

Climate Change Position Statement

(Effective October 2024)



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We consider climate change as one of the greatest challenges facing the world today, given its widespread and proven impacts on the physical environment, human health and wellbeing and its potential to adversely impact economies.

We believe we have a unique role to play in financing and facilitating the transition to net zero. Our presence in over 50 diverse markets across the world – spanning all stages of development – gives us the opportunity to support the transition in locations most vulnerable to, and least prepared for, climate impacts. We engage with a wide range of stakeholders including clients, governments, civil society and academics on the impacts of climate change, the importance of investment in both mitigation and adaptation measures and the need for a just transition. To us, a just transition is one that seeks to deliver on climate commitments whilst supporting the economic growth and social development of our markets.

How we work



Our own operations

We are committed to becoming net zero in our own operations by 2025 and where necessary, for the emissions we cannot abate, to purchasing high-integrity carbon credits for our residual Scope 1 and Scope 2 carbon emissions and those emissions we generate from business air travel and data centres. We are working to reduce wherever possible residual emissions by optimising our property footprint, increasing our energy efficiency and sourcing and/or generating (where possible) renewable electricity.



Our suppliers

We recognise our indirect contribution to climate impacts through the goods and services we procure from our suppliers and set out our expectations in our [Supplier Charter](#). We encourage our suppliers to set their own climate targets consistent with the Paris Agreement and to ensure they build resilience to the physical risks arising from climate change. We are progressively measuring, managing and reducing the emissions that arise from our procurement in support of our net zero commitment.



Our clients

Our commitment is to reach net zero in our financing activity by 2050. We have set interim, science-based 2030 emissions reduction targets for financing of our most carbon-intensive sectors including oil and gas, power generation, automotive, aviation, shipping, steel, cement, aluminium, commercial real estate and residential real estate and will develop targets for agriculture in 2024. Sector-specific emissions reduction targets are detailed in our TCFD report (as integrated into our [Annual Report](#)) and include absolute emissions reduction targets of 29% for the oil and gas sector and 85% for the thermal coal sector by 2030 from our 2020 baseline. We monitor and track progress against these targets and actively manage our exposure by shifting to lower emissions-intensive clients and working closely with our existing clients to develop credible transition plans that are consistent with our net zero commitments.



Catalysing sustainable finance

We support and guide our clients to a low-carbon pathway by offering them sustainable finance. We have strengthened our capabilities in sustainable and transition finance and in 2022 appointed our first Chief Sustainability Officer to lead our efforts across the bank. We are committed to supporting clients who are shifting towards more sustainable business models and look to incentivise positive action in our clients through our sustainability-linked financing solutions. We utilise our full suite of sustainable finance products to support clients in their transition strategies and pro-actively provide feedback and advisory services to initiate or strengthen their transition plans. Across each of our client segments we offer a range of sustainable finance products, including sustainable deposits and sustainable savings accounts, as well as products tailored to specific client groups, such as green mortgages and climate-themed investment funds to our individual clients and ESG-linked derivatives and financial institutional trade loans to our corporate and institutional clients. We also continue to increase our sustainable financing of low-carbon technologies and infrastructure in each of our diverse markets, including complex project financing in the developing world, particularly where power grid upgrades and renewable infrastructure investments are so critical.



Managing climate-related risks

Recognising the impact and complexities of climate change, we are seeking to embed climate risk considerations across all impacted Principal Risk Types within our Enterprise Risk Management Framework. We are developing methodologies to identify, measure and manage the physical and transition risks that we are exposed to through our own operations, our suppliers, our clients and the markets in which we operate. Acknowledging the interconnectedness between climate change and nature, we are also enhancing our approach to identifying and managing nature and biodiversity risks in our portfolio and have developed a [Nature Position Statement](#) to further inform our decision making.

At the client level, in our Consumer, Private and Business Banking (CPBB) client segment, our Small and Medium Enterprise (SME) clients undergo environmental and social risk assessment when applying for credit facilities and we conduct physical climate risk analysis on our collateral backed portfolios, including mortgage and business banking. Whilst in relation to our Corporate, Commercial and Institutional Banking (CCIB) clients, we conduct climate risk assessments to assess the credibility of their transition plans using a scoring methodology we have developed drawing on industry best practice. We also apply environmental and social risk criteria to our clients through our cross sector and sector specific [Position Statements](#). Together, our climate risk assessments and [environmental and social risk criteria](#) provide the framework which informs our client and transaction selection.

For CCIB clients operating in sectors where we have made sector-specific emissions reduction targets, [we expect those clients to report their Scope 1, Scope 2 and \(where possible\) Scope 3 greenhouse gas \(GHG\) emissions with time-bound and quantitative targets to reduce their GHG emissions.](#)

More information on how we manage climate-related risks is available in our TCFD report (as integrated into our [Annual Report](#)).

Partnerships and communication

We believe partnerships are critical to accelerating solutions to achieve our net zero goals. We contribute to leading climate-related organisations and those supporting a just transition. We are founding members of the Glasgow Financial Alliance for Net Zero (GFANZ), Principles for Responsible Banking (PRB), Sustainable STEEL Principles (SSP) and the Taskforce on Scaling Voluntary Carbon Markets (TSVCM), and we chair the Net Zero Banking Alliance (NZBA) and the Global Investors for Sustainable Development (GISD). We disclose these and other memberships on our [stakeholders and sustainability](#) web page.

We engage with stakeholders including NGOs, investors and technical specialists to ensure our cross sector and sector specific Position Statements, which are regularly reviewed, remain fit for purpose and reflect current industry best practice. We provide annual updates on our progress against this Position Statement in our [TCFD report](#) (as integrated into our [Annual Report](#)).

Feedback

For more information about our approach to climate change, please see our [Sustainability Library](#). Your comments are important to us, and we welcome your feedback on this Position Statement. Please contact us at sustainability.feedback@sc.com.



Important notice

How we apply our cross sector and sector specific Position Statements is explained in our [Environmental and Social Risk Management \(ESRM\) Framework](#). This Position Statement should be read in conjunction with our ESRM Framework, which explains in greater detail how our Position Statements are applied in practice. Please refer to the Important Notice included in our [ESRM Framework](#), which also applies to this Position Statement.

