pledges scenario, renewables increase to meet reduction in hydrocarbon power production.

### Regional power production by energy mix used in the NGFS and IEA scenarios, applied by Standard Chartered Group



## Limitations

Despite the efforts in gathering data, significant gaps still exist, and we have not been able to run a Transition Risk scenario for CPBB. We have a plan to close these data gaps, but it is likely to take several years, including periodically working with third parties, use of proxies and engaging clients to gather more information.

The impact of the scenarios has so far been based on a simplified approach, primarily focusing on the credit risk of the Group's portfolios, static balance sheets and conducted at a counterparty level for CCIB clients and postcode level for Consumer Mortgages. Significant increase in credit risk (SICR) thresholds are not incorporated while estimating credit risk losses for climate scenario analysis.

Many of the assumptions and methodologies that underpin scenario analysis rely significantly on nascent methodologies as well as a dependence on first generation external models and data challenges. Most of these limitations are shared across the industry. Levels of disclosure, climate preparedness and policies to limit emissions are often observed to be less mature in some emerging market regions.

As more solution providers come to the market and banks start extensively using them to build internal understanding and capabilities, the transparency and sophistication of modelling methodologies and assumptions will likely increase.

## Transition and Physical Risk scenario analysis results

Modelled results demonstrate the clear benefits of early action to mitigate climate change.<sup>1</sup> The modelled results across the IEA and NGFS scenarios have been carried out for approximately 53 per cent of our corporate portfolio, primarily reflective of the gross transition risks, while client-level transition plans have not been factored into the analysis.

Relatively lower loss estimates in the NGFS 'Hot House' world and the IEA Announced Pledges scenarios reflect the nascent modelling capabilities on assessing Physical Risk impact to client asset locations, and second-order impacts such as on the supply chain. The impact from each of the scenarios on aggregate gross expected credit loss in the NGFS and IEA scenarios is shown in the bubble charts on page 91.

In comparison to other stress tests conducted across our portfolios, these estimates are relatively muted.

The result of the IEA Net Zero scenario is more critical, with severe loss projection over a 30-year horizon compared to the other two IEA scenarios. The increase in carbon price, drastic decrease in oil and gas demand and oil price, along with the emergence of a highly decarbonised power sector by 2050 impacts Oil and gas, Commodity traders and the Transportation sectors.

The IEA Announced Pledges scenario shows the least severe loss projection over a 30-year horizon. The scenario depicts a negligible increase in carbon price and almost no change in oil demand and price by 2050. The combination of these factors results in a moderate loss projection.

The IEA Sustainable Development scenario depicts a moderate increase in carbon price. Oil demand almost halves and oil price reduces by ~30 per cent over current levels. The combination of these factors results in higher losses for the Oil and gas, Commodity Traders and Automobile sectors.

The results for the NGFS Orderly Transition scenario are driven by an increase in carbon price and drop in oil and gas demand. The steady increase in carbon price from 2021 to 2050 leads to an overall increase in defaults, driven by the decrease in revenue and profitability levels due to an increase in carbon price related costs.

By contrast, the NGFS Disorderly Transition scenario sees fast-growing carbon prices after 2030, which impacts company Probability of Defaults (PDs) and leads to an increase in loss projections. The Commodity Traders, Oil and gas and Automobiles sectors are the most impacted in this scenario.

The concentration of the Group's portfolio exposure for the top eight residential mortgage portfolios exposed to extreme sea-level rise risk was computed using the Munich Re model's outputs. It has been observed to remain stable at 2 per cent for RCP 4.5 and 8.5 scenarios and at 1 per cent under the RCP 2.6 scenario.

## Developing our capabilities

We have identified several areas for future development:

- Improved data availability and ability to gather data across our corporate and retail clients (e.g. client-level emission intensity, physical locations of assets, power consumption patterns). Through our client-level climate risk questionnaires (covering approximately 65 per cent of our total corporate exposure in 2022) we gather information on client-level transition plans, including potential client outreach for clients with high Transition Risk and low transition mitigation levels.
- Continued improvement in scenario design and modelling capabilities, with an established roadmap to develop this capability in-house and build internal models.
- In line with plans to develop internal modelling capabilities, engage an external vendor and/or partner with our academic adviser (Imperial College London) to design a range of scenarios (e.g. short-term, bespoke scenarios targeted to our portfolios and markets, and consideration of second-order impacts).
- Despite these limitations, our intention is to focus on how Climate Risk management can inform portfolio management and support opportunity identification with clients on their transition and adaptation pathways.

## Qualitative review of climate risks and opportunities in annual business strategy and financial planning

In 2022, Climate Risk was considered as part of our formal annual corporate strategy and financial planning process. In addition, we developed management scenarios with an aim of strengthening our business strategy and financial planning to support the Group's net zero journey.

We use both qualitative and quantitative aspects focusing on revenue reliance from clients in high-carbon sectors and/or locations in regions most exposed to Physical Risk, considering adequacy of mitigation plans. Where applicable, results are then independently reviewed by regional and client-segment Chief Risk Officers (CROs) and the Climate Risk team. Climate Risk impact is also included in the Risk review of our corporate plan, which is considered by the Board as part of their approval of the overall Corporate Plan. The 2023 Corporate Plan includes an increase in loan impairment due to the impact from Climate Risk.

In most cases, the physical and transition risks identified were assessed to be well controlled in the short term. We are not actively targeting growth in most of the high-carbon sectors and are instead prioritising sustainable finance products to clients in high-carbon sectors to decarbonise their business models. Growth ambition is shifting to lower-carbon sectors such as clean technology. Our sustainable finance priorities, including new emerging products such as sustainable deposits, carbon trading and ESG Advisory, and dedicated transition frameworks, seek to respond to transition risks in the short term, strengthening our resilience towards a 2°C or lower transition scenario. However, longer-term transition risks were highlighted, particularly for the Africa and Middle East (AME) region, given its dependency on fossil fuels; and longer-term physical risks were deemed to be most relevant for the Asia region.

<sup>1</sup> The modelled results across the IEA and NGFS scenarios have been carried out for approximately 53% of our corporate portfolio reflective of primarily the gross transition risks while client-level transition plans have not been factored into the analysis. Relatively lower loss estimates in the NGFS 'Hot House' world scenario and the IEA Announced Pledges scenario reflect the nascent modelling capabilities on assessing Physical Risk impact to client asset locations and second-order impacts such as that on the supply chain. The impact from each of the scenarios on aggregate gross expected credit loss in the NGFS and IEA scenarios is shown in the bubble charts on page 91. In comparison to other stress tests conducted across our portfolios, these estimates are relatively muted.

# Mitigating the financial and non-financial risks from climate change



We are exposed to Climate Risk through our clients, our own operations and from the sectors and markets we support.

Preparations to manage Climate Risk as a Prudential Financial risk began in 2019. At that time, our Group Chief Risk Officer took responsibility for Climate Risk and the requirements set out in the Prudential Regulation Authority's Supervisory Statement 3/19. Climate Risk was also incorporated into our Group-wide risk taxonomy through the ERMF (where it is defined as 'the potential for financial loss and non-financial detriments arising from climate change and society's response to it').

Since then, we have designed an approach that begins to integrate Climate Risk with other Principal Risk Types (PRTs) within our central ERMF, based around two principles:

- **Treat Climate Risk like a traditional risk type.** Climate Risk may lead to financial losses and non-financial detriments, much like Credit Risk, and should be managed as such to limit the Group's exposure to detriments. This means embedding Climate Risk considerations into our existing risk identification and management processes, governance, reporting, scenario analysis (including stress testing), strategy and financial planning.
- **Recognise and build for where Climate Risk is different.** Unlike traditional risk types, Climate Risk is likely to crystallise over much longer time horizons and is inherently difficult to quantify. Its unique features and a need for granular forward-looking measurements require the use and development of new tools and methodologies to quantify and analyse the implications.

## Climate Risk taxonomy

Climate Risk		The potential for financial loss and non-financial detriments arising from climate change and society's response to it.
Sub-risk types		
<b>Physical Risk</b> 		Risks arising from increasing severity and frequency of climate- and weather-related events. These events can damage property and other infrastructure, disrupt business supply chains, and impact food production. This can reduce asset values, potentially resulting in lower profitability for companies. Indirect effects on the macroeconomic environment, such as lower output and productivity, exacerbate these direct impacts.
	Acute	Specific event-driven weather events, including increased severity of extreme weather events, such as cyclones, hurricanes, floods or wildfires.
	Chronic	Longer-term shifts in climate patterns, such as changing precipitation patterns, sea-level rise, and longer-term drought.
<b>Transition Risk</b> 		Risk arising from the adjustment towards a carbon-neutral economy, which will require significant structural changes to the economy. These changes will prompt a reassessment of a wide range of asset values, a change in energy prices, and a fall in income and creditworthiness of some borrowers. In turn, this entails credit losses for lenders and market losses for investors.

Climate Risk is considered an Integrated Risk Type because it manifests through impacted Principal Risk Types (PRTs) or overarching risk types. Principal risks are those risks that are inherent in our strategy and business model and are also formally defined in the ERMF. We have identified seven PRTs that are most materially impacted by potential climate risks and describes transmission channels for Climate Risk manifesting as financial and non-financial risk.

## Existing risk classification and Climate Risk transmission channels in the context of the Group's existing risk types.

## Climate Risk manifests through existing risk types

**Credit  
CCIB**

Disruption to client business models or operations from both Transition and Physical Risk events may increase operating expenditure as well as cause disruption to revenue. A client's profitability can be impacted due to a reduced demand in high-carbon products or services, impacted asset/collateral valuations and increasing capital expenditure driven by regulatory carbon penalties and investment in new technology aimed at encouraging transition to a low-carbon economy. The impact to profitability can thereby affect their capacity to generate the income required to repay debt, or the capital and collateral required to back the loan.

**Credit  
CPBB**

Physical risks, such as rising sea levels and increasingly severe flood events, could damage property and impact collateral valuations, or through direct damage or loss of insurance, could also adversely affect repayment ability and leading to potential increases in credit losses. Furthermore, increased default risk and losses may arise through changes to the economic environment as the economy transitions towards lower emissions.

**Operational  
and Technology**

Climate-related risks manifest when acute or chronic physical risks, such as flooding or storms disrupt our own properties (including branches, offices, data centres), client service resilience, third-party corporate service arrangements and material supply chain arrangements.

**Country**

Climate-related risks may adversely impact sovereigns' economic strength and impact their ability to raise taxes and increase their cost of borrowing, directly impacting their overall creditworthiness. Physical risks from increasing frequency and severity of extreme climate change-related weather events may lead to the degradation of existing infrastructure, large-scale disruptions, displacement of assets and mass migration, while transition risk arises from a sovereigns' efforts to transition towards a low-carbon economy which leads to policy, market and technology shocks.

**Reputational  
and Sustainability**

Potential for stakeholders to view the Group negatively due to actual or perceived actions or inactions related to our stated climate, ESG and net zero ambition. Increasing expectations on banks from governments, regulators, NGOs, investors and individuals brings heightened reputational risks.

**Compliance**

Risk of failing to comply with current and emerging Climate Risk regulations globally. For example, the Prudential Regulation Authority's Supervisory Statement SS3/19 and the Monetary Authority of Singapore's Environmental Risk Management guidelines.

**Traded**

Acute Physical Risk events or an extremely disruptive transition can cause sudden changes in the fair value of assets driven by commodity price changes. Additional impact may result due to trigger sales, sudden and negative price adjustments where Climate Risk is not yet incorporated into prices.

**Treasury**

Disruption from weather events and adverse impacts due to the transition to a low-carbon economy, on client business models and financial stability of clients that provide us liquidity, can impact capital adequacy and/or liquidity levels needed to ensure financial stability during periods of stress.



Principal Risk Types: ■ Financial ■ Non-financial

▲ Physical Risk ▲ Transition Risk

Across each risk type, we provide some early-stage prototype metrics that provide quantitative estimates of gross transition and gross physical risks using the toolkits explained above and are used to inform risk management for each of the PRTs integrated with climate-related risks. Depending on the PRT, metrics are used for risk-management activities and processes spanning across stress testing, transaction assessments, client reviews, portfolio assessments, risk-appetite metrics and management information. For all the metrics presented, there are challenges with availability of reliable data, and methodologies that are simplistic and first-generation, placing some reliance on proxy information. As methodologies and learnings emerge, we intend to progressively refine and update our approach, and to extend the coverage of client or product groups captured.

## Our climate toolkit – processes for identifying and assessing Climate Risk

While the outputs and findings inform our risk management decisions, it is important to be aware of the limitations when assessing Climate Risk. Approaches to quantifying Climate Risk are nascent and data availability and coverage present challenges. This is particularly true in emerging markets where Climate Risk-related disclosure and preparedness can be less advanced. This places some reliance on proxy information and we will refine our evaluations and methodologies progressively as the availability and quality of data improves.

To enable us to gather more data and manage and monitor Physical and Transition risks actively, we continue to conduct case level reviews for enhanced due diligence on high 'Climate Credit' and 'Climate and RSR' for our corporate clients.

The toolkits are used to identify and assess:

- **Physical Risk:** current-day and longer-term time horizons (2050, 2100) under representative concentration pathway (RCP) scenarios 2.6, 4.5 and 8.5, for acute weather events (e.g. storms, floods or earthquakes) and chronic sea-level rise.
- **Transition Risk:** translates orderly, disorderly and 'hot-house' world transition scenario variables from NGFS and Net Zero Emissions by 2050, Sustainable development and announced pledges scenario variables from IEA to financial impact at a client level. See page 94 for more detail on how we use these scenarios and their limitations.
- **Temperature alignment:** provides a temperature score to indicate client- and portfolio-level global warming potential up to 2030.

## Overview of our Climate Risk toolkit and application

Advisor or Data Provider	Asset Class or Operations	Metrics	Scope	Time Horizon	Scenario	Application
<b>Munich RE</b> 	<ul style="list-style-type: none"> <li>Corporate</li> <li>Retail mortgages</li> <li>The Group's offices, branches and data centres</li> </ul>	Location-based hazard and risk scores	<ul style="list-style-type: none"> <li>Tropical Cyclone</li> <li>River</li> <li>Flood</li> <li>Sea-Level Rise</li> <li>Heat Stress Index</li> <li>Precipitation Stress Index</li> <li>Fire Weather Stress (climatological index)</li> <li>Drought Stress Index</li> </ul>	Current day, 2050, 2100	RCP 2.6, 4.5, 8.5	Assessing Physical Risk for: <ol style="list-style-type: none"> <li>Client assets and operating locations as well as property collateral.</li> <li>Retail mortgages – portfolio concentrations by hazard type.</li> <li>The Group's location strategy for operations – branches, offices and data centres, other sites.</li> <li>The toolkit also helps inform the Group's risk appetite across all risk types.</li> </ol>
<b>BlackRock</b> 	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	Temperature Alignment	<ul style="list-style-type: none"> <li>Generate a company's TA score to measure its impact on the climate through a dedicated methodology</li> </ul>	2030	2 degrees only	Reputational and Sustainability Risk assessment for CCIB clients in high carbon-emitting sectors
<b>BlackRock</b> 	<ul style="list-style-type: none"> <li>Corporate</li> <li>Sovereigns</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact</li> <li>Equity valuations</li> <li>Sovereign bond valuations</li> </ul>	<ul style="list-style-type: none"> <li>Using Standard Chartered data and configurations, run BlackRock's Aladdin Climate Transition Risk models to translate transition scenario variables to impact on company financials and probabilities of default<sup>1</sup></li> </ul>	Up to 2050	Scenarios for categories orderly, disorderly and hot-house world, e.g. NGFS Phase 2, IEA	Transition Risk assessment over various scenarios for corporate and sovereign clients are used for: <ol style="list-style-type: none"> <li>Client-level review as part of credit decision-making.</li> <li>Portfolio concentration measures including risk appetite.</li> <li>Scenario analysis and stress testing.</li> </ol>
<b>Baringa</b> 	<ul style="list-style-type: none"> <li>Corporates</li> <li>Sovereigns</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact</li> <li>Temperature Alignment (TA)</li> </ul>	<ul style="list-style-type: none"> <li>IEA scenario expansion</li> <li>Detailed stakeholder walk-through session to review and interpret the results.</li> </ul>	Up to 2050	Scenarios for categories orderly, disorderly and hot-house world, e.g. NGFS Phase 2, IEA	Transition Risk assessments over various scenarios for corporate and sovereign clients are used for: <ol style="list-style-type: none"> <li>Client-level reviews as part of credit decision-making.</li> <li>Portfolio concentration measures including Risk Appetite.</li> <li>Scenario analysis and stress testing.</li> </ol>
<b>S&amp;P Global</b> 	<ul style="list-style-type: none"> <li>Provides additional climate data</li> </ul>	Emissions information across clients (including history)  Corporate client asset-location data	Absolute emissions (tonnes of CO <sub>2</sub> e) and emissions intensities by revenue (tonnes of CO <sub>2</sub> e/\$ million) for Scope 1 and 2 and where available for Scope 3 emissions.  (Client-level emissions were only available for about 37 per cent of corporate clients, so sector average proxies were used for the remaining entities.)  Geolocation for clients	Current Day and Historic	N/A	Inputs into the Group's client-level risk assessment for corporate clients and net zero modelling.
<b>Imperial College London</b> 	<ul style="list-style-type: none"> <li>Academic advisory and research partnership</li> </ul>	<ol style="list-style-type: none"> <li>Long-term research on Climate Risk.</li> <li>Advisory on shorter-term, internally focused projects to enhance Climate Risk capabilities.</li> <li>Training and education of our colleagues, Management Team and Board.</li> </ol>		N/A	N/A	1. The Group has partnered with Imperial College London to produce a three-part series on 'Future of Food' research, exploring the risks and opportunities facing the global agricultural sector from climate change.
<b>Deloitte</b> 	<ul style="list-style-type: none"> <li>Corporates</li> <li>Sovereigns</li> </ul>	Forecasting the financial impact	<ul style="list-style-type: none"> <li>Transition Risk</li> <li>Physical Risk</li> <li>Climate scenario expansion</li> </ul>	Up to 2050	NGFS scenarios for orderly transition, disorderly transition, and hot-house world	We are developing our own internal Climate Risk models to reduce reliance on vendor models and increase transparency and control in the assessment of the impact of Climate Risk.  Once the models have gone through our model risk management governance and approval process, the outputs will be used to support management in their assessment of the impact of climate risk on IFRS 9 expected credit losses, stress testing runs, and related risk management processes.

<sup>1</sup> The inclusion of the Aladdin Climate analytics, provided by BlackRock, contained in this report should not be construed as a characterisation regarding the materiality or financial impact of that information. The Aladdin Climate analytics include non-financial metrics that are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data.

The Aladdin Climate analytics are not fixed and are likely to change and evolve over time. The Aladdin Climate analytics rely on comparatively new analysis and there is limited peer review or comparable data available. BlackRock does not guarantee and shall not be responsible for the content, accuracy, timeliness, non-infringement, or completeness of Aladdin Climate analytics contained herein or have any liability resulting from the use of the Aladdin Climate analytics in this report or any actions taken in reliance on any information herein. Some results are disclosed in this report to illustrate our steps in beginning to quantify the impact of Climate Risk. We fully intend to develop and mature our application of Climate Risk assessment over the coming years.

## Processes for managing Climate Risk

### Integrating climate-related risks into overall risk management

Climate Risk is recognised in the Group ERMF as an integrated risk type, i.e. it manifests through existing risk types and is managed in line with the impacted risk type frameworks. We manage Climate Risk according to the characteristics of these PRTs and are embedding climate-risk considerations into the relevant frameworks and processes

for each. In 2022, we have continued to build Climate Risk into existing risk-management processes, to enhance our ability to identify, assess and monitor across risk types.

We continuously look for ways to refine and update our approach as methodologies and learnings emerge, including the expansion of client or product coverage where possible.

The areas where we have made progress to embed Climate Risk considerations within business and across PRTs are listed below.

### Process to embed Climate Risk considerations

Principal Risk Type	Framework/ Policies/ Standards	Risk Appetite	Reporting	Further Details
<b>Credit Risk – CCIB</b>	Y <sup>1</sup> (Effective July 2022)	Y	Y	<ul style="list-style-type: none"> <li>The Climate Risk Standard, effective from 1 July 2022, mandates all new and existing corporate clients (CG 1-12) with an advised limit greater or equal to \$20m to be assessed for Climate Risk considerations.</li> <li>A new technology solution called the ESG Navigator has been deployed to assess Climate Risk considerations for all in scope clients since July 2022.</li> <li>Throughout 2022 we have covered ~80 per cent of high Transition Risk sectors (i.e. Oil and gas, Mining and Power) and ~65 per cent of the Group's total corporate exposure.</li> <li>By 2023, we aim to achieve 80 per cent coverage of the Group's total corporate exposure and extend Climate Risk-related considerations to deepen credit underwriting and broaden linkages, account management and client engagement.</li> </ul>
<b>Credit Risk – CPBB</b>	Y	Y	Y	<ul style="list-style-type: none"> <li>In our progress for 2022, we have expanded Physical Risk assessments to additional markets within Consumer Mortgage (Bangladesh, Vietnam, Jersey) and new products (Business Banking Client Mortgage) and Medium Enterprises (ME). These are over and above the Top 8 markets for the Group covered in 2021.</li> <li>The metrics are refreshed on a quarterly basis and reported to key governance committees.</li> </ul>
<b>Country Risk<sup>2</sup></b>	Y	Y	Y	<ul style="list-style-type: none"> <li>Our methodology for Physical and Transition Risk Sovereign Rankings now includes external benchmarks as key inputs and factors in Transition Risk mitigation measures being put in place by sovereigns.</li> <li>We have partnered with Imperial College to develop Physical Risk Report Cards for key sovereigns in Asia, which provide a detailed breakdown of the scores, along with key takeaways and historic climate disaster statistics. We intend to expand this to other countries.</li> </ul>
<b>Reputational and Sustainability Risk</b>	Y	Y	Y	<ul style="list-style-type: none"> <li>Adherence to net zero RA thresholds for our Phase 1 high-carbon sectors will be monitored as part of management information. The Climate Risk Decision Framework (CRDF) which helps assess climate-related reputational risk for clients in high transition sectors is now embedded within the Group Reputational Risk Standards. The framework details a set of referral triggers to the Group Climate Risk team to consider for enhanced due diligence and rating change methodology.</li> <li>We aim to become net zero in our financed emissions by 2050 and have set interim targets for specific high-carbon sectors. This will be extended to other sectors through 2023.</li> </ul>
<b>Operational and Technology Risk</b>	Y	In-progress <sup>3</sup>	Y	<ul style="list-style-type: none"> <li>All new property sites onboarded within the Group are assessed for Physical Risk vulnerabilities. Material Third-Party Corporate Service arrangements in scope for Business Continuity Management controls are subject to Climate Risk assessment as part of third-party continuity plans.</li> </ul>
<b>Traded Risk</b>	Y (Effective May 2022)	Y	Y	<ul style="list-style-type: none"> <li>The Traded Risk stress testing framework has been updated to cover market impacts from Climate Risk including an assessment of Transition Risk and two Physical Risk scenarios as part of the global Traded Risk scenarios inventory. These flow into existing Traded Risk Board-level RA metrics.</li> </ul>
<b>Compliance Risk</b>	Y	N <sup>4</sup>	N <sup>4</sup>	<ul style="list-style-type: none"> <li>We have an established process to maintain oversight of climate risk-related regulations across footprint markets centrally.</li> </ul>
<b>Treasury Risk</b>	N <sup>3</sup>	N <sup>4</sup>	N <sup>4</sup>	<ul style="list-style-type: none"> <li>We consider Capital requirements as part of the Group Internal Capital Adequacy Assessment Process (ICAAP). On the liquidity side, we have leveraged our client-level Climate Risk assessments to assess climate risk-related vulnerabilities and readiness of our top corporate liquidity providers.</li> </ul>

1 Relevant Framework/Policies/Standards, RA metrics and Risk Reporting are available/implemented.

2 Integral component of the ERMF.

3 Plans are in place to integrate Climate Risk into the Framework/policies/standards, RA and Risk Reporting.

4 Plans to integrate Climate Risk into the Framework/policies/standards, RA and Risk Reporting will be developed.

A deeper dive into each risk type is provided in the following section.

## Credit Risk

For many banks, Credit Risk presents the largest proportion of risk they face on their books. The industry has developed sophisticated management frameworks, which provide a baseline level of effective mitigation from risks. However, these industry-wide, existing processes have not yet evolved to account for the unprecedented level and type of risk that climate change brings, and additional climate risk-specific analysis is required as the tools and methodologies mature.

### Consumer, Private and Business Banking (CPBB) Credit Risk

For CPBB, we have made progress in embedding Climate Risk into mainstream portfolio management in 2022. Our approach is currently more advanced for the Consumer Mortgage business, which is CPBB's largest portfolio and for which there are identifiable and measurable risks applicable to the residential property collateral. Across CPBB, our risk identification and measurement focuses on acute and forward-looking physical risks (storm, flood, wildfire, and sea-level rise) across key markets.

In 2021, this covered approximately 65 per cent of the total CPBB consumer business book. In 2022, this was expanded to three additional markets for Consumer Mortgages and select markets for other CPBB products (Business Banking Client Mortgages and Medium Enterprises, representing 3 per cent and 1.6 per cent of the consumer business book respectively).

We use the output of the Physical Risk assessments of our Consumer Mortgage property locations to inform discussions during our credit portfolio quarterly reviews, and to periodically monitor concentration exposure to the perils identified above.

Within the Consumer Mortgage business, we have developed internal guidance on physical Climate Risk management for all our markets. The recommendations covered through this include the establishment of a zoning policy with differentiated criteria according to the level of exposure concentration to physical risk, the setting of risk mitigations where appropriate, as well as accounting for government-led adaptation measures on Physical Risk if it has not been considered before. A key design step has been to set up the framework for a holistic approach, catering for market forces when establishing the zoning policy, including the setting of appropriate trigger monitoring and escalation measures.

We currently offer differentiated loan-to-value for select ESG focused structured products, which align with the Bank's Green and Sustainable Product Framework.

The focus for 2023 will be to further develop our approach for assessing the physical and transition impact of unsecured consumer lending products such as credit cards and personal loans and initiate work on measuring Transition Risk vulnerabilities of our Consumer Mortgage portfolios. We aim to utilise proxied financed emissions for our key markets to begin model transition risk for consumer mortgages. We recognise that the data limitation will continue to persist given the lack of property-level data on energy consumption and limited energy label coverage in the key markets we operate in. To improve the accuracy of our financed emissions measurement capabilities, we partnered with Imperial College to refine our energy consumption derivation methodology, including the enhancement of our emissions factor database for major markets.

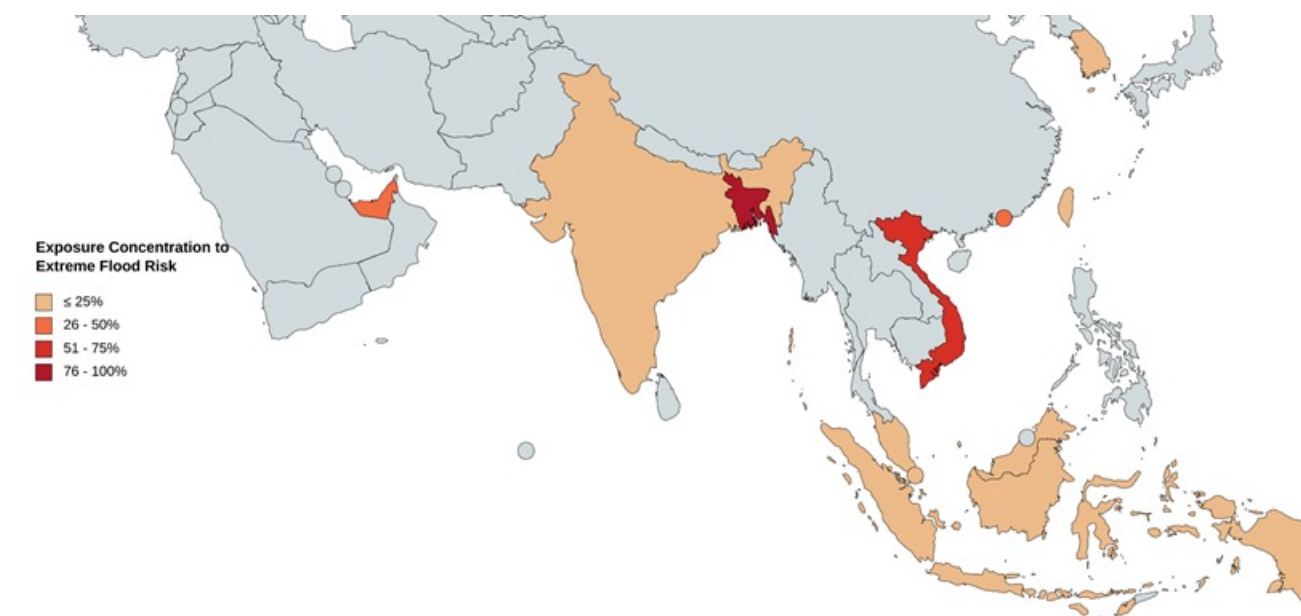
We undertake quarterly scenario analysis for the eight key Consumer Mortgage portfolios, focusing on sea-level rise across 3 RCPs (2.6, 4.5, 8.5) in the year 2100.

### Assessment of gross Physical Risk profile for Consumer Mortgages showing outstanding exposure subject to very high gross Physical Risk\*

Outstanding exposure at very high gross Physical Risk %										
Physical risk event	Korea	Hong Kong	Taiwan	India	Malaysia	Singapore	UAE	Indonesia	Others	Globally
<b>Flood (Acute)</b>	14%	45%	12%	23%	6%	3%	30%	21%	52%	26%
<b>Sea-level rise (Chronic – RPC 8.5)</b>	1%	4%	0%	1%	0%	0%	36%	2%	1%	2%

\* Data as of Sep 22

## Analysis of Consumer Mortgage portfolio showing outstanding exposure subject to very high gross Flood Risk



Physical risk event	Korea			Hong Kong			Taiwan			India		
	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend
<b>Flood (Acute)</b>	14.2%	13.8%	↓	45.0%	45.0%	↔	11.6%	11.8%	↔	22.0%	23.0%	↔

Physical risk event	Malaysia			Singapore			UAE			Indonesia		
	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend
<b>Flood (Acute)</b>	6.0%	5.7%	↓	2.8%	3.1%	↑	30.1%	30.4%	↔	19.7%	20.5%	↔

Note: Increase is called out for markets showing a rise of >5% year-on-year in flood risk exposure concentration.

### Caution about the metrics

The metrics are based on outputs from Munich Re's natural catastrophe model and the results do not factor in existing adaptation measures, governmental policies to protect and build for changing weather, and structural adaptation (e.g. age and quality of construction, or flood defences and dams protecting the property). Over time, sovereigns and policymakers are expected to drive market trends such as investment in adaptation financing, technological advancements, innovative risk transfer and mitigation approaches to combat the potential impacts of climate change. Presently, we do not see any significant stress over the short-term horizon on account of Physical Risk in our Consumer Mortgage and Business Banking Mortgage portfolios.

### Corporate, Commercial and Institutional Banking (CCIB) Credit Risk

Our client-level Climate Risk Questionnaire (CRQ) helps us assess the potential financial risks from climate change using both quantitative and qualitative information across five key pillars. The assessment presents a consolidated view of how the individual company has performed with regards to overall Climate Risk, how it sits within the sector as well as a regional view against benchmarks.

Physical Risk for our corporate client locations is assessed using Munich Re's NATHAN tool, which helps us evaluate the impact from current and acute risks of operating asset locations as sourced from S&P's Trucost asset location data.

A view of Transition Risk across a variety of global transition pathways is derived using a climate change scenario modelling tool as well as a temperature alignment tool.

We have also identified relevant climate policy inputs at a sector and regional level and assessed the specific impact timeframe that an entity may face, to provide an understanding of Transition Risk applicable to each client. Their outputs are fed into our client-level Climate Risk Questionnaires (CRQ) to help to create a multi-dimensional consolidated assessment of Climate Risk.

By the end of 2022, we had embedded assessments in our existing credit process for clients covering approximately 85 per cent of high Transition Risk sectors (i.e. Oil and gas, Mining and Power) and 65 per cent of the Group's total corporate exposure (c. 2,100 clients assessed).

Where climate change is expected to manifest into a financial risk in the near-term, we may find it appropriate to apply warning signals, such as risk triggers through an enhanced due diligence conducted by the Group Climate Risk and Credit Risk teams. In 2023, we intend to look at implementing guidance to allow adjustments to credit grading scorecards and additional monitoring mechanisms, for example through our Early Alert process. One of our key focus areas is to develop a pilot framework to help inform these credit decisions and we aim to embed this framework by December 2023.

## Our Climate Risk client-level assessment for Credit Risk and data sources

Standard Chartered's corporate client Climate Risk assessment framework				
<b>Governance and Disclosures</b>  Identify any acknowledgment of climate change related risks in public reports, defined targets, management incentives alignment with Climate Risk, TCFD aligned disclosures. It helps to review the level of Climate Risk management a company has in place, as well as assess how the market can perceive their sophistication of climate disclosures.	<b>Gross Physical Risk</b>  Modelled output to assess the current day and forward-looking risks to client's operating locations across a number of climate related hazards.	<b>Physical Risk Adaptation</b>  Acknowledgment and assessment of Physical Risk to client's business, its supply chain and on assets from a forward-looking perspective, quantification of Physical Risk impact, adaptation measures to date, adaptation measures in plan, including insurance coverage.	<b>Gross Transition Risk</b>  Identify Transition Risk of a company based on the client's reliance on fossil fuels as part of product/service mix, potential financial impact under various climate scenarios as well as potential macro and micro-climate risks via the tracking of climate transition policies across all footprint regions and sectors. Additionally, we look at how the entity performs across these areas, with respect to the average of the sector in which they operate, to identify divergences from sector transition expectations.	<b>Transition Risk Mitigation</b>  Acknowledgement of Transition Risk and a display of credibility of a client's business and supply chain focused on assessing their emissions reporting, emissions reductions targets and progress, plans to reduce reliance on fossil fuels, capital expenditure or investment in low carbon technologies, adaptability for change in consumer demand as well as strategy plans towards implementing internal carbon pricing or other offset related mechanisms.
Data sources				
TCFD disclosures, CDP, ESG, Sustainability reports, annual reports	S&P (asset level data), Climate Change Scenario Model and Munich Re's NATHAN & Climate tool	TCFD disclosures, CDP, ESG, Sustainability reports, annual reports	S&P for client-level emissions data, temperature alignment model and climate change scenario model	TCFD disclosures, CDP, ESG, Sustainability reports, annual reports

In 2023, we aim to refresh existing assessments as well as expand our coverage to c.4,000 clients covering 80 per cent of the overall corporate net nominal exposure. Additionally, as part of our ongoing agenda to accurately measure the total impact from Climate Risk, we have started to develop an approach for assessing the Climate Risk of our clients' collateral across property, shipping and aviation and will begin incorporating this into our Climate Risk assessments when finalised. For the shipping and aviation sectors, we assess the vulnerability to transition risk of the underlying collateral asset itself (aircraft or carriers), whereas for property collateral, Physical risk related vulnerabilities are prioritised.

The client assessments not only help form a view of the overall Climate Risk vulnerabilities and readiness for clients but provide a tool for data gathering and analysis of the underlying themes that drive Climate Risk and its mitigations. The following section gives insights gained from all completed Client Risk assessments performed over 2022 (2,100 entities covering approximately 65 per cent of corporate net nominal exposure), compared with the previous year (covering 1,940 entities), to highlight the direction of travel across our portfolio. The charts indicate the percentage of clients within our assessed portfolio performing Climate Risk management activities.

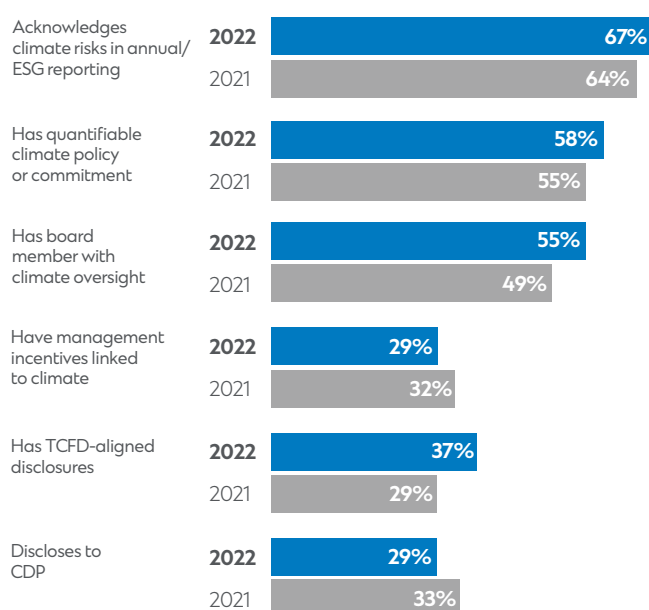
\* Data as of Nov 22

## Governance and disclosures

This pillar of our client assessment seeks to understand how climate-related responsibilities are managed within an organisation with a stronger score indicating a greater degree of client readiness. Two-thirds of clients now acknowledge Climate Risk as a financial risk to their direct operations and/or supply chain, while only 58 per cent have a quantifiable climate policy or commitment in place. These have both increased since our 2021 assessment, reflecting an increase in our coverage, as well as a positive movement from companies to disclose their climate-related risks, moving to over half of assessed clients.

### Results from our client-level Climate Risk assessment on governance and disclosure\*

■ 2022 (2,109 clients) ■ 2021 (1,940 clients)



\* Data as of Nov 22

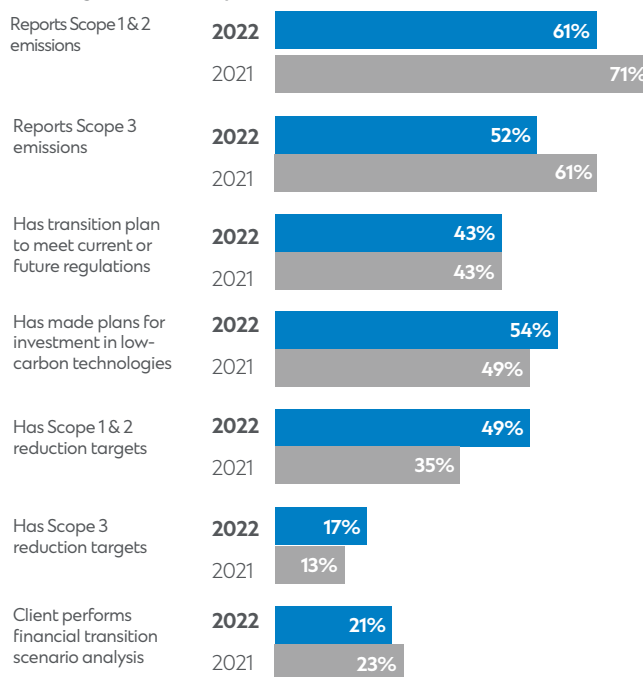
### Transition Risk readiness

This pillar of the CRA covers the intent, progress and capability of the client to mitigate the risks in transitioning to a net zero economy. There has been a drop in the percentage of clients reporting Scope 1, 2 & 3 emissions. Despite this, the number of clients that have set Scope 1, 2 & 3 emissions reduction targets has grown, showing a positive trend towards setting quantifiable commitments to action against climate change. This is encouraging as it shows quantifiable steps taken by corporates to act on their transition plans.

### Results from our client-level Climate Risk assessment on transition readiness\*

■ 2022 ■ 2021

#### Percentage of clients in scope



\* Data as of Nov 22

### Physical Risk readiness

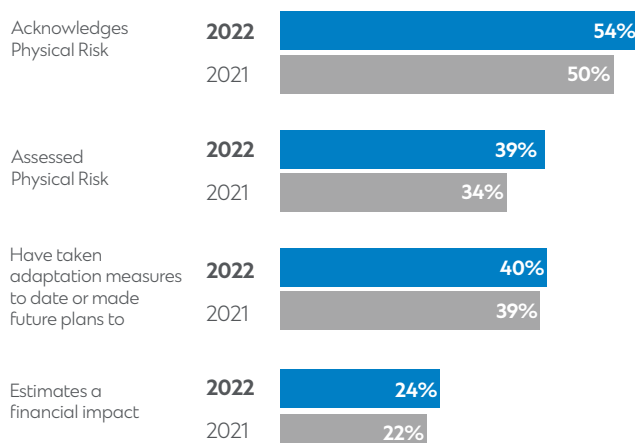
Through this pillar, we are seeking to assess if clients have quantified the financial impact of physical risks and understand if they are taking proportionate adaptation actions.

We have seen a positive movement in the number of clients acknowledging the impact that physical risks could have on their direct operations, up to 54 per cent, while those adopting adaptation measures against these risks has only climbed by 1 per cent. This is not surprising, as we have seen little progress in industries towards physical adaptation measures given the long-term and large-scale nature of mitigants.

### Results from our client-level Climate Risk assessment on Physical Risk readiness\*

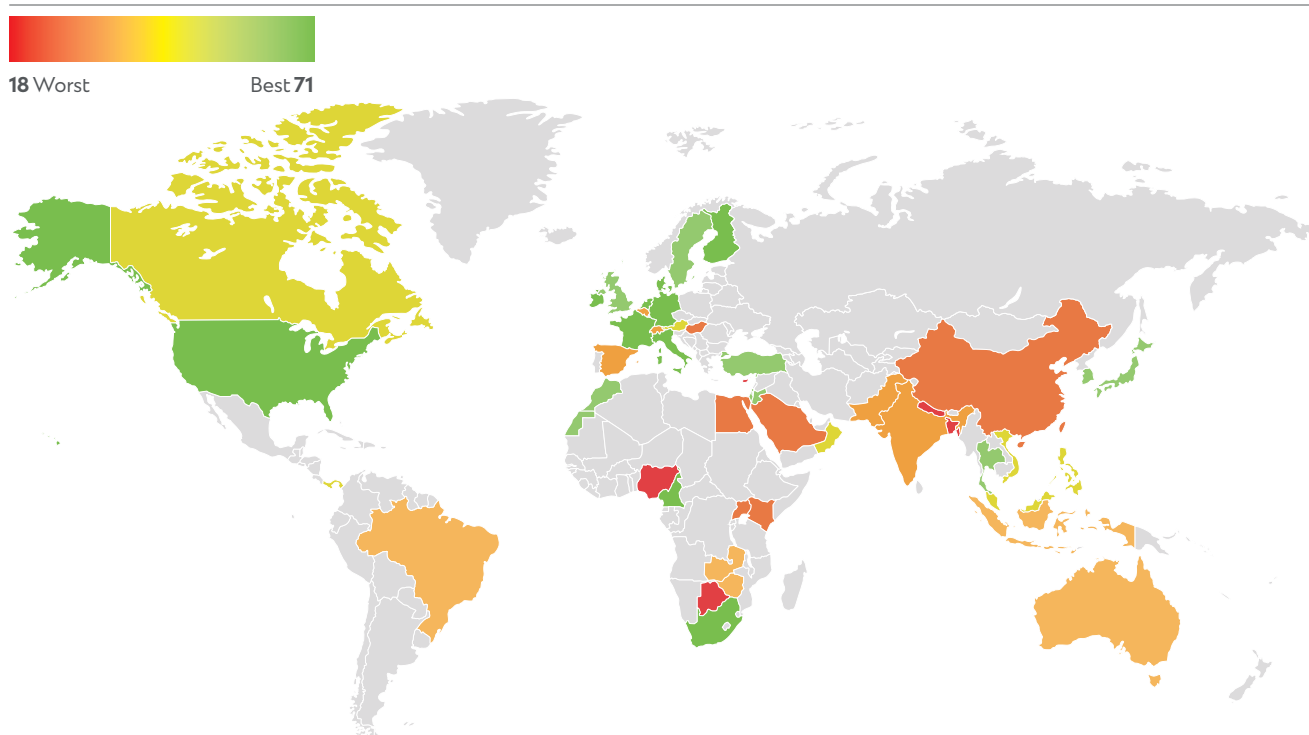
■ 2022 ■ 2021

#### Percentage of clients in scope



## How do different regions fare in their risk and preparedness?

### Client-level Climate Risk assessment scores by region



2022 Assessment*	Number of clients	Overall score	Governance & disclosures	Gross Physical Risk	Physical Risk adaptation	Gross Transition Risk	Transition Risk Mitigation
Asia	1,335	41%	40%	66%	27%	42%	36%
Africa & Middle East	386	37%	31%	67%	21%	38%	27%
Europe & Americas	388	57%	63%	81%	47%	46%	58%
<b>Total</b>	<b>2,109</b>	<b>43%</b>	<b>43%</b>	<b>69%</b>	<b>29%</b>	<b>42%</b>	<b>38%</b>

2021 Assessment	Number of clients	Overall score	Governance & disclosures	Gross Physical Risk	Physical Risk adaptation	Gross Transition Risk	Transition Risk Mitigation
Asia	1,238	40%	36%	67%	27%	36%	36%
Africa & Middle East	340	38%	34%	69%	25%	33%	32%
Europe & Americas	360	51%	53%	78%	39%	37%	50%
<b>Total</b>	<b>1,938</b>	<b>42%</b>	<b>39%</b>	<b>70%</b>	<b>29%</b>	<b>35%</b>	<b>38%</b>

\* Data as of Nov 22

The average overall score in our client-level Climate Risk assessment has remained at around 43 per cent in 2022. This is despite our increased coverage of clients with high Climate Risk scores.

Scores were on average better in developed economies and regions (EU, US, UK) and on average lower in the emerging markets (AAME), and this observation was seen consistently across the assessment pillars. This is driven by the increased level of climate policy and regulation in the developed economies and regions; however, clients in these markets are also subject to higher expectations and scrutiny as a result.

Physical Risk adaptation scored the lowest across all five questionnaire sections, indicating a low readiness of corporates to potential climate-related events, while gross Physical Risk scores decreased to 69 per cent in 2022 from 70 per cent in 2021. This is driven by an increased assessment coverage in our Asia region, where there is a higher frequency of physical risk hazards (e.g. storms and flooding).

Overall levels and consistency in the availability of climate information from public disclosures is still low, and in many cases absent, which highlights the importance of carrying out direct engagement with our clients.

### Benefits from the client engagement

We learned a lot from undertaking the client assessments, and so did our clients. The benefits included:

- Improvement of our data coverage, especially where this was not publicly available, and strengthening the quality of our risk assessments and modelling capabilities. The client-level risk assessments are now being integrated into the CCIB Credit Risk underwriting process.
- Clients were interested in seeing their Climate Risk profiles, as well as the tools and methodologies we use to quantify their Transition Risk. They were also interested in how to improve their climate-related reporting and disclosures.
- Internal capability-building of our client bankers and risk teams, with all affected frontline staff required to complete internal climate-risk training.

### Vulnerable sectors to Climate Risk

Climate change impacts almost all the sectors within the economy. However, we note that there are certain sectors that are more vulnerable to climate risks under different Transition Risk and Physical Risk scenarios.

Our approach to Transition Risk assessment is data-led, covering a broad range of sectors and at a company level where data is available and use of proxies in absence of granular information. We use a climate-change scenario model, which helps us to assess potential credit-grade movements for our corporate clients over a 30-year time horizon for a range of scenarios ranging from NGFS scenarios as well as the IEA scenarios. This is based on a sample of 2,388 corporate client entities covering 53 per cent of corporate good book on net nominal basis. We have used the MSCI Market Classification to assign countries or regions as developed or emerging markets.

### Caution about the metrics

Scenario-based potential credit downgrades are one approach for estimating future Transition Risk. The probability of default metrics that inform potential credit downgrades capture the potential impact to clients' financials under different transition scenarios.

The potential credit downgrades estimated do not factor in the transition mitigation plans that our clients and the Group will undertake over the next 30 years and represent the gross risks we are exposed to.

The results indicate a 'what if' analysis, and not a 'what is likely to happen' view. As climate action increases globally, clients, sovereigns and banks are likely to take additional mitigation measures to manage transition risks.

A 30-year period inherently brings challenges around forecasting likely outcomes, due to the uncertainties associated with the speed and direction of transition, including breakthrough technological developments, sovereign policies and management responses.

### Projected potential average minor notch credit grade downgrade by 2050 based on our climate scenario analysis of the in-scope sample corporate portfolio\*

	Developed Markets						Emerging Markets					
	IEA Net Zero Emissions	IEA Sustainable Development	IEA Announced Pledges	NGFS Orderly	NGFS Disorderly	NGFS "Hot House"	IEA Net Zero Emissions	IEA Sustainable Development	IEA Announced Pledges	NGFS Orderly	NGFS Disorderly	NGFS "Hot House"
<b>Automobiles and components</b>	0	0	0	1	2	1	0	0	0	1	2	1
<b>Construction</b>	0	0	0	1	2	1	0	0	0	1	2	1
<b>Consumer durables and apparel</b>	0	0	0	1	1	1	0	0	0	1	2	1
<b>CRE</b>	0	0	0	0	1	1	0	0	0	0	1	1
<b>Metals and mining</b>	1	1	0	2	3	1	1	0	0	2	2	1
<b>Oil and gas</b>	9	7	3	8	8	1	7	5	3	5	5	1
<b>Telecom</b>	0	0	0	0	0	0	0	0	0	0	1	1
<b>Transportation</b>	2	1	1	2	3	1	1	1	0	3	3	1
<b>Utilities</b>	1	0	0	1	1	0	0	0	0	0	1	0
<b>Total portfolio</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>

\* Data as of Nov 22

### Insights

Climate risks are likely to impact our portfolios disproportionately, depending on the region and sector. Fossil fuel dependent sectors that are most sensitive to emissions reduction policies are likely to see larger credit downgrades over a 30-year period. Oil and gas, Metals and mining, Transportation, Automotive and Commercial Real Estate are the sectors most impacted in the NGFS scenarios, while the oil and gas sector is likely to be most impacted under the IEA scenarios. Compared with our 2021 disclosures, the impact is relatively muted given the scenario selection and underlying scenario pathways being more benign as provided in the NGFS and IEA scenario datasets.

## Sectors exposed to Transition Risk

The vulnerable industries list identified below is based on the expected increase in potential additional costs driven by adopting new technology, changing energy mix towards renewables and associated technology adoption costs as well as an application of a carbon price over a long-term horizon which will eventually impact the companies' ability to remain profitable in the long run.

Sectors most impacted by Transition Risk include:



**Oil and gas**, including coal and the manufacture of refined petroleum products. Industry efforts to decarbonise are currently supported by switching to gas, biofuels, hydrogen and renewables, as well as leveraging technologies such as Carbon Capture and other emissions abatement projects. The oil and gas sector plays a central role in global efforts to decarbonise, with several of our clients having already committed to decarbonisation targets, most with carbon intensity targets for Scope 1 and Scope 2 emissions. Another linked sector that is likely to be impacted is the Commodity Traders linked to upstream and downstream supply chains for Oil and gas.



**Power:** Our focus remains on selectively financing grid expansion and renewable energy, recognising that these are key enabling technologies that support the transition towards greener sources of power. Switching to abated gas will be key in the short-term to support the transition away from thermal coal.



**Metals and mining:** This sector provides raw materials that support much of the global economy including those required for building and scaling clean energy technologies at the rate required in the NZ scenario. The sector contributes around 12 per cent of global emissions (Scope 1 and 2), of which Asia, Africa and the Middle East contribute more than 75 per cent. Structural changes in demand, combined with financial and regulatory pressures, are driving increased awareness of the need for companies in this sector to decarbonise operations. Some of our clients have already committed to net zero targets and we are working with them to reduce their emissions through financing transition technologies.



**Transportation:** This covers a range of sub-sectors that primarily rely on the burning of fossil fuels such as gasoline and diesel to deliver its direct and indirect services. Burning fuels directly results in the release of CO<sub>2</sub> and other emissions into the atmosphere and contribute significantly to Scope 3 emissions on many other industries.

These sub-sectors consist of:

- **Aviation**, such as airlines and air transport entities themselves, aircraft manufacturers as well as air transport services, such as airports and ground staff.

- **Shipping**, such as freighting services as well as entities that maintain and operate ports and terminals.
- **Automobiles**, including the production and manufacture of automobiles and their components, as well as any related service companies.

## Sectors exposed to Physical Risk

Below vulnerable industries are shortlisted based on expected physical damage to the industry over a longer time horizon.

**Real Estate activities:** One of the sectors that is most likely to be impacted is Real Estate activities. Given the nature of the asset-backed lending, an increased frequency and severity of acute weather events and increase in chronic risks will significantly increase damage costs that the Real Estate portfolio will be exposed to if adaptation measures taken are not significant.

**Manufacture of food and agricultural products:** Agriculture is highly vulnerable to climate change and therefore from the impact higher carbon emissions can have on local climate and the environment. Dry summers or heavy rainfall seasons could dramatically impact crops, leading to significant fluctuations in profitability and risks for companies throughout the supply chain.

The impact in developed markets is found to be higher than that in emerging markets. This is driven by higher regional carbon prices in developed markets which lead to a higher number of defaults over the next 30 years.

## Reputational and Sustainability Risk

Climate Risk is considered within the Reputational and Sustainability Risk Framework, for our corporate clients, through an assessment of a client's ability to meet their own climate related commitments, as well as satisfy the Group's public ambitions and position statements as well as its responsibilities for ESG risk management.

We have continued to perform additional client-level due diligence leveraging our Climate Risk questionnaires where possible to identify additional Reputational Risk from climate-related factors.

This additional due diligence is conducted by the Group Climate Risk team for (i) clients in our high Transition Risk and Phase 1 net zero sectors (Oil and gas, Power, Metals and mining), (ii) clients with a coal nexus<sup>1</sup> as well as (iii) those that have been assessed at client level as high Climate Risk. Given the lack of attribution for Physical Risk events, the assessment concentrates on Transition Risk. The assessment focuses on three pillars covering both client and transaction level aspects:

### Client level

- Temperature alignment scoring and a comparison to the client's peers.
- Client-level transition readiness and robustness of plans from Climate Risk Questionnaires or through desktop assessments

### Transaction level

- Emissions impact of transactions considering both internal and regional contexts.

\* Data as of Nov 22

<sup>1</sup> As defined by the Group's public Position Statement to only provide financial services to clients who, by 2030, are less than 5% dependent on thermal coal (based on % revenue).

- Of the case reviews completed, an increase in Reputational Risk rating was suggested for ~13 per cent of transactions. These consisted of companies in both the oil and gas and manufacturing sectors, primarily looking to procure coal or other high-carbon emitting products for manufacturing, production or wholesale purposes. In addition, some entities with high temperature alignment scores and no clear transition plan were raised as having additional risk and rating increases recommended.

The above-mentioned due diligence is in addition to wider existing environmental and social (E&S) risk management processes as well as our oversight against our Position Statements and Prohibited Activities list. During 2022, we have enhanced this E&S process through the Environmental & Social Risk Assessment (ESRA) to identify clients and transactions which may be more susceptible to reputational risk by assessing clients' level of commitment and strategy to manage climate change as well as their level of alignment to international standards of greenhouse gas emissions reporting.

This is intended to ensure a greater level of oversight of clients' readiness to manage climate change and the limitations on business activities that could result in a significant shift in stakeholder views (from both environmental and social impact) and/or negative perception by investors and the market.

Where negative perception exists or there is exposure to clients that do not comply with E&S criteria, reviews are conducted at a client level to identify root causes and propose mitigation plans, which are agreed with the relationship manager. These may involve client engagement, commitment from clients to take corrective action in the context of their business, or may result in potential run down if corrections cannot be achieved.

Additionally, where specific criteria in Position Statements are not fully met or there are individual clients that do not comply with the enhanced E&S criteria, these may be deemed to have high/very high reputational risks and are escalated to the Group Responsibility and Reputational Risk Committee (GRRRC) for client and transactional determinations.

We have also set a Risk Appetite for our exposure concentration to clients with a high-temperature alignment combined with low-transition readiness.

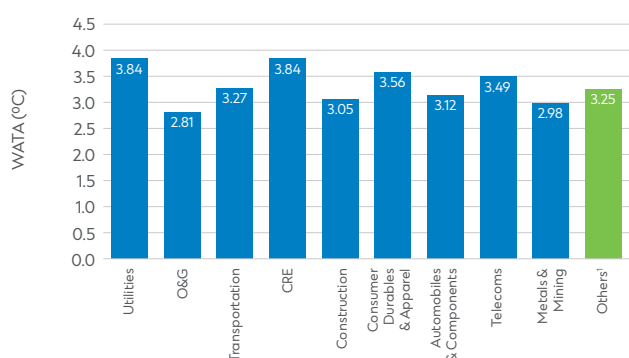
We use temperature alignment as a metric to inform our client-level Climate Risk assessment, which is part of the Reputational and Sustainability Risk reviews for clients and transactions as mentioned above. Temperature alignment is one way to consider a company's impact on climate change and an approach to estimate the emissions profile of our clients. It is calculated based on emission intensities and volume of hydrocarbons produced. It maps the company's forward-looking carbon intensity and hydrocarbon production outlook (where applicable) against a temperature alignment score.

We assessed the weighted average temperature alignment (WATA) of 2,388 corporate client entities (covering 53 per cent of corporate good book on net nominal basis) by high-carbon sector, projected to 2030. As part of our 2023 modelling roadmap, we are also looking to develop an in-house methodology to model temperature alignment and overall reduce reliance on third-party modelling capabilities.

#### Caution about the metrics

- Temperature alignment is an emerging concept, and industry-wide standards on methodology are still evolving. We expect our approach to evolve in line with best practice.
- Client-level emissions were only available for about 37 per cent of corporate clients, so sector average proxies were used for the remaining entities. In 2023, we aim to refresh existing assessments as well as expand our coverage to c.4,000 clients. The client assessments not only help form a view of the overall Climate Risk vulnerabilities and readiness for clients but provide a tool for data gathering and analysis of the underlying themes that drive Climate Risk and its mitigations. Additionally, expanded coverage from the existing vendor engagement will help to bridge the data gaps.

#### Weighted average temperature alignment (WATA) – 2030 by client sectors



1 The weighted average of approximately 20 other sectors to which the Group has the lowest net nominal exposure

#### Insights

- Our overall average is 3.25°C, indicating that our portfolio is largely in line with the current global emissions and temperature trajectory.
- Compared to other sectors within our portfolio, Utilities and CRE have a higher temperature alignment compared to other sectors, given the dependence on high-carbon emitting production, but our portfolio temperature alignment for these sectors is below the sector average.
- Compared to the previous year, average sector temperature alignment scores have increased across most of the sectors. This increase is driven by improvements in both emission data coverage for our clients (i.e. reduced use of proxies) and changes in the third-party temperature alignment scoring methodology. A maximum increase of 26 per cent for CRE is observed where WATA score has increased from 3.1 in 2021 to 3.8 in 2022. Telecommunication (26 per cent increase) and Consumer durables and apparel (24 per cent increase) are other notable sectors with an increase in WATA.

## Country Risk

The Group has developed a set of Physical and Transition risk rankings, to identify from a set of 165 sovereigns globally that are deemed most vulnerable and least ready to adapt and mitigate climate-related Physical and Transition risks.

- The Physical Risk rankings are based on a set of publicly available scores such as ND-Gain Country Index and GermanWatch Climate Risk Index, as well as S&P Global Ratings and Moody's Investors Service.
- The Transition Risk rankings are based on an internally developed methodology which comprises a combination of both climate and macroeconomic data.

The two pillars underlying this assessment include the Sovereigns' Gross Transition Risks (such as reliance on carbon-intensive sectors, import and export of fossil fuels, gap to fill to meet 2030 Nationally Determined Contributions targets) and Transition Risk Mitigations established (such as low-carbon energy production in place, imports of low-carbon technology, governments' ability and credibility to support the transition). The two pillars are further combined to obtain a measure of Net Transition Risk for each market.

Based on their aggregated Physical and Transition risk scores, sovereigns are split into decile-based rankings. These rankings are a qualitative input to the Group Country Risk reviews for sovereign credit grades and limits, inputs to various climate-related stress tests and computation of Country Risk Benchmarks and Risk Appetite. They are also used as proxies for missing client asset location information in Climate Risk Assessments.

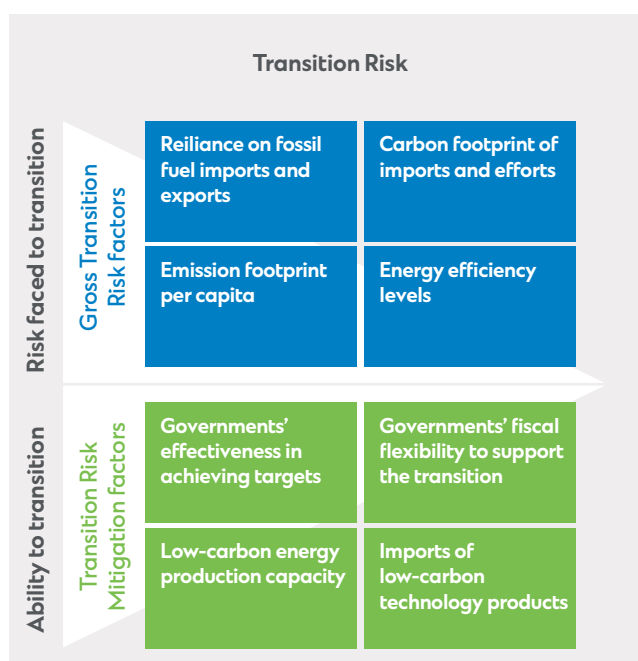
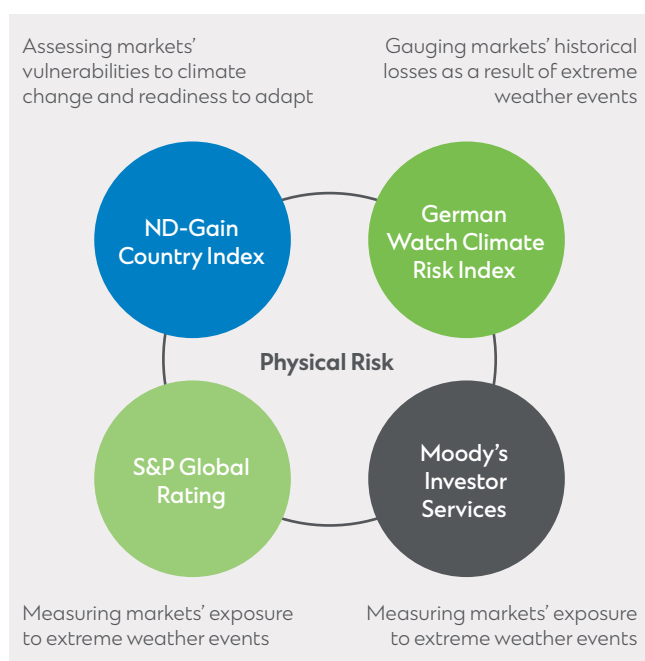
### Insight

- For Physical Risk, the bulk of exposure is located in sovereigns which score in the top half (buckets 1 to 5), with over 2 per cent in the two lowest categories (buckets 9 and 10).
- Similarly, for Transition Risk, the bulk of exposure is located in sovereigns which score in the top half, with less than 1 per cent in the two lowest categories (buckets 9 and 10).
- This indicates that the Group is overall well positioned in managing its climate-related physical and transition risks. The combined exposures in the two worst categories are also well below the Group's current Risk Appetite escalation levels.

### Caution about the metrics

- The rankings are informed by external indices.
  - Physical Risk rankings are based on four scores (ND-Gain Country Index/GermanWatch Climate Risk Index/S&P Global Ratings/Moody's Investors Service)
  - Transition Risk rankings are based on Gross Transition Risk and Transition Risk Mitigation factors, with data sourced from World Bank/OECD/S&P/International Monetary Fund/Fitch Ratings
- The computation inputs are based on latest available data which may be dated. Proxies have been used where data for the sovereign is not available.
- The ranking uses equally spaced decile scores and provides the results in an ordinal manner. While the simplicity helps in adoption and provides the relative position of the sovereigns, other systems may provide more information.

## Physical and Transition Risk rankings methodological deep dives



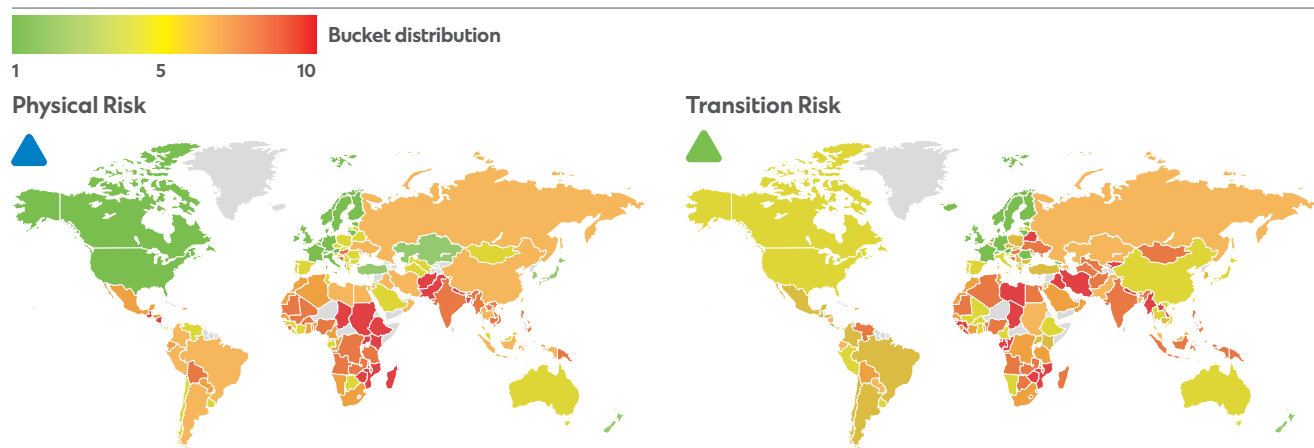
## Gross Country Risk (GCR) exposure distribution as at 31 December 2022 across the Physical Risk categories

Category	1 (Best)	2	3	4	5	6	7	8	9	10 (Worst)
Exposures %	11.21	27.08	20.61	4.71	18.17	8.30	1.83	5.83	1.14	1.12

## Gross Country Risk (GCR) exposure distribution as at 31 December 2022 across the Transition Risk categories

Category	1 (Best)	2	3	4	5	6	7	8	9	10 (Worst)
Exposures %	3.07	13.72	25.11	26.27	16.20	6.85	7.49	0.74	0.37	0.18

## Physical and Transition risk rankings distributions



## Operational and Technology Risk

## Standard Chartered's own operations

We perform granular Physical Risk assessment across all our own operating sites (offices, branches and data centres). From a risk management and mitigation perspective, all new properties (branches, offices) onboarded within the Group are assessed for Physical Risk vulnerabilities. A key development this year has been that all material Third-Party Corporate Service arrangements in scope for Business Continuity Management controls are subject to Climate Risk assessment as part of third-party continuity plans.

We analysed approximately 1,000 of our operating locations across branches, offices, data centres and other sites to assess the gross Physical Risk profile.

## Caution about the metrics

The metrics are based on outputs from Munich Re's natural catastrophe model and do not assume adaptation measures such as building quality, hazard protection infrastructure (such as flood defences) or government adaptation policies.

## Insight

- Outputs from the Munich Re Location Risk Intelligence platform show that 22 per cent of the Group's locations globally are in locations of extreme flood risk, 15 per cent with extreme storm risk and none at risk from wildfire.
- Longer-term risk (up to 2100) from sea-level rise under RCP 8.5 are minimal, being below 5 per cent.
- Not surprisingly, given our footprint, a higher proportion (26 per cent for flood, 20 per cent for storm) of the Group's locations in Asia are subject to extreme physical risks. A total of 16 per cent of locations in Europe & Americas are subject to flood risks, which is entirely driven by the locations in America.
- In the locations where weather events such as storms or cyclones are frequent, the buildings are built with this in mind.
- Mitigation options include property insurance and operating a diversified location strategy, splitting delivery and therefore reducing concentration risk.

## Assessment of gross Physical Risk at our own operating locations\*

Physical risk event	Time horizon	Scenario	Operating locations at extreme Physical Risk (%)			
			Korea	UAE	Indonesia	Globally
Flood (Acute)	2022	N/A	26%	10%	16%	22%
Wildfire (Acute)			0%	0%	0%	0%
Storm (Acute)			20%	1%	5%	15%
Sea-level rise (Chronic)	2100	RCP 8.5	1%	4%	0%	2%
Number of operating locations			734	223	37	994

\* Data as of Nov 22

## Traded Risk

We manage the Climate Risk of Traded Risk exposures as part of the Traded Risk stress-testing framework. Climate risks are incorporated within Traded Risk Stress Risk Appetite.

Climate-related stress scenarios are designed to include Transition Risk effects from climate change policies and shocks to markets due to supply and demand disruption from physical climate events.

Positions booked in the trading and fair value banking books are in scope, with a time horizon for stress shocks of between three days and one year depending on underlying market liquidity.

From a risk management and mitigation process, two physical climate stress scenarios – ‘Hurricane Season’ and ‘Winter Cold Wave’ – were introduced after considering the impact of extreme weather events on commodities prices and own

account and client portfolio concentrations. Additionally, an existing global stress scenario, ‘Global Inflation’, was updated to incorporate the impact of transition effects from climate change policies, notably inelastic carbon energy supplies.

	Description
<b>Traded Risk:</b> Market Risk stress loss from physical climate event	Potential stress loss to trading and fair value banking book exposures from extreme weather events, including increased impact and intensity of hurricanes and severe winter
<b>Traded Risk:</b> increase in Counterparty Credit Risk stress exposures from physical climate event	Potential increase in counterparty credit stressed exposures from extreme weather, including increased impact and intensity of hurricanes and severe winter

## Compliance Risk

We have established a process for tracking various Climate Risk-related regulatory developments and obligations set by financial service regulators at Group and regional/country level, with roles and responsibilities set out in the Climate Risk Policy.

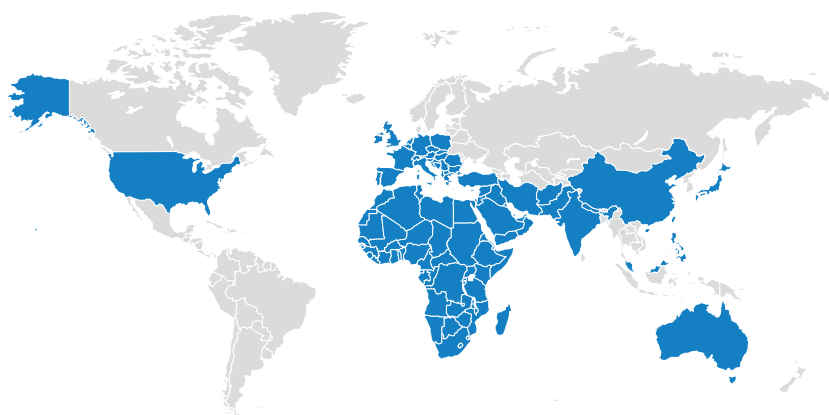
Regulatory requirements or enhancements needed are recorded through workplans across various teams. The workplans are coordinated and monitored through various working groups by having the relevant accountable executives participate in the relevant forums.

The processes of implementing regulations or addressing regulatory feedback is also monitored and challenged by the relevant governance committees.

Many regulators across our footprint have proposed or set supervisory expectations on climate/environmental risk management. Those expectations are broadly aligned in principle, but local implementations could vary. We have actively worked with industry bodies and regulators to promote consistency in policy making around the globe.

Over 2022, we have developed horizon-scanning capabilities for climate-related regulations as well as a global register. We on-boarded external counsel to assist with horizon-scanning of ESG-related regulations for both Group and 13 of our key markets in standard regulatory scanning and identification. Aggregating inputs from both external counsel and internal markets, a global obligations register has been established to provide a complete view of the current obligations and upcoming regulatory requirements. We have documented an operating model clarifying roles and responsibilities across the Group and our markets to establish clear ownership of sustainability regulations.

<b>Basel Committee</b> Principles of effective climate risk management in Jun 22 and FAQ Dec 22	<b>UK – BoE/PRA</b> Supervisory Statement on Enhancing climate risk management (SS3/19) BoE 21 stress testing including climate impact	<b>US – OCC, FDIC, Fed</b> OCC, FDIC and Fed consultations in Feb, May and Dec 22 on climate risk management Fed announced pilot climate stress testing in 23
<b>EU – ECB</b> Supervisory guide on climate and environmental risk management in Nov 20, effective immediately ECB-led climate stress testing ECB report on state of readiness of EU banks	<b>AME region</b> Central Bank of Kenya guidelines on climate risk in Oct 21 Dubai FSA to issue draft guidelines on climate risk in Sep 21 Central Bank of Oman adopted the Basel principles in climate risk management in Dec 21	<b>India – RBI</b> Survey on climate risk and sustainable finance in March 22 followed by a discussion paper in Sept 22. RBI-led climate scenario analysis expected
<b>Australia – APRA</b> Climate change financial risk management guidelines in Nov 21 Climate scenario analysis conducted in 22	<b>Singapore – MAS</b> Guidelines on environmental risk management published in Dec 20, effective Q2 22 Climate impact included in 2022 industry-wide stress testing exercise	<b>Malaysia – BNM</b> Guidelines on environmental risk management published in Dec 20, effective Q2 22 Climate impact included in 2022 industry-wide stress testing exercise
	<b>Philippines – BSP</b> Draft environmental risk management guidelines in Sep 21 Draft circular on climate risk stress testing Aug 22	<b>Hong Kong – HKMA</b> Supervisory Manual on climate risk management published in Dec 21, effective Dec 22 Pilot climate stress testing conducted in 2021
	<b>Japan – JFSA</b> Guidelines on climate risk management in Jul 22	<b>China – CBIRC</b> Green Finance guidelines issued in Jun 22
	<b>Nepal – BoN</b> Guidelines on climate risk management in Feb 22	



## Treasury Risk

From a capital perspective, Climate Risk considerations have been part of our Internal Capital Adequacy Assessment Process (ICAAP) submissions since 2019. Our approach for assessing the Climate Risk impact on capital adequacy has improved from qualitative judgements to quantitative simulations with the availability of tools and greater understanding of our portfolio.

For the 2022 ICAAP submission, we moved towards a more quantitative approach comparing the worst (annualised) five-year loss period from all three NGFS scenarios to the projected peak losses from the 2022 Group ICAAP. The Late Action scenario was identified to drive the maximum difference in losses; however, this was lower than credit losses experienced under the ICAAP macroeconomic stress scenario, concluding that additional capital add-on was not required for Climate Risk. The severity and potential impact on our clients' loan impairment level under climate scenarios was lower than the ICAAP scenario and we determined that an additional capital buffer was not required.

The approach for incorporating climate related credit risks into the Group's ICAAP is set to continue using scenario driven analysis to best judge the financial impact of Climate Risk. It is envisaged however that as understanding of Climate Risk management and potential forward-looking scenarios develops, this may lead to evolution in our approach and assessment including using a wide range of scenario outcomes to determine any potential capital related impact in the future.

From a Liquidity Risk perspective, we conducted a proof-of-concept analysis to assess climate risk-related vulnerabilities and readiness of approximately 77 per cent of the corporate liquidity portfolio, leveraging the client outreach and data gathering exercise being undertaken on the asset side. The analysis showed that exposure concentration in the 'high transition risk and low readiness' bucket is broadly comparable to what we see for our top corporate client exposures on the asset side. Liquidity providers with high transition risk are from the Oil and gas, Pharma, Transport storage – others and Utilities sectors. We will continue to enhance our analysis capabilities and exposure coverage through 2023, including embedding climate related liquidity considerations within our Internal Liquidity Adequacy Assessment Process.

# Governance of our Sustainability Agenda

Climate change and its associated risks, opportunities and organisational implications are overseen by the Group's Board, Management Team and multiple supporting sub-committees.

→ The structure of the Group's Board and Management Team can be found on [pages 138 to 145](#).

## Standard Chartered PLC Board

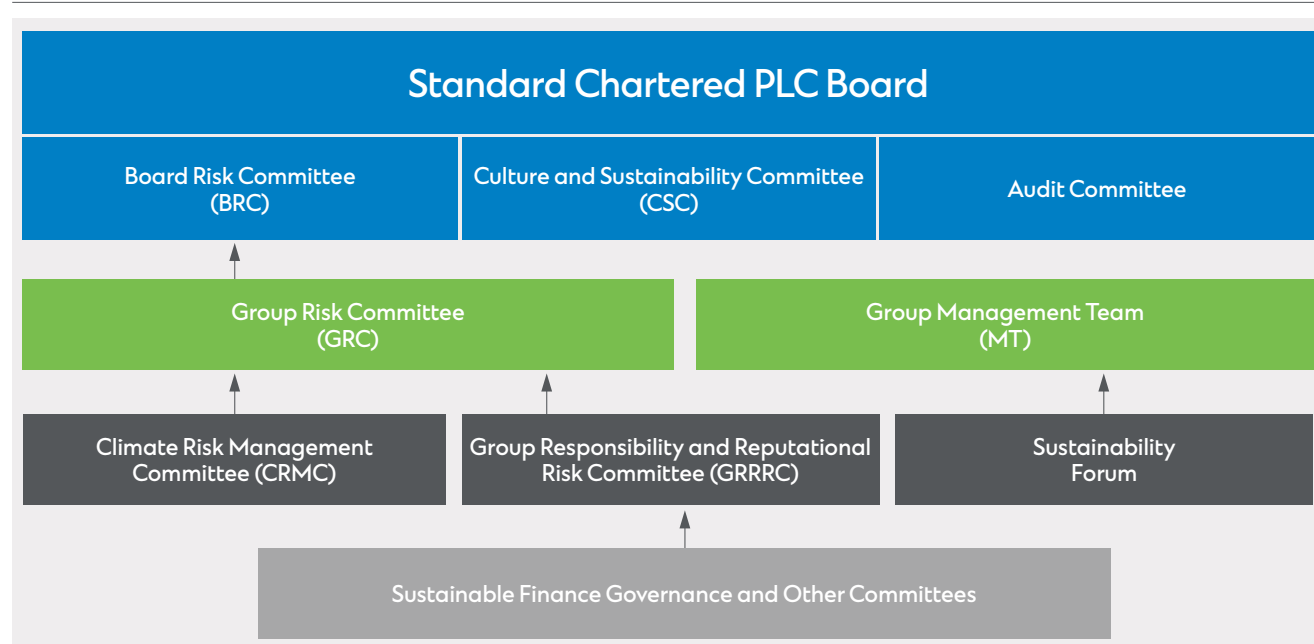
The Board is responsible for the long-term success of the Group and its supporting committees consider climate-related risks and opportunities when reviewing and guiding strategic decisions.

Since 2019, the Board has approved a Climate Risk Appetite Statement (RAS) annually to reflect both our aim to measure and manage the financial and non-financial risks arising from climate change, and to reduce emissions related to the Group's own activities and those associated with the financing of clients seeking to align with the Paris Agreement. In November 2021, we introduced a suite of Risk Appetite (RA) metrics and thresholds to monitor and manage the exposure concentration in our portfolio across key risk types.

Throughout 2022, Board activities have included reviewing and guiding strategic decisions on our approach to reach net zero financed emissions by 2050.

→ For more information on our governance structure please see [page 184](#) in the Directors' remuneration report.

## Structural overview of Standard Chartered PLC's climate-related governance



## Management Team

Each member of the Group Management Team is responsible for strategically driving climate considerations within their geography, business segment or function in line with our net zero pathway.

In response to the Prudential Regulation Authority's (PRA's) Supervisory Statement 3/19, 'enhancing banks' and insurers' approaches to managing the financial risks from climate change', and responsibility for identifying and managing financial risks from climate change sits with the Group Chief Risk Officer (CRO) as the appropriate Senior Management Function (SMF) under the Senior Managers Regime (SMR). The Group CRO is supported by the Global Head, Enterprise Risk Management (ERM) who has day-to-day oversight and central responsibility for the Group's second line of defence against Climate Risk.

The Global Head, ERM has also appointed a dedicated Managing Director, Global Head of Climate Risk and Net Zero Oversight. Risk Framework Owners for the impacted Principal Risk Types (PRTs) and integral component of the Enterprise Risk Management Framework (ERMF) are responsible for embedding Climate Risk requirements within their respective risk types.

## Governance committees and steering groups

Several committees within the Group support the Board and Management Team on the management and monitoring of climate change and its associated impacts.

## Governance committees and steering groups with responsibility for climate-related issues

Governance body	Chair	Climate-related agenda frequency and inputs	Key purposes and responsibilities related to climate	Climate-related topic 2022
<b>Board</b>	Standard Chartered PLC Group Chairman	Twice during 2022. Climate Risk updates delivered via Group CRO Reports	<ul style="list-style-type: none"> <li>Oversee the Group's overall net zero approach.</li> <li>Responsible for the net zero pathway shareholder advisory vote proposal.</li> </ul>	<ul style="list-style-type: none"> <li>Discussed and reviewed the Group's net zero pathway, approved its approach and reviewed the progress on delivery.</li> <li>Completed training focusing on how Climate Risk is being embedded across the three lines of defence.</li> </ul>
<b>Board Risk Committee (BRC)</b>	Independent non-Executive Director	Three times a year. Climate Risk updates to BRC in Group reports seven times a year, delivered via Group Chief Risk Officer's Reports  Quarterly Climate Risk information provided as part of the Risk Information Report, covering key metrics based on the concentration of transition and physical risks in our portfolio.	<ul style="list-style-type: none"> <li>Provide oversight of the Group's key risks on behalf of the Board and is the primary Risk Committee at the Board level that oversees Climate Risk.</li> <li>Consider the Group's Risk Appetite and make recommendations to the Board on the Risk Appetite Statement (RAS).</li> <li>Assess risk types (including Climate Risk) and the effectiveness of risk management frameworks and policies.</li> <li>Provide oversight and challenge of the design and execution of climate-related stress testing.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed, discussed and challenged the Group's Management scenario analysis.</li> <li>Reviewed and recommended Group Climate RAS to the Board.</li> <li>Reviewed Climate Risk Information Report (RIR) quarterly.</li> <li>Monitored adherence to RA metrics including any relevant breaches.</li> </ul>
<b>Culture and Sustainability Committee (CSC)</b>	Independent non-Executive Director	Four times in 2022.	<ul style="list-style-type: none"> <li>Oversee the Group's overall sustainability strategy.</li> <li>Monitor the development and implementation of the sustainability framework to align with the Group's net zero approach.</li> </ul>	<ul style="list-style-type: none"> <li>Discussed ESG benchmarking and indices progress, including via CDP climate change survey.</li> <li>Reviewed Group Sustainability Strategy (including climate).</li> <li>Discussed Board engagement protocols on sustainability.</li> </ul>
<b>Audit Committee</b>	Independent non-Executive Director	Once in 2022 (Q4). This will be quarterly from 2023.	<ul style="list-style-type: none"> <li>Responsible for oversight of the Group's quantitative reporting metrics.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed proposal to integrate TCFD-aligned disclosures and metrics into Annual Report and agreed this approach.</li> </ul>
<b>Group Risk Committee (GRC)</b>	Group Chief Risk Officer (CRO)	Three times during 2022. Climate Risk updates in Group CRO and CRIR reports 11 times per year.	<ul style="list-style-type: none"> <li>Ensure the effective management of Group risk in support of the Group's Strategy.</li> <li>Oversee implementation of the Enterprise Risk Management Framework.</li> <li>Review Risk Appetite and approve Management Team level Risk Appetite metrics and thresholds for Principal Risk Types (PRT) and integrated risks, including Climate Risk.</li> </ul>	<ul style="list-style-type: none"> <li>Received update on Climate Biennial Exploratory Scenario Round 2.</li> <li>Received update on Climate Risk embedding and the Climate Risk profile as part of the Risk Information Report.</li> <li>Approved the Management Team level Climate RA metrics and monitored adherence to these.</li> </ul>

Governance body	Chair	Climate-related agenda frequency and inputs	Key purposes and responsibilities related to climate	Climate-related topic 2022
<b>Climate Risk Management Committee (CRMC)</b>	Group CRO	Three times in 2022. (CRMC commenced in July 2022) and will be held six times a year in 2023.  Note: Prior to its formalisation as a Committee, there were also three Climate Risk Management Forum (CRMF) meetings held in 2022.  Climate Risk Information Report (RIR) tabled quarterly, covering key metrics based on the concentration of transition and physical risks in our portfolio.	<ul style="list-style-type: none"> <li>Oversee development and implementation of the Climate Risk framework.</li> <li>Oversee all aspects of risk management practices for climate-related financial and non-financial risks, including leadership and oversight in developing and effectively implementing the Group's Climate Risk management framework.</li> <li>Provide structured governance around engagement with relevant PRTs impacted by or linked to Climate Risk.</li> </ul>	<p>Drove delivery of:</p> <ul style="list-style-type: none"> <li>Climate stress testing and management scenario analysis.</li> <li>Progress associated with integrating Climate Risk across all impacted risk types.</li> <li>Climate risk-related disclosures, including those discussed in this report.</li> <li>Climate Risk research with Imperial College London.</li> <li>Regulatory feedback and supervision.</li> <li>Climate-related management information and RA metrics.</li> <li>Approach to delivering training and upskilling staff on Climate Risk across the Group.</li> </ul>
<b>Group Responsibility and Reputational Risk Committee (GRRRC)</b>	Group Head, Conduct, Financial Crime and Compliance	Monthly	<ul style="list-style-type: none"> <li>Oversee and approve climate-related Position Statements including sector-specific transition criteria and associated risk tolerance thresholds</li> </ul>	<p>Reviewed:</p> <ul style="list-style-type: none"> <li>Exposure to clients that do not comply with enhanced E&amp;S criteria.</li> <li>Transactions where Position Statements are not fully met.</li> <li>Transactions with high or very high Reputational Risk with climate change factors.</li> </ul>
<b>Sustainability Forum</b>	Group Head, Corporate Affairs Brand & Marketing (Jan-Aug); Chief Sustainability Officer (Sep-Dec)	The Forum meets eight times per annum.	<ul style="list-style-type: none"> <li>Oversee development and implementation of the Group's sustainability strategy, including climate.</li> <li>Guide a coordinated Group-wide approach to key sustainability themes, including climate change.</li> </ul>	<p>Reviewed:</p> <ul style="list-style-type: none"> <li>New, existing, and updated Sustainability Aspirations.</li> <li>Processes for integration of Climate Risk into Reputational and Sustainability Risk.</li> <li>Approved the approach to the Group's own ESG ratings.</li> <li>Discussed Group-wide climate internal and external engagement programmes.</li> </ul>

Governance body	Chair	Climate-related agenda frequency and inputs	Key purposes and responsibilities related to climate	Climate-related topic 2022
<b>Sustainable Finance Governance Committee</b>	Global Head of Sustainable Finance	Monthly	<ul style="list-style-type: none"> <li>• Provide leadership, governance and oversight in delivering the Group's sustainable finance offerings.</li> <li>• Review and endorse sustainable finance products.</li> <li>• Guide the Group in identifying and embracing opportunities and reviewing the reputational risks relating to sustainable finance including any greenwashing risks on sustainable finance products.</li> </ul>	<p>Reviewed and approved:</p> <ul style="list-style-type: none"> <li>• Sustainable finance products including sustainable deposits, green mortgages, sustainable trade finance products, sustainable finance wealth management products.</li> <li>• Green and sustainable finance transactions including transactions with climate-related KPIs.</li> <li>• The Group's approach to launching sustainable and climate products.</li> <li>• The Group's Green and Sustainable Product Framework, encompassing a range of climate finance activities.</li> <li>• The Group's update to the 2022 Sustainable Finance Impact Report.</li> </ul>
<b>Sustainable Finance Steering Committee</b>	Global Head of Sustainable Finance	Monthly	<ul style="list-style-type: none"> <li>• Provide strategic direction for the Corporate, Commercial and Institutional Banking (CCIB) sustainability agenda.</li> <li>• Coordinate and scale CCIB products, segments and markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussed Sustainable Finance trends.</li> <li>• Monitored and tracked progress of sustainable finance targets.</li> <li>• Coordinate and scale CCIB products, segments and markets.</li> </ul>
<b>Net Zero Operating Steering Committee<sup>1</sup></b>	Net Zero Transition Programme Director	Weekly	<ul style="list-style-type: none"> <li>• Drive the operationalisation of the Group's net zero pathway.</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinated the embedding of net zero pathway across the bank.</li> </ul>
<b>Consumer, Private and Business Banking Sustainability Steering Group (CPBB)</b>	Global Head, Transformation and Strategic Initiatives	Bi-monthly	<ul style="list-style-type: none"> <li>• Provide strategic direction for the Consumer, Private and Business Banking (CPBB) sustainability agenda.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussed Sustainable Finance trends.</li> <li>• Tracked progress of Sustainable Finance targets and discussed further opportunities.</li> <li>• Updates and progress on CPBB net zero plans.</li> </ul>

<sup>1</sup> The Net Zero and overall Sustainability governance structure will be renewed and refreshed in 2023.

Additionally, we are expanding governance and risk management at the regional, country and segment levels to better identify the risk and actively manage their portfolios.

## Assessing and managing climate within our business

Climate risks and opportunities are a growing priority across the Group. Multiple different teams across our businesses and functions are either dedicated to, or spend a proportion of their time working on climate-related activities.

### Employees dedicated to supporting Climate Risk and opportunities

Line of defence	Team	Purpose and responsibilities related to climate
<b>First line</b>	Sustainability Strategy and Net Zero Project Management Office	<p>Formed in July 2022 under the new CSO, this team manages the overall Group sustainability strategy including external disclosures and engagement with NGOs and Policy Coalitions, with team members actively participating in and convening the Group's participation in industry platforms and initiatives.</p> <p>The team acts as Secretariat to the Sustainability Forum helping shape the direction of the Group's action on sustainability and leads the Group's net zero strategy and implementation. As of 2023, this team will serve as the host of the Group Net Zero Programme Management Office (PMO).</p>
	Sustainable Finance	<p>Comprises Sustainable Finance Origination and Strategic Initiatives teams who actively collaborate to identify, capture and manage opportunities regarding Climate Finance.</p> <p>The Transition finance team also sits within this structure and supports our clients with their decarbonisation financing needs.</p>
	ESRM	Responsible for setting and operationalising the Group's sector-specific Position Statements and working with clients in all our carbon-intensive sectors to avoid, mitigate and manage any potential negative impacts of our financing.
	Climate Risk Analysis (including Advisory and Analyst teams)	Formed in 2022. Conducts data collection and analysis for the client-level Climate Risk assessments for all in-scope clients.
<b>Second line</b>	Climate Risk	Forms part of the Group Enterprise Risk Management (ERM) function. Conducts periodic horizon scanning, looking at both top-down risk identification of emerging industry themes and regulatory expectations, and bottom-up risk identification through impacted processes.
	Reputational and Sustainability Risk (RSR)	Responsible for overseeing and challenging the first line of defence in respect of risk management activities of reputational and climate-related risks.
	Other Principal Risk Types	As Climate Risk is integrated into impacted PRT frameworks, responsibility for second line ownership of Climate Risk specific to each Principle Risk Type is delegated to the relevant Risk Framework Owner.
<b>Other Business Partners</b>	Legal, Conduct Financial Crime and Compliance and Supply Chain Management	Provide support to the Group as necessary, including to Sustainable Finance, Sustainability, Climate Risk and RSR.

\* Headcount is based on budgeted numbers and could change subject to ongoing recruitment. Sustainability Strategy and Net Zero Project Management Office and Climate Risk Analysis teams didn't exist in years prior to their 2022 formation.

## Education and training

### Understanding Sustainability

We are encouraging all employees across our footprint to grow their understanding of sustainability and climate, how we embed it into our business, operations and communities, and how they can actively play their part in this journey. In April 2022, we launched our 'Understanding Sustainability' online learning, and more than 12,800 (15 per cent) of colleagues voluntarily completed this programme during the year.

To recognise their engagement, we planted a tree for each employee completing the training in our 'Standard Chartered Forest', which spans seven of our footprint markets and is tended by local NGOs.

### Climate-related financial and non-financial risk training

For Climate Risk specifically, the Board were given training that provided an overview of how Climate Risk is being embedded across the three lines of defence, as well as what this means for our clients and colleagues.

In addition, we launched Risk-wide mandatory e-learning, and provided 35 hours of bespoke classroom-based training for almost 4,000 colleagues across CCIB, CPBB, Risk and Audit. Recordings of these sessions are available to all staff to access as convenient.

In Q1 2023, we intend to embed Climate Risk-related credit training material into both our first and second line Credit Risk curricula. In addition, in partnership with our academic partner, Imperial College London, we also aim to launch a detailed online training programme available to all impacted staff.

### Sustainable Finance and ESRM training

In 2022, we focused on educating colleagues across all levels of the Group on our net zero pathway and Sustainable Finance initiatives. We launched foundational sustainability and Sustainable Finance curricula across the Group; provided dedicated training on our Sustainable Finance product suite and Position Statements; hosted panel discussions on key themes including greenwashing risk and ESG ratings; and held topical sessions on net zero and Transition Finance concepts, such as carbon capture, utilisation and storage, and decarbonisation market trends.

In 2023, our Sustainable Finance education programmes will accelerate. This will include the roll-out of a tiered practitioner-level learning curriculum, and further modularisation of our Sustainable Finance training to help us improve knowledge and awareness across our network.

## Incentive structure

Variable remuneration is applicable to employees through the Group Scorecard and the Long-Term Incentive Plan (LTIP). This is overseen by the Board-level Remuneration Committee. Selected sustainability targets, including those with a climate change dimension, are incorporated into our annual Group Scorecard which informs variable remuneration for all colleagues under our Target Total Variable Compensation plan, including executive directors and the Group Management Team.

Sustainability has also been included in the 2023–25 LTIP performance measures, with an increased focus on the broader impact of client activity, rather than on our internal operations. The sustainability measures in the 2023–25 plan include:

- Sustainable Finance income in excess of \$1 billion by 2025
- Delivery of the net zero roadmap
- Contribution to the advancement of sustainability ecosystem

The Group scorecard includes the following for 2023:

- Progress against the Group's aim to achieve net zero by 2050
- Improve community engagement through employee volunteering participation

In addition to the Group Scorecard and LTIP performance measures, dedicated climate and sustainability-related objectives apply across functional and regional scorecards including the Risk function, and individual objectives add a further link between sustainability and reward. Specifically, in relation to the delivery of core aspects of our climate change approach, several individuals and teams have objectives which impact variable remuneration.

## Individuals or teams with objectives which impact variable remuneration

Individual or team	Objectives/performance linkage
<b>Chief Risk Officer (CRO)</b>	The Group CRO is responsible and accountable for Climate Risk under the Financial Conduct Authority's Senior Managers and Certification Regime. This includes responsibility for overseeing the delivery of the Climate Risk workplan covering Climate Risk governance, Climate Risk assessment, Climate Risk scenario analysis and stress testing, and Climate Risk disclosure. These responsibilities form part of the Group CRO's objectives, and therefore directly affect their remuneration.
<b>Risk</b>	The Group scorecard includes a 10 per cent weighted metric for the sustainability pillar to achieve net zero by 2050, and another 15 per cent for Risk & Controls.
<b>Climate Risk team</b>	Delivery of the Group's approach to Climate Risk management, development of tools and methodologies for risk identification, quantification, management, monitoring and reporting; building capacity and skills for Climate Risk management across three lines of defence and organisation wide.
<b>Sustainable Finance team</b>	Income targets for sustainable finance strategic revenue related to sustainable finance products and delivery of relevant Sustainability Aspirations targets.
<b>Clean Technology team, and other climate finance origination teams</b>	Revenue targets for origination of climate finance.
<b>Property team</b>	Delivery of emissions reduction targets, operational net zero strategy by 2025 and Scope 1 and 2 carbon offsetting.
<b>Supply Chain Management</b>	Delivery of business travel emission reduction targets and Scope 3 business travel carbon offsetting.
<b>Corporate Real Estate Partners, JLL and CBRE</b>	Setting operational KPIs and implemented incentives structures for our partners, JLL and CBRE, who manage day-to-day property management activities. In addition, we further incentivise our partners to accelerate activities, with the aim of achieving our targets ahead of schedule.

## Metrics and targets

The data we have used provides the best available approach to making progress, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and methodologies required. We expect the availability and reliability of required data to improve over time, and we intend to integrate applicable improved data into our reporting as it becomes available.

# Social Sustainability

While it's clear that our main impact on society and the environment is through the businesses we finance, we aim to be a force for good for our clients, people and communities. To us, that not only means ensuring that we are minimising our own environmental impact, but also striving to be a responsible company: utilising our skills, experience and network to fight financial crime, embedding our values across the markets where we operate, and investing in our people and communities.

## Conduct and ethics

Good conduct is critical to delivering positive outcomes for our clients, markets and stakeholders. It's fundamental to achieving our brand promise, here for good.

Our Conduct Risk management approach has been strengthened since 2021 through several initiatives, including launching a new annual Conduct Risk management effectiveness review, which increased our ability to identify and mitigate against Conduct Risk, and re-energising our engagement strategy.

Our Speaking Up programme is essential to upholding our here for good brand promise and valued behaviours. The early disclosure of concerns reduces the risk of financial and reputational loss caused by misconduct. We encourage colleagues, contractors, clients, suppliers and members of the public to use our Speaking Up programme which offers secure and confidential channels to report known or suspected misconduct without fear of retaliation. Examples of concerns include breaches of regulatory requirements, breaches of Group policy or standards, or behaviour that has adverse effects on colleagues and/or our reputation.

The Speaking Up programme continues to be utilised across all countries, businesses and functions, and our 2022 MyVoice survey found that 88 per cent of employees (87 per cent in 2021) felt comfortable raising concerns through the channels. Despite this, 2022 saw a 9.6 per cent (113 cases) decrease noted in the volume of total disclosures via Speaking Up channels compared with the previous period. This is a trend noted across the industry, primarily due to the COVID-19 pandemic which continues to influence internal reporting trends.<sup>15</sup>

Throughout 2022, we hosted a series of awareness campaigns to ensure that our colleagues understand the importance of upholding our conduct standards and know how, and when, to Speak Up. To celebrate Whistleblowers' Day on 23 June, we held a month-long global campaign themed around 'Doing the Right Thing One Speak Up at a Time', and in October colleagues in Africa and the Middle East region ran a regional Conduct Week. In December, we celebrated Conduct Month and UN Anti-Corruption Day, under the theme 'The Stands, Conduct and Me', highlighting the link between the day-to-day conduct of individual colleagues and the Bank's Stands. All campaigns included interactive messages from our senior leaders and live panel discussions designed to both set the tone from the top and nurture it from within.

The Group Code of Conduct (the Code) remains the primary tool through which we set our conduct expectations: it supports all our policies, setting minimum standards and reinforcing our valued and expected behaviours. It also outlines a framework to help colleagues make good decisions. To reinforce our shared commitment to the highest possible standards of conduct, each year we ask our colleagues to reconsider what the Code means to them through a refresher e-learning, and to reaffirm their commitment. In 2022, 99.5 per cent of our colleagues completed the mandatory training and affirmation. Colleagues who are overdue without a valid reason (i.e. for which they are given an exemption) are subject to a 40 per cent reduction in their annual variable compensation for the year they failed to attest.

In 2023, we plan to refresh the Code to improve alignment with our Stands, strengthen the link between ethics, culture and conduct, and intertwine the Code with the Group strategy. We also intend to take steps to make the Code more accessible and relatable to all colleagues.



Download our Group Code of Conduct at [sc.com/codeofconduct](https://sc.com/codeofconduct) and visit [sc.com/speakingup](https://sc.com/speakingup) to find more about how our Speaking Up programme works

% colleagues affirmed commitment to Code of Conduct

# 99.5

<sup>15</sup> Navex 2022 Regional Whistleblowing Benchmark Report

## Fighting financial crime

Access to the financial system helps transform lives around the world, helping to reduce poverty and spur economic development. But the financial system is also used by those involved in some of today's most damaging crimes – from human trafficking to terrorism, corruption and the drug trade. Our ambition is to help tackle these crimes by making the financial system a hostile environment for criminals and terrorists. We have no appetite for breaches in laws and regulations related to financial crime.

Our Conduct, Financial Crime & Compliance (CFCC) team sets our financial crime risk management framework. We seek to safeguard our clients and communities against money laundering (AML), terrorist financing, sanctions, fraud and other risks, applying core controls such as client due-diligence, screening and monitoring, and strengthening our people's understanding as to how to identify, manage and mitigate such risks. In addition, anti-bribery and corruption (ABC) controls aim to prevent colleagues, or third parties working on our behalf, from engaging in bribery.

A particular focus of our financial crime investigatory teams is the use of data analytics to identify those clients and cases which generate the greatest financial crime risk. This has strengthened the second line of defence in support of colleagues in business lines and country teams across the Group.

To mitigate the risk of financial crime, particularly laundering the proceeds of corruption, in the lead-up to, during and after major political elections in footprint markets, the Group conducts enhanced monitoring designed to identify and investigate transactions of potential concern. In 2022, enhanced monitoring was conducted during major elections and times of political transition or conflict, for example in Kenya, Angola, Nepal, Philippines and Sri Lanka.

Since the beginning of the war in Ukraine on 24 February 2022, the authorities of the European Union, United Kingdom, United States, and several other nations have imposed multiple rounds of sanctions against Russia by targeting a wide range of Russian entities (state-owned and private) and a large number of Russian elites, oligarchs, political leaders and officials. While the pace of change and the complexity of these sanctions against Russia are unprecedented and had the potential to create areas of uncertainty as to the scope of some of the regulatory prohibitions, we have sought to comply with these requirements fully and promptly. This work has been a significant area of focus for Financial Crime Compliance teams during 2022.

We have invested significantly to ensure our employees are properly equipped to combat financial crime. In 2022, 99.7 per cent of colleagues and governance body members completed financial crime e-learning which cover ABC, AML, sanctions and fraud topics (Asia: 99.7 per cent, AME: 99.7 per cent, EA: 99.8 per cent, Governance body members: 100 per cent). For those in high-risk roles and functions, additional targeted ABC training, masterclasses and forums were held to deepen understanding. We also shared our Supplier Charter, which sets out our aspirations and provides guidance related to ABC, with more than 11,700 suppliers and third parties across 48 markets.

This was supported by our Group-wide communication campaign, 'The whole story', which aimed to raise employee awareness of the real-life impact of financial crime and highlight the work we are doing individually and collectively to build a robust Risk Culture and lead in the fight against financial crime. In 2022, the theme for The Whole Story was 'Connecting the Dots' and focused on our efforts to fight crime by 'Connecting, Collaborating and Communicating', and building partnerships with government bodies, regulators and other global banks to strengthen our collective defences.

These public-private partnerships include initiatives with the International Center for Missing & Exploited Children which focuses on the use of cryptoassets in the trade of child exploitation and abuse material; the National Cyber Forensics and Training Alliance which assists law enforcement in identifying significant organised groups engaged in business email compromise schemes; and US Customs and Border Protection which focuses on economic security, trade security, forced labour and other risk areas, such as Trade Based Money Laundering. These partnerships are producing material new insights about various criminal typologies and advances in how we collectively combat financial crime in an increasing number of jurisdictions, including Singapore, South Africa, the UK and Hong Kong.

Throughout 2022, we also engaged with peers in contributing to the ongoing dialogue to advance effectiveness in combating financial crime through our active participation in several of the leading industry groups, including the Wolfsberg Group of global banks (Including our Global Head of FCC serving as co-chair and hosting the September meeting of the organisation), Madison Group and UK Finance. We also participated in discussions and forums with many external thought leaders including the World Economic Forum's Partnering Against Corruption Initiative (PACI).



For more, visit  
[sc.com/fightingfinancialcrime](https://sc.com/fightingfinancialcrime)



Read our Fair Pay Report at  
<https://av.sc.com/corp-en/content/docs/fair-pay-report.pdf>

## Respecting human rights

We strive to be a responsible company and safeguard human rights across our business. We recognise that the global nature of our business may expose us to the risk of modern slavery and human trafficking (MSHT) in our operations, supply chain and customer and client relationships, and we are committed to identifying and mitigating these risks.

Our approach to managing and mitigating environmental and social risk is reflected in our Sustainability Framework, which includes a Position Statement on Human Rights. The framework outlines the cross-sector and thematic Position Statements that we use to assess whether to provide financial services to our clients. These documents, informed by international best practice and the International Finance Corporation's (IFC) Environmental and Social Performance Standards, outline the cross-sector standards that form part of the credit approval processes for CCIB clients and transactions.

Our Modern Slavery Statement details our actions to tackle MSHT across our CCIB client base, supply chain and workforce. In 2022, we enhanced our human rights due diligence by requiring CCIB clients to provide evidence of their policies and processes to manage potential human rights risks in their operations or supply chains. We also developed more detailed guidance for clients on grievance mechanisms in line with IFC guidelines and UN Guiding Principles for Business and Human Rights. We continued to work with third parties, such as the Thun Group and Sustainable Shipping Initiative, to promote coordinated action against MSHT.

We completed a risk review of our supply chain and supplemented our MSHT assessment questionnaire with geopolitical analysis. We also plan to review enhancements to MSHT controls in our procurement system alongside broader ESG requirements under review.

For our workforce, we introduced a refreshed set of Industrial Relations principles that take into consideration the fundamental ILO conventions. We also expanded pay gap reporting to include ethnicity data. Our ethnicity pay gap reporting covered the United Kingdom and United States, having achieved the minimum required levels of ethnicity declared by employees in these regions to make pay gap analysis possible.

 [Read our Modern Slavery Statement at   
sc.com/modernslavery](https://sc.com/modernslavery)

 [Read our Human Rights Position Statement at   
sc.com/positionstatements](https://sc.com/positionstatements)

## Impact in our communities

Young people across the world – women and girls in particular – continue to face barriers to economic inclusion. Many fall short of their potential and become stuck in low-income poverty. The future of work also presents challenges – an estimated 50 per cent of employees worldwide will need reskilling by 2025<sup>16</sup>, as adoption of technology increases. Accessing the relevant training will be vital for young people.

We seek to amplify our social impact and continue to support communities through Futuremakers, our global initiative to tackle youth economic inclusion. Futuremakers supports disadvantaged young people, especially girls and people with visual impairments, to learn new skills and improve their chances of getting a job or starting their own business.

In 2022, we contributed \$14.7 million to Futuremakers, including donations from the Group and fundraising of \$3.8 million from our employees and partners, to enable the next generation to learn, earn and grow.

With our international and local partners, including the Standard Chartered Foundation, in 2022 we reached more than 335,000 young people through Futuremakers, including providing financial education to 102,248 unbanked or young people. In India, we continue to support eye health and water, sanitation and hygiene education (WASHE) in alignment with development priorities in the market.

Our Futuremakers Impact Report reviews the progress we have made through Futuremakers since its launch in 2019. Highlights include reaching more than one million young people (74 per cent women) across 43 markets and raising \$78.7 million. Key results show that since 2019, 28,423 young people have entered employment; 5,202 jobs have been created by young entrepreneurs; and 40,615 adolescent girls are more likely to continue in secondary education.

Collective effort is needed to accelerate progress in tackling inequality and promoting economic growth. In 2022, we published insights from our partnership with Unilever supporting over 25,000 small-scale retailers affected by COVID-19 to build more resilient businesses through digitisation. We joined the UK Foreign and Commonwealth Development Office led Girls' Education Skills Partnership alongside 10 other companies, and agreed a partnership with Primark to design solutions to support the financial health of garment sector workers.

To inform access to finance solutions for young people, 1,270 young people from 21 markets participated in research conducted with Business Fights Poverty and Cambridge University. The Futuremakers Insights Paper 2022 provided information and data for the third edition of the Futuremakers Forum. More than 1,700 stakeholders from 61 markets participated in this two-day virtual event to hear first-hand from Futuremakers participants, and to explore how to advance inclusive finance.

Over 39 per cent of our colleagues gave back to the community through volunteering in 2022, contributing almost 50,000 days of their time to support worthwhile causes.

Our IGNITE programme aims to unlock the potential of female talent across the Group. In 2022, we partnered with IGNITE to extend this coaching support to Futuremakers participants to help them change, challenge and stretch themselves in pursuit of their goals. In addition, we hosted 12 Mentor's Den sessions across our markets, supporting over 300 young people with strategic advice on personal brand, future skills and banking services. We mobilised our colleagues to support families affected by the floods in Pakistan and increased our provision of three volunteering days annually to five per colleague in the Europe region to help support displaced people from Ukraine.

In 2023, we will set up a women entrepreneurs' network involving alumni of Futuremakers and expand our women's entrepreneurial support further across our footprint markets. Furthermore, in alignment with our commitment to the UN Principles for Responsible Banking, we will finalise our impact analysis to better understand our broader impact. This work will support us to shape our onwards Futuremakers strategy and further increase employee volunteering support for communities.



Read more about Futuremakers by Standard Chartered at [sc.com/futuremakers](https://sc.com/futuremakers)



Read our Futuremakers impact report at [sc.com/futuremakersimpact](https://sc.com/futuremakersimpact)

16 World Economic Forum, The Future of Jobs Report 2020, Page 6

The content contained in the above Sustainability section (including, for the avoidance of doubt, the TCFD disclosures) of this Annual Report is subject to the statements included in (i) the 'Forward-Looking Statements' section; and (ii) the 'Basis of Preparation and Caution Regarding Data Limitations' section provided under 'Important Notices' at page 498.

# Non-financial information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Further disclosures are available on [sc.com](https://www.sc.com) and in our 2022 ESG Reporting Index, published at [sc.com/esg-reporting-index](https://www.sc.com/esg-reporting-index) in Q1 2023.

Reporting requirement	Where to read more in this report about our policies and impact (including risks, policy embedding, due diligence and outcomes)	Page
Environmental matters	<b>Risk overview</b>	
	• Risk overview	42
	<b>Stakeholders and Sustainability</b>	
	• Our approach to climate change	66
	• Our net zero plan	67
	• TCFD summary and alignment index	68
	• Reducing our environmental footprint in our operations and supply chain	74
	• Reducing our financed emissions	76
	• Catalysing finance and partnerships for transition	84
	• Mitigating environmental and social risk	88
	• Assessing the resilience of our strategy using scenario analysis	90
	• Mitigating the financial and non-financial risks from climate change	96
	• Governance of our sustainability agenda	113
	<b>Directors' report</b>	
	• Environmental impact of our operations	227
Employees	<b>Engaging stakeholders</b>	
	• Employees	60
	<b>Stakeholders and Sustainability</b>	
	• Conduct and ethics	120
	<b>Directors' report</b>	
	• Employee policies and engagement	223
	• Health and safety	224
Human rights	<b>Engaging stakeholders</b>	
	• Suppliers	58
	<b>Stakeholders and Sustainability</b>	
	• Respecting human rights	122
Social matters	<b>Engaging stakeholders</b>	
	• Society	59
	<b>Stakeholders and Sustainability</b>	
	• Impact in our communities	122
Anti-corruption and bribery	<b>Risk overview</b>	42
	<b>Stakeholders and Sustainability</b>	
	• Conduct and ethics	120
	• Fighting financial crime	121
	<b>Directors' report</b>	
	• Political donations	219
Description of business model	<b>Business model</b>	18
Non-financial KPIs	<b>Employees</b>	
	• Employee engagement (eNPS)	60
	• Gender and ethnicity pay disclosure	63
	• Gender diversity in senior roles	63
	• Training on financial crime (including ABC, AML, sanctions and fraud)	121
	• Recommitment to the Code of Conduct	120
	• Supplementary people information	484
	<b>Environment and Society</b>	
	• Sustainability Aspirations achieved or on track	23
	• Supplementary information: Environmental and social risk management	488
	• Supplementary information: Environment	489
	• Supplementary information: Charitable giving	492
Principal risks and uncertainties	<b>Risk review and Capital review</b>	234

\* Visit [sc.com/environmentcriteria](https://www.sc.com/environmentcriteria) for our carbon emissions criteria and [sc.com/environmentalassurance](https://www.sc.com/environmentalassurance) for Global Documentation's Assurance Statement of our Scope 1 and 2 emissions, and waste and water data



## ► Our Sustainable Accounts go global ◀

In 2022, we launched our innovative Sustainable Account for corporate clients in Mainland China, Singapore, Dubai, Hong Kong, Taiwan, Malaysia and the US, after pilot launches in the UK and UAE in 2021. Our Sustainable Account offers clients the flexibility of retaining access to their cash while supporting activities aligned with the United Nations Sustainable Development Goals. Cash placed into the Sustainable Account is referenced against projects aligned with the Bank's Green and Sustainable Product Framework, developed with the support of Sustainalytics, an independent provider of environmental, social and governance research and ratings.



Read more online at [www.sc.com/sustainableaccounts](https://www.sc.com/sustainableaccounts)

# Underlying versus statutory results reconciliations

Reconciliations between underlying and statutory results are set out in the tables below:

## Operating income by client segment

	2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Underlying operating income</b>	<b>10,045</b>	<b>6,016</b>	<b>29</b>	<b>165</b>	<b>16,255</b>
Restructuring	41	–	–	2	43
Other items	–	–	–	20	20
<b>Statutory operating income</b>	<b>10,086</b>	<b>6,016</b>	<b>29</b>	<b>187</b>	<b>16,318</b>

2021 (Restated) <sup>1</sup>					
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Underlying operating income</b>	<b>8,407</b>	<b>5,735</b>	<b>1</b>	<b>570</b>	<b>14,713</b>
Restructuring	9	–	–	(41)	(32)
Other items	–	–	20	–	20
<b>Statutory operating income</b>	<b>8,416</b>	<b>5,735</b>	<b>21</b>	<b>529</b>	<b>14,701</b>

<sup>1</sup> Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment. In 2022 Prior periods have been restated.

## Operating income by region

	2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Underlying operating income</b>	<b>11,213</b>	<b>2,606</b>	<b>2,353</b>	<b>83</b>	<b>16,255</b>
Restructuring	23	2	(1)	19	43
Other items	20	–	–	–	20
<b>Statutory operating income</b>	<b>11,256</b>	<b>2,608</b>	<b>2,352</b>	<b>102</b>	<b>16,318</b>

2021					
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Underlying operating income</b>	<b>10,448</b>	<b>2,446</b>	<b>2,003</b>	<b>(184)</b>	<b>14,713</b>
Restructuring	30	3	(30)	(35)	(32)
Other items	–	–	–	20	20
<b>Statutory operating income</b>	<b>10,478</b>	<b>2,449</b>	<b>1,973</b>	<b>(199)</b>	<b>14,701</b>

## Profit before taxation (PBT)

	2022					
	Underlying \$million	Regulatory fine \$million	Restructuring \$million	Net gain on businesses disposed of/ held for sale \$million	Goodwill and other impairment <sup>1</sup> \$million	Statutory \$million
Operating income	16,255	–	43	20	–	16,318
Operating expenses	(10,743)	–	(170)	–	–	(10,913)
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>5,512</b>	<b>–</b>	<b>(127)</b>	<b>20</b>	<b>–</b>	<b>5,405</b>
Credit impairment	(838)	–	2	–	–	(836)
Other impairment	(79)	–	(38)	–	(322)	(439)
Profit from associates and joint ventures	167	–	(11)	–	–	156
<b>Profit/(loss) before taxation</b>	<b>4,762</b>	<b>–</b>	<b>(174)</b>	<b>20</b>	<b>(322)</b>	<b>4,286</b>

	2021					
	Underlying \$million	Regulatory fine \$million	Restructuring \$million	Net gain on businesses disposed of/ held for sale \$million	Goodwill and other impairment <sup>1</sup> \$million	Statutory \$million
Operating income	14,713	–	(32)	20	–	14,701
Operating expenses	(10,375)	(62)	(487)	–	–	(10,924)
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>4,338</b>	<b>(62)</b>	<b>(519)</b>	<b>20</b>	<b>–</b>	<b>3,777</b>
Credit impairment	(263)	–	9	–	–	(254)
Other impairment	(55)	–	(17)	–	(300)	(372)
Profit from associates and joint ventures	176	–	20	–	–	196
<b>Profit/(loss) before taxation</b>	<b>4,196</b>	<b>(62)</b>	<b>(507)</b>	<b>20</b>	<b>(300)</b>	<b>3,347</b>

1 Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and other impairment

## Profit before taxation (PBT) by client segment

	2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Operating income</b>	<b>10,045</b>	<b>6,016</b>	<b>29</b>	<b>165</b>	<b>16,255</b>
External	8,899	4,989	29	2,338	16,255
Inter-segment	1,146	1,027	–	(2,173)	–
<b>Operating expenses</b>	<b>(5,480)</b>	<b>(4,148)</b>	<b>(336)</b>	<b>(779)</b>	<b>(10,743)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>4,565</b>	<b>1,868</b>	<b>(307)</b>	<b>(614)</b>	<b>5,512</b>
Credit impairment	(425)	(262)	(16)	(135)	(838)
Other impairment	(40)	(10)	(24)	(5)	(79)
Profit from associates and joint ventures	–	–	(16)	183	167
<b>Underlying profit/(loss) before taxation</b>	<b>4,100</b>	<b>1,596</b>	<b>(363)</b>	<b>(571)</b>	<b>4,762</b>
Restructuring	(50)	(63)	(1)	(60)	(174)
Goodwill and other impairment <sup>1</sup>	–	–	–	(322)	(322)
Other items	–	–	–	20	20
<b>Statutory profit/(loss) before taxation</b>	<b>4,050</b>	<b>1,533</b>	<b>(364)</b>	<b>(933)</b>	<b>4,286</b>

1 Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and other impairment

## Profit before taxation (PBT) by client segment continued

	2021 (Restated) <sup>1</sup>				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Operating income</b>	8,407	5,735	1	570	14,713
External	7,952	5,375	1	1,385	14,713
Inter-segment	455	360	–	(815)	–
<b>Operating expenses</b>	(5,278)	(4,227)	(253)	(617)	(10,375)
<b>Operating profit/(loss) before impairment losses and taxation</b>	3,129	1,508	(252)	(47)	4,338
Credit impairment	44	(282)	(3)	(22)	(263)
Other impairment	(49)	–	–	(6)	(55)
Profit from associates and joint ventures	–	–	(6)	182	176
<b>Underlying profit/(loss) before taxation</b>	3,124	1,226	(261)	107	4,196
Restructuring	(114)	(235)	(3)	(155)	(507)
Goodwill and other impairment <sup>2</sup>	–	–	–	(300)	(300)
Other items	–	–	20	(62)	(42)
<b>Statutory profit/(loss) before taxation</b>	3,010	991	(244)	(410)	3,347

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment in 2022. Prior periods have been restated.

2 Goodwill and other impairment include impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and other impairment.

## Profit before taxation (PBT) by region

	2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	11,213	2,606	2,353	83	16,255
<b>Operating expenses</b>	(6,867)	(1,669)	(1,564)	(643)	(10,743)
<b>Operating profit/(loss) before impairment losses and taxation</b>	4,346	937	789	(560)	5,512
Credit impairment	(790)	(120)	77	(5)	(838)
Other impairment	(47)	2	(3)	(31)	(79)
Profit from associates and joint ventures	179	–	–	(12)	167
<b>Underlying profit/(loss) before taxation</b>	3,688	819	863	(608)	4,762
Restructuring	(75)	(29)	(23)	(47)	(174)
Goodwill and other impairment <sup>1</sup>	(308)	–	–	(14)	(322)
Other items	20	–	–	–	20
<b>Statutory profit/(loss) before taxation</b>	3,325	790	840	(669)	4,286

	2021				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	10,448	2,446	2,003	(184)	14,713
<b>Operating expenses</b>	(6,773)	(1,623)	(1,485)	(494)	(10,375)
<b>Operating profit/(loss) before impairment losses and taxation</b>	3,675	823	518	(678)	4,338
Credit impairment	(434)	34	144	(7)	(263)
Other impairment	–	(1)	(18)	(36)	(55)
Profit from associates and joint ventures	175	–	–	1	176
<b>Underlying profit/(loss) before taxation</b>	3,416	856	644	(720)	4,196
Restructuring	(286)	(25)	(69)	(127)	(507)
Goodwill and other impairment <sup>1</sup>	(300)	–	–	–	(300)
Other items	–	–	–	(42)	(42)
<b>Statutory profit/(loss) before taxation</b>	2,830	831	575	(889)	3,347

1 Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and other impairment.

## Return on tangible equity (RoTE)

	2022 \$million	2021 \$million
Average parent company Shareholders' Equity	44,237	46,383
Less Preference share premium	(1,494)	(1,494)
Less Average intangible assets	(5,557)	(5,218)
<b>Average Ordinary Shareholders' Tangible Equity</b>	<b>37,186</b>	<b>39,671</b>
<b>Profit for the period attributable to equity holders</b>	<b>2,902</b>	<b>2,313</b>
Non-controlling interests	46	2
Dividend payable on preference shares and AT1 classified as equity	(401)	(410)
<b>Profit for the period attributable to ordinary shareholders</b>	<b>2,547</b>	<b>1,905</b>
<b>Items normalised:</b>		
Provision for regulatory matters	-	62
Restructuring	174	507
Goodwill and other impairment <sup>1</sup>	322	300
Net gains on sale of businesses	(20)	(20)
Ventures FVOCI unrealised (gains)/losses net of tax	(36)	38
Tax on normalised items	(24)	(87)
<b>Underlying profit for the period attributable to ordinary shareholders</b>	<b>2,963</b>	<b>2,705</b>
<b>Underlying return on Tangible Equity</b>	<b>8.0%</b>	<b>6.8%</b>
<b>Statutory return on Tangible Equity</b>	<b>6.8%</b>	<b>4.8%</b>

1 Other impairment includes \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit.

	2022				
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
<b>Underlying RoTE</b>	<b>13.7</b>	<b>15.8</b>	<b>nm<sup>2</sup></b>	<b>(14.0)</b>	<b>8.0</b>
Regulatory fine	-	-	-	-	-
Restructuring					
Of which: Income	0.2	-	-	-	0.1
Of which: Expenses	(0.3)	(0.8)	(1.2)	(0.4)	(0.5)
Of which: Credit impairment	-	-	-	-	-
Of which: Other impairment	(0.1)	-	-	(0.3)	(0.1)
Of which: Profit from associates and joint ventures	-	-	-	(0.1)	-
Net gain on businesses disposed/held for sale	-	-	-	0.3	0.1
Goodwill and other impairment	-	-	-	(4.5)	(0.9)
Ventures FVOCI Unrealised gains net of taxes	-	-	35.6	-	0.1
Tax on normalised items	0.1	0.2	0.3	(0.1)	0.1
<b>Statutory RoTE</b>	<b>13.6</b>	<b>15.2</b>	<b>nm<sup>2</sup></b>	<b>(19.2)</b>	<b>6.8</b>

	2021 (Restated) <sup>1,3</sup>				
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
<b>Underlying RoTE</b>	9.6	11.6	nm <sup>2</sup>	(5.4)	6.8
Regulatory fine	–	–	–	(0.8)	(0.2)
Restructuring					
Of which: Income	–	–	–	(0.6)	(0.1)
Of which: Expenses	(0.6)	(3.0)	(45.2)	(1.2)	(1.2)
Of which: Credit impairment	–	–	–	–	–
Of which: Other impairment	0.1	–	–	(0.6)	–
Of which: Profit from associates and joint ventures	–	–	–	0.3	0.1
Net loss on businesses disposed/held for sale	–	–	nm <sup>2</sup>	–	0.1
Goodwill and other impairment	–	–	–	(4.1)	(0.8)
Ventures FVOCI Unrealised gains/(losses) net of taxes	–	–	nm <sup>2</sup>	–	(0.1)
Tax on normalised items	0.2	0.8	(59.7)	–	0.2
<b>Statutory RoTE</b>	9.3	9.4	nm <sup>2</sup>	(12.3)	4.8

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment in 2022. Prior periods have been restated.

2 Not meaningful

3 Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and other impairment

RoTE for a segment is calculated as current year's profits to weighted average tangible equity of that segment. Full details of RoTE calculation is provided in APM definitions.

## Net charge-off ratio

	2022			2021		
	Credit impairment (charge)/ release for the year/period \$million	Net average exposure \$million	Net charge-off ratio %	Credit impairment (charge)/ release for the year/period \$million	Net average exposure \$million	Net charge-off ratio %
Stage 1	5	317,962	0.00%	1	319,860	0.00%
Stage 2	(325)	13,486	2.41%	(65)	17,896	0.36%
Stage 3	(423)	3,022	14.00%	(194)	3,740	5.19%
<b>Total exposure</b>	<b>(743)</b>	<b>334,470</b>	<b>0.22%</b>	<b>(258)</b>	<b>341,496</b>	<b>0.08%</b>

## Earnings per ordinary share (EPS)

	2022						
	Underlying \$ million	Provision for regulatory matters \$ million	Restructuring \$ million	Net loss on sale of businesses \$ million	Goodwill & other impairment <sup>1</sup> \$ million	Tax on normalised items \$ million	Statutory \$ million
Profit/(loss) for the year attributable to ordinary shareholders	2,999	–	(174)	20	(322)	24	2,547
Basic – Weighted average number of shares (millions)	2,966						2,966
Basic earnings per ordinary share (cents)	101.1						85.9

	2021 (Restated) <sup>1</sup>						
	Underlying \$ million	Provision for regulatory matters \$ million	Restructuring \$ million	Net loss on sale of businesses \$ million	Goodwill & other impairment <sup>1</sup> \$ million	Tax on normalised items \$ million	Statutory \$ million
Profit/(loss) for the year attributable to ordinary shareholders	2,667	(62)	(507)	20	(300)	87	1,905
Basic – Weighted average number of shares (millions)	3,108						3,108
Basic earnings per ordinary share (cents)	85.8						61.3

1 Other Impairment includes \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit which has resulted in the restatement of Underlying basic earnings per ordinary share (cents) and Underlying diluted earnings per ordinary share (cents)

# Alternative performance measures

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The following are key alternative performance measures used by the Group to assess financial performance and financial position.

Measure	Definition
<b>Constant currency basis</b>	A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: <ul style="list-style-type: none"> <li>• Operating income</li> <li>• Operating expenses</li> <li>• Profit before tax</li> <li>• RWAs or Risk-weighted assets</li> </ul>
<b>Underlying/Normalised</b>	A performance measure is described as underlying/normalised if the statutory result has been adjusted for restructuring and other items representing profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent, excluding amounts consequent to Ventures transactions, as these are considered part of the Group's ordinary course of business; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. A reconciliation between underlying/normalised and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: <ul style="list-style-type: none"> <li>• Operating income</li> <li>• Operating expense</li> <li>• Profit before tax</li> <li>• Earnings per share (basic and diluted)</li> <li>• Cost-to-income ratio</li> <li>• Jaws</li> <li>• RoTE or Return on tangible equity</li> </ul>
<b>Advances-to-deposits/ customer advances-to-deposits (ADR) ratio</b>	The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
<b>Cost-to-income ratio</b>	The proportion of total operating expenses to total operating income.
<b>Cover ratio</b>	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
<b>Cover ratio after collateral/ cover ratio including collateral</b>	The ratio of impairment provisions for stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of stage 3 loans.
<b>Gross yield</b>	Statutory interest income divided by average interest earning assets.
<b>Jaws</b>	The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.
<b>Loan loss rate</b>	Total credit impairment for loans and advances to customers over average loans and advances to customers.
<b>Net charge-off ratio</b>	The ratio of net credit impairment charge or release to average outstanding net exposures.
<b>Net tangible asset value per share</b>	Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
<b>Net yield</b>	Gross yield less rate paid.
<b>NIM or Net interest margin</b>	Net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.
<b>RAR per FTE or Risk adjusted revenue per full-time equivalent</b>	Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment over the past 12 months. RAR is then divided by the 12 month rolling average full-time equivalent (FTE) to determine RAR per FTE.
<b>Rate paid</b>	Statutory interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
<b>RoTE or Return on ordinary shareholders' tangible equity</b>	The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average tangible equity, being ordinary shareholders' equity less the average goodwill and intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
<b>Underlying RoTE</b>	The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value movements through other comprehensive income relating to the Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.
<b>TSR or Total shareholder return</b>	The total return of the Group's equity (share price growth and dividends) to investors.

# Viability statement

The directors are required to issue a viability statement regarding the Group, explaining their assessment of the prospects of the Group over an appropriate period of time and state whether they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

The directors are to also disclose the period of time for which they have made the assessment and the reason they consider that period to be appropriate.

In considering the viability of the Group, the directors have assessed the key factors including, but not limited to; inflationary pressures, sovereign downgrades and recession, the war in Ukraine and other geopolitical events likely to affect the Group's business model and strategic plan, future performance, capital adequacy, solvency and liquidity taking into account the emerging risks as well as the principal risks.

The viability assessment has been made over a period of three years, which the directors consider appropriate as it is within both the Group's strategic planning horizon and, the basis upon which its regulatory capital stress tests are undertaken and is representative of the continuous level of regulatory change affecting the financial services industry. The directors will continue to monitor and consider the appropriateness of this period.

The directors have reviewed the corporate plan, the output of the Group's formalised process of budgeting and strategic planning. For the 2023 Corporate Plan, the forward-looking cash flows and balances includes the anticipated impact of global interest rates on revenues and inflationary pressure on costs. The corporate plan is evaluated and approved each year by the Board with confirmation from the Group Chief Risk Officer that the Plan is aligned with the Enterprise Risk Management Framework and Group Risk Appetite Statement and considers the Group's future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period. The corporate plan details the Group's key performance measures, of forecast profit, CET 1 capital ratio forecast, return on tangible equity forecasts, cost to income ratio forecasts and cash investment projections. The Board has reviewed the ongoing performance management process of the Group by comparing the statutory results to the budgets and corporate plan.

The Group performs enterprise-wide stress tests using a range of bespoke hypothetical scenarios that explore the resilience of the Group to shocks to its balance sheet and business model.

To assess the Group's balance sheet vulnerabilities and capital and liquidity adequacy, severe but plausible macro-financial scenarios explore shocks that trigger one or more of:

- Global slowdowns including recessions in China, Asian and Western economies that can be acute or more protracted, resulting in severe declines in property prices
- Sharp falls in world trade volumes and disruption to global supply chains, including the severe worsening of trade tensions and rise of protectionism.
- Inflationary pressures in the global economy including volatility in commodity prices
- Significant rises in interest rates and depreciation in emerging market currencies, resulting in heightened sovereign risk
- Financial market volatility, including significant moves in asset prices driven by a combination of macroeconomic and geopolitical events

This year, the primary focus has been on the effects of rising interest rates and inflation, combined with severe market volatility and a global economic downturn. The Group has explored the impact of rising rates and inflation on customers' ability to service debt and considered how net interest income sensitivity evolves under various scenarios.

For the 2022 ICAAP submission for climate risk, the Group moved towards a more quantitative approach comparing the worst (annualised) five-year loss period from all three NGFS scenarios to the projected peak losses from the 2022 Group ICAAP. The Late Action scenario was identified to drive the maximum difference in losses in a five year period; however, this was lower than losses experienced under the ICAAP macroeconomic stress scenario, concluding that an additional capital add-on was not required for climate risk.

In 2022, the Group further assessed the impact from Climate risk on our CCIB corporate client portfolio based on three International Energy Agency (IEA) scenarios and three Phase 2 NGFS scenarios and participated in the Monetary Authority of Singapore Industry-Wide Stress Test. The impact of sea level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios was used to explore the Physical Risk impact on the Consumer, Private and Business Banking (CPBB) residential mortgage portfolio.

Under this range of scenarios, the results of these stress tests demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet regulatory minimum capital and liquidity requirements.

To assess the Group's business model vulnerabilities, extreme and unlikely scenarios are explored that, by design, result in the Group's business model no longer being viable these scenarios have included for the Group extreme geopolitical tensions disrupting capital flows within the Group's footprint and cyber security attacks. Insights from these reverse stress tests can inform strategy, risk management and capital and liquidity planning.



Further information on stress testing is provided in the [Risk management approach](#) section (page [ ]).

The directors further considered the Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due. Funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios.

Further information on stress testing is provided in the Risk management approach section (page [ ]).

The Board Risk Committee ("BRC") exercises oversight on behalf of the Board of the key risks of the Group and makes recommendations to the Board on the Group's Risk Appetite Statement. These risks include, amongst others; credit, traded, treasury, operational and technology, reputational and sustainability, compliance, information and cyber security financial crime and model risks. The BRC further exercises oversight over the integrated risks of climate, digital asset and third party which cut across all principal risks.

The BRC receives regular reports that inform it of the Group's key risks, as well as updates on the macroeconomic environment, geo-political outlook, market developments, and regulatory updates on relevant matters. In 2022, the BRC had deeper discussion on: Blue Sky Thinking/ Horizon Scanning, CCIB Risk deep dives, specifically the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification or destruction of information. GSAM second line to first line transition, Commodity Traders Framework, Credit Portfolio Management annual review, cloud governance and material cloud deployments, Reputational and Sustainability risk including the Groups approach to identification and management thereof. CPBB Risk Review, Safety and Security risk, Credit Risk review including how COVID-19 related restrictions are lifting in many of the groups markets. Chief Risk officer report around balance sheet capital and liquidity management. SC Ventures risk and governance, Taiwan tensions and actions proposed by management, emerging financial crime threats and the appointment of the new GCRO.

Based on the information received, the directors' considered the principal uncertainties as well as the principal risks in their assessment of the Group' viability, how these impact the risk profile, performance and viability of the Group and any specific mitigating or remedial actions necessary.

For further details of information relevant to the directors, assessment can be found in the following sections of the annual report and accounts:

- The Group's Business model (pages 18 to 20) and Strategy (pages 22 to 23)
- The Group's current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the client segment reviews and regional reviews (pages 26 to 31)
- An update on the key risk themes of the Group is discussed in the Risk overview, found in the Strategic Report (pages 42 to 51)
- The BRC section of the Director's report (pages 170 to 175)
- The Group's Topical and Emerging Risks, sets out the key external factors that could impact the Group in the coming year (page 48 to pages 51).
- The Group's Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 295 to 300)
- The Group's Risk profile provides an analysis of our risk exposures across all major risk types (page 301 to 319)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital review (pages 320 to 325)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2025.

**Our Strategic report from pages 01 to 133 has been reviewed and approved by the Board.**

**Bill Winters**

Group Chief Executive

16 February 2023