

## **Standard Chartered's Sustainability Investor Event**

29 November 2023

### **Presentation with:**

**Bill Winters – Group Chief Executive**

**Marisa Drew – Group Chief Sustainability Officer**

**Ben Daly – Global Head, Transition Finance**

**Alper Kilic – Global Head, Project and Export Finance**

**Surya Bagchi – Global Head, Financing Solutions**

**Pradeep Nair – Global Head, Structured Solutions & Development**

*(Amended in places to improve accuracy and readability)*

### **<<Bill Winters – Group Chief Executive>>**

Good morning and good afternoon, everyone. I'm delighted to welcome you to today's session, where we'll deep dive into the unique opportunity Sustainability presents for our bank.

Sustainability is at the core of our bank's strategy. It's not often that one gets the chance to do the right thing in the eyes of all of our key stakeholders, while also building a large, fast-growing and profitable business that plays to our core strengths. But this is it.

Now, of course, there's a small but vocal minority who thinks we should be doing more, parenthetically earning less. We listen carefully to their challenge but conclude that we are fundamentally in the right place, supporting a just transition that will allow us to make the required and sustainable contribution to net zero by 2050.

Now, I'm joined today by Marisa Drew, our Chief Sustainability Officer, and Ben Daly, who heads up Transition Finance on her team. From the CCIB business, we're joined by Alper Kilic, our Global Head of Project and Export Finance, Surya Bagchi, our Global Head of Financing Solutions, and Pradeep Nair, our Global Head of Structured Solutions and Development.

We will take you through our Sustainability strategy, our progress to date, and demonstrate how we are embedding sustainability across the organisation. We'll also show how our CCIB business in particular is now building a deep and scalable Sustainable Finance franchise, supporting our clients on their transition journeys. Let me start by setting some overall context.

Climate change is one of the greatest challenges facing the world today, with the emerging and developing markets in which we operate facing some of the most significant risks. At current rates, we are on for a 3.5-degree temperature increase by the end of the century.

A step change in financing emerging and developing markets can accelerate the world's efforts to tackle the climate emergency. It's here that there is the greatest potential for new climate-friendly business models and low carbon technologies to be deployed at scale. However, the availability of finance to help transition is not what it needs to be. Just 60% of the financing needed to achieve the Sustainable Development Goals in low and middle-income countries is being met. In Africa, this is as low as 10%. COVID-19 has further widened this financing gap.

We know without sufficient investment into the sustainable development and climate adaptation, populations in developing countries could be 80 trillion dollars poorer by 2060. It's a reminder that pushing ahead towards net zero.

The Group's footprint, with access to deep capital markets, but also doing business in many emerging economies, means we sit at the intersection of capital providers and those who need it. For many of our markets and our clients, getting to net zero will be a long and complex task. Their transition must be on a "just" basis, and we should not apologise for that. However, for as long as emerging markets growth remains heavily dependent on carbon intensive activities, emissions in many of these markets are likely to continue increasing. So, the sooner we can channel climate finance to them and cultivate more sustainable growth, the faster they can transition to net zero.

The sustainable finance market isn't operating at the scale that it should. But the good news is that initiatives supported by so many industry participants, both public and private, are beginning to take effect, and we are in the right place to contribute.

Just to mention a few examples. The Glasgow Financial Alliance for Net Zero, GFANZ, of which we are a member, and of which I'm a part of the leaders' group, recently launched partnerships with the World Bank and the African Development Bank to support climate finance action. Then there are the Just Energy Transition Partnerships, or JETPs. These are designed to support a responsible transition away from the reliance on coal as the primary source of energy in certain high growth developing markets such as Vietnam, Indonesia and South Africa. These are all footprint markets for us, and in Indonesia and Vietnam, we are leading the negotiations with the governments.

Marisa will cover our work on Carbon markets in more depth and I'm delighted that we continue to play a prominent role in developing a credible and robust carbon market, given the scale of the opportunity at hand here, if we can get this right.

The impact of regulation in this space is only set to increase in prominence as we continue to see a proliferation of green and sustainable taxonomies that will shape the way that we conduct our business going forward. Indeed, some such as the US Inflation Reduction Act have the potential to act as a global catalyst, and we are encouraged by green growth agendas led by key markets such as Singapore and Hong Kong in Asia. While the task at hand is immense, I'm optimistic about the world's ability to rise to the occasion and of the role we can play within it.

Now focusing squarely on Standard Chartered. Sustainability is central to the Group's strategy, both as an imperative and a commercial opportunity. We began our Sustainability journey in earnest before 2019 when we formed our commercially focused Sustainable Finance team. In February 2021, we made Sustainability one of the four strategic priorities of the Group, and in doing so, committed to build a one-billion-dollar Sustainable Finance franchise. And in July 2022, we further confirmed our commitment to sustainability by appointing Marisa as our inaugural Chief Sustainability Officer. I'm pleased to say that sustainability truly is in our DNA, and I'm proud of the efforts of all our colleagues who have passionately taken part in driving this agenda to have gotten us this far.

We know we can make a difference in the world, and do so profitably, with sustainability core to informing our strategic direction. Marisa has refreshed our Sustainability strategy and priorities and I am pleased to hand over to her now to share these details with you. I'll come back later to conclude the session, followed by Q&A.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Thank you, Bill. Delighted to share our Sustainability vision and plans with you as I see it from the CSO lens. I can only reiterate the tremendous opportunity in front of us in Sustainability.

As we think about the greatest transition in history and the quantum of financing required to meet this challenge, we have every potential to be the bank of choice for our clients in our core markets and deliver an ever-greater proportion of the bank's income ahead. And that potential is already coming through.

From virtually nothing four years ago, our Sustainable Finance franchise generated over half a billion US dollars, or about 5% of our total CCIB income in 2022. And I'm pleased to say that based on this year's trajectory, we are well on our way to our commitment to deliver a billion dollars in income by 2025. To do that, we are hard at work investing in the people, systems and infrastructure to support the 2025 target and beyond.

When we think about how rapidly this space is moving, it's important to note that the book of sustainable finance has not yet been written, particularly in our markets. To meet this challenge that Bill posed, we will need to spend the majority of our attention doing more of what is proven and working well, accelerating the financing of wind, solar, EVs and the like, but we also very much need to apply a concerted innovation mindset to develop new financial tools, structures and technologies to unlock the areas where capital is not flowing at scale or not at all. And this is something we are really good at, at Standard Chartered.

I cannot emphasise how important this is to our developing economies. They need customised solutions that speak to their needs, their ambitions and challenges, not something that the West imposes on the Global South. And I genuinely believe that this is something that Standard Chartered, with our 160-year history operating in these markets, is uniquely positioned to deliver.

Now let me share a few words on our progress since my arrival. I have just passed my first-year mark at the bank and as I reflect on my experience, it started with an excellent foundation. A well progressed sustainability ambition, full commitment from the Board and the Management Team and an extraordinary level of enthusiasm and engagement. I spent my first six months establishing my organisation, bringing together three pre-existing teams, filling in key positions, evolving our sustainability governance infrastructure and refining our strategy and target operating model, all while making sure we did not miss delivering on our key financial and other internal and external KPIs.

In terms of operating model, I think of my CSO organisation as a change function that acts as a centre of excellence to partner across the bank internally to drive our transformational agenda by facilitating the embedding of sustainability across all of our business lines and functions, and then externally with clients and other stakeholders who are mission-aligned to drive change.

I am pleased to say that we now have a multi-disciplinary team with a physical presence in all of our core regional hubs, with a deep bench of expertise across the key disciplines, ranging from transition finance and advisory to carbon accounting to environmental and social risk management. I'm also very fortunate to have leaders on my team who are recognised as experts in their fields, from new economy technologies and carbon markets to biodiversity. And in a short period of time, we have established a high-performance culture with a team that is driven by outcomes and a common purpose, and one that is geared up to deliver on our ambitious strategic plan.

The four key objectives driving my strategic agenda for the intermediate term are, number one, to deliver on our net zero commitments, two, to scale Sustainable Finance, three, to leverage four thematic Innovation hubs, driving eco-system development and future income, and finally, four, to further embed sustainability across the bank. Let's dive into each of these.

**Delivery of net zero.** Why is the net zero commitment so important for a bank like ours? Well, in some respects, you can point to net zero as the starting point for where our sustainability journey really begins. We were one of the first international banks to set a target of net zero financed emissions by 2050. This target setting forced the bank to think about its transformation in a rigorous way, creating sectoral emissions "budgets" and a 2030 timetable to start the clock.

Our Financed emissions, which effectively are the emissions of our clients, account for over 96% of our carbon footprint. Therefore, our clients' readiness directly impacts our ability to achieve our commitment. As a result, helping our clients transition forms a core part of our strategy and we can apply the learnings from our own journey to help our clients through theirs.

By February 2024, I am pleased to say that we will have disclosed targets for 11 out of the 12 Net Zero Banking Alliance aligned high carbon emitting sectors, with the final target for agriculture to be completed by the end of next year. We believe that once completed, we will be one of only a handful of international banks to have done so, notwithstanding the challenges presented by roughly one third of our footprint markets not having a 2050 commitment. One of the most debated sectors is oil and gas, for which we strengthened our emissions reduction approach earlier this year by moving from a revenue intensity metric to a science-based absolute target by 2030, with the obligation to meet the target fully owned by our Oil & Gas industry team.

In addition to our net zero targets, we also have our seven Position Statements transparently setting out what we will and won't do, which we refresh every two years, with the next update coming in quarter one 2024.

Now that the sector target setting process is nearing completion, we are moving to operationalise and embed the targets within our businesses. This is how we turn our net zero commitment into a catalyst for scaling Sustainable Finance. We're making a meaningful investment to build a single-source robust data architecture to facilitate the bank's engagement with clients and support the significantly increasing regulatory demands for sustainability disclosures. This includes automated tools that will support fact-based decisioning and real-time analysis of the impact of a transaction on our carbon footprint. This, paired with the fact that we have integrated our interim targets into our credit risk appetite and capital allocation processes will allow us to track, monitor and continually assess progress against our targets. We're also excited to be piloting in CSO the Bank's first Generative AI use case, of course under strict conditions, but it will auto-populate climate risk questionnaire responses to drive efficiency and scale.

As we aim to **scale Sustainable Finance**, we aspire to support our clients throughout their sustainability journeys by applying our expertise to where it's most useful for clients along the way. Many clients in our markets are at the early phases of evaluating their exposure to climate change or how they will transition their business operations. They are seeking advice on best practice, how to establish their frameworks and how to raise the capital needed to fund their transition. And when we are able to meet our clients' transition needs, we experience a real flywheel effect taking hold. Let me give an example of how this works in practice.

In collaboration with our UK regulator, in 2022, we agreed to establish a team in CSO to conduct climate risk assessments, or CRAs, on our lending book. This began purely as a risk management exercise with over 2,000 completed in 2022 and a further 2,000 expected for this year. We could have simply stopped at asking clients

to fill out a form to identify weaknesses, but instead, with a solutions provider hat on, our team created the ability to use the outputs as an engagement opportunity to help advise clients on how to address their red flags. This has led to advisory assignments and in turn, to financing opportunities to remediate. And then, to complete the wheel, as we receive more information through our mandates and financings, this also feeds the flywheel by providing back to us high quality data to inform our own net zero emissions and risk profiles.

And now some highlights on our financial performance. The investments we have made to date are paying off in our results. We have publicly committed in 2021 to mobilise 300 billion dollars of Sustainable Finance by 2030 and based on a simple straight-line assumption of 30 billion dollars per year, we are well on track to achieve this.

Now turning to our Sustainable Finance income. This is up a healthy 36% in the first half of 2023, with strong performances across all of our regions, and over 50% growth rate in China, albeit from a small base. As we embed Sustainable Finance across the organisation, there are no internal "green" or "social" subsidies for these transactions. The same cost of capital, RWA charge and return expectations apply to Sustainable Finance, with limited exceptions. I'm pleased to say that the return on RWA has been at or better than that of CCIB.

And what is comforting to me, just as with the mobilisation figure, is the increasing diversification in our product mix which helps us to mitigate market volatility. This is well demonstrated in the first half of 2023, with subdued momentum in credit and macro trading products, in part due to the interest rate environment, offset by the significant growth in Transaction Banking across both Trade and Cash, growing at over 200% and 450% respectively. As evidenced in the mobilisation and income breakdowns, we are just scratching the surface in Transaction Banking and our Retail and Wealth businesses, but early demand signals are strong and year-on-year growth in Trade and Cash corroborate their growth potential.

We have also seen double digit growth in assets and liabilities. More than 90% of our sustainable assets are located in our markets across Asia, Africa and the Middle East, where we track through our detailed Impact Report the environmental and social impact of how our assets are being deployed.

And now turning to **leveraging our four Innovation Hubs**. Whilst we have covered our recent financial performance and outlook, I'm very keen that we mine the potential for future returns outside of our core range of traditional products and services. I believe that by being deliberate in demonstrating leadership to advance the ecosystem in emerging thematic areas, we will be well positioned to take advantage of the significant and differentiated revenue potential that will result from their maturation.

The hubs are each run by senior leaders in my team, but they are transversal, inviting colleagues to whiteboard in places where their expertise can add value and cross-functional synergies. The hubs are centred around emerging sectors of sustainability that are nascent but ripe for scale and where the bank has legitimacy or a core competency and are particularly suited to our clients in our markets. Though early days, with the hubs only having been established in early 2023, I'm very excited to see the level of tangible activity already coming this early in their tenure.

First to Carbon markets. This is a space where Standard Chartered has a rich legacy. We believe that high integrity Carbon markets can create powerful incentives for real economy decarbonisation, yet the market today is fragmented and needs leadership and confidence. Amongst leadership roles, we serve on the board of the Integrity Council of the Voluntary Carbon Markets and have advised on the establishment of transparent carbon market trading platforms across our network. With an eye toward converting ecosystem

development into revenue, we've completed our first voluntary carbon credit trades for clients in MENA and Hong Kong, initiating access to strategic sources of future carbon revenues.

Our Adaptation Economy Report highlighted the several hundred-billion-dollar adaptation finance opportunity in our core emerging markets. To that end, we are collaborating with the UN and others to develop a global Adaptation Framework and Practitioner's Guide to facilitate private capital flows. And I am delighted to have executed our first formally labelled adaptation finance transaction, partnering with a global provider of parametric insurance to offer protection against renewable energy infrastructure disruption.

And now regarding biodiversity. Given the disproportionate reliance on biodiversity for industries that power so many of the economies in our markets, such as fishing and agriculture, the protection of biodiversity is a natural place for us to focus. While developing at pace, conservation financing and standardised methodologies for biodiversity risk assessments are still in their formative stages. Regulators and policy makers are increasingly turning their attention to this topic, including the Taskforce on Nature-related Financial Disclosures which was launched in September of this year. Since the creation of our biodiversity innovation hub, in line with the Corporate Sustainability Reporting Directive, we've completed a detailed materiality assessment to support the embedding of biodiversity considerations into our business strategy and create the foundation for future disclosures around how we are mitigating biodiversity risk. We're also pursuing a number of very exciting landmark conservation financing transactions that will allow us to translate biodiversity risk into opportunity.

Our fourth hub, blended finance, recognises our unique ability to be a connector in our markets of different forms of capital, to be applied to places where scaling is critical. As Bill mentioned, our work on the JETPs in Indonesia and Vietnam on their country-wide decarbonisation plans will ultimately result in hundreds of renewable and grid infrastructure projects. And through this hub, we are also working with the Monetary Authority of Singapore to explore the creation of carbon credits to help support early coal decommissioning, a critical component in the JETPs and other countries' pathways to a greener future.

And finally, my last strategic area of focus on **embedding**. This gets to the heart of ensuring that we can deliver on our growth agenda and achieve our ambitious targets, while doing so in a compliant and robust way. We cannot deliver the billion-dollar income target just within my team in CSO and we do not aim to build a bank within a bank. The key to allow us to scale is to ultimately embed sustainability across all of our businesses and functions, so that sustainability is at the core of how they operate. My organisation acts as the catalyst for this embedding, from aligning incentives via the balanced scorecard, to our enhanced governance infrastructure, to our best practice sharing Sustainability Forum, to creating sustainability products and services. We seek to touch all areas of the bank front to back.

Two specific examples to touch on. To date, we have delivered a suite of 42 innovative sustainability products and variants, underpinned by market-leading robust frameworks that ensure anything we label "green" or "sustainable" or indeed "transition" is transparent to all of our stakeholders and presents a strong defence against greenwashing risk. Secondly, we have a content-rich bespoke training agenda to uplift the sustainability knowledge and engagement across our bank, which has included a highly interactive programme for our country CEOs to help them embed sustainability and transition this into their Corporate Plans, as well as a Relationship Manager course designed to activate client engagement across the frontline.

I recognise that I have given you a lot of content in my section, so I will leave you with the corroboration of how I know we're on the right track. Why? Because externally, I see our applied sustainability expertise creating a differentiated client relationship and wallet share impact with our most important clients, and because internally, I see our product owners viewing sustainability not as a side line to their core offering, but as fully integrated as part of their BAU.

Here to make the case in both instances, I am pleased to be joined by the head of our Transition Finance team, then to be followed by the product heads in Project Finance, Financing Solutions and Trade Finance. So, Ben, over to you.

**<<Ben Daly – Global Head, Transition Finance>>**

Thank you, Marisa.

As you know, we've published net zero targets for our high emitting sectors. Our focus is now on supporting our clients deliver on their decarbonisation plans, whilst capturing the maximum banking wallet associated with the energy transition. So, how are we doing this?

As Marisa has mentioned, our CSO function has a wide range of capabilities and products ready to support our clients. One area of investment has been to develop a Transition Finance team. This team has experience of the next wave of decarbonisation solutions our clients are now investing in. For example, hydrogen and battery value chains, as well as carbon capture and storage and low carbon metals. We've largely hired from industry, and now have a diverse group of 16 decarbonisation specialists who sit within our CSO and coverage teams. Our strategy is to build the bank's financing experience by supporting the early adopters in the US and Europe, and then leveraging this knowledge in our core markets across Asia, Africa and the Middle East, and in doing so, drive more low carbon assets onto our balance sheet.

Our first deliverable has been to embed the team across the CCIB organisation and with our clients, and I'm very pleased to see that we're making good progress on both counts. To share a client example. One of the bank's most long-standing clients is a large natural resource company. Our relationship has historically been focused on supporting their traditional business. We've been spending a lot of time with this client explaining our targets and expectations, but also introducing our expanded decarbonisation capabilities. This engagement has led to a multitude of recent new business line wins, including renewable power advisory, an anti-flaring project, a significant battery storage financing and a low carbon shipping solution.

Our second deliverable has been to support the bank build a strong pipeline of transition deals. To give some colour on our progress. The first wave of Carbon Capture and Storage projects are heading towards final investment decision. Here, we're supporting both Oil and Gas and Financial Sponsor clients raise debt for projects. Our Chinese, Korean and European businesses mean we're also very active across the battery supply chain. In the low and no carbon fuels space, we're working on our first renewable natural gas advisory, and we're tracking Sustainable Aviation Fuel opportunities in both Asia and Europe. We're also working hard to accelerate economic low carbon steel solutions and we're taking a leading role in the steel decarbonisation industry groups. Away from the Project Finance and M&A space, we're also leveraging our extensive trade network. We're targeting flows of critical metals like lithium and cobalt, as well as circular economy materials. We recently closed a trade facility for a Vietnamese steel manufacturer to support their scrap steel sourcing. Pradeep will share more information on this later.

To wrap up. Whilst having a lot of large industrial type clients may seem like a challenge from a net zero perspective, it is also these very clients that have identified the transition as an opportunity and are developing many of the scaled projects we are seeing.

I'm encouraged that projects are continuing to develop in the low carbon space, even with the challenges of high interest rates and the broader energy security backdrop. The transition requires material Capex, and often includes new technology and complex delivery schedules. Our clients are therefore looking for structured approaches to financing, with a strong focus on risk sharing and mitigation. And this leads to higher value banking wallets.

We're building a differentiated proposition to capture the growing opportunities from the energy transition for our Sustainable Finance franchise, whilst also supporting the group's net zero commitments.

I'll now pass on to Alper who'll talk about how we are working with clients in building sustainable infrastructure.

### **<<Alper Kilic – Global Head, Project and Export Finance>>**

Thanks, Ben.

The requirement for sustainable infrastructure is large and growing and we are seeing this manifest itself in the changing investment plans of our clients across the regions and sectors. According to a UN study, there's a 4 trillion-dollar annual investment gap that developing countries face as they work to achieve the Sustainable Development Goals by 2030. About 1.2 trillion dollars of this gap is in Renewable Energy Investments.

While we have observed that Sustainable Infrastructure and Renewables volumes have been steadily increasing, the majority of these investments have been made in the developed markets. However, we expect stronger growth in emerging markets in the next five years. This surge in demand in emerging markets is anticipated because across our footprint in Asia, Africa and the Middle East, governments are issuing strong statements to reduce the investment gaps in infrastructure and to set out their own commitments towards net zero emissions. Also, there is a much stronger effort from the multi-lateral banks and development finance institutions to support these targets.

So, why do we think we can create differentiation for our clients in this space? Firstly, as Bill mentioned, we are uniquely positioned as a bridge between the providers of capital in developed markets and the demand for capital in emerging markets. Our client profile exemplifies this positioning. While we have been proudly supporting our clients in our emerging markets footprint in over 160 years, we also have very strong client and institutional relationships with multi-national corporations, large financial institutions and governments in the developed markets.

We are also recognised as an industry leader and have teams with strong skill sets and experience to advise and finance our clients across a wide range of businesses in the credit spectrum. Acting as the nexus between different parties in Blended Finance is our sweet spot. Our team is well recognised at pulling together complicated and unique financing structures. This is necessary to establish the right risk and return profile, in order to execute deals in many of the markets where we operate.

We have great relationships with all major multi-lateral development banks, development finance institutions, as well as export credit agencies. Different sources of capital and support provided by these agencies are among the most critical enablers for the bankability of long-term financings.

Since 2020, almost 70% of Sustainable Finance transactions we financed are in Asia, Africa and Middle East. We are also proud to have supported a number of impactful transactions in the developed markets. I would like to cover a few transactions which have stood out due to their unique characteristics.

In Angola, we facilitated financing of the construction of hospitals across several regions.

In Uganda, we structured a solution for off-grid solar water-pumping stations, providing sustainable water supply to thousands of farmers.

Then in Saudi Arabia, we supported our key clients to finance the largest commercial-scale green hydrogen production facility in the world, with initial production of up to 600 tonnes of green hydrogen per day, saving about 5 million tonnes of carbon dioxide annually.

We also facilitated an innovative floating solar transaction in Indonesia, and we are proud to be the Green Loan co-ordinator. Upon completion, the project will power approximately 50,000 homes.

And whilst we excel in emerging markets, we have also been active in the developed markets, predominantly supporting our clients in renewable energy and energy transition in the west. We just helped finance two offshore wind projects in France. Upon completion, these projects will provide green electricity to 1.6 million households.

In conclusion, the world is shifting to sustainable infrastructure and there's no turning back. The public and private sector actors have a huge role to play in supporting the growth targets in sustainable infrastructure. And we are uniquely positioned to utilise our strong relationships and industry experience to help drive this agenda.

I will now hand over to Surya who'll cover the opportunity around the sustainable loan markets.

### **<<Surya Bagchi – Global Head, Financing Solutions>>**

Thanks, Alper.

Our team focuses on green end of use proceeds loans, sustainability linked loans or SLLs, social and pure play green loans.

There has been an exponential global growth in sustainable loans, particularly in 2021 and 2022. In the first nine months of 2023 however, while global issuance of sustainable loans has been substantial at over 400 billion dollars, this does represent a 28% drop year on year. This drop is a result of both lower new loan issuances due to high interest rates, as well as lower SLL issuances over concerns on the quality of key performance Indicators, or KPI, linkages. The sharpest decline in the SLL issuances is from the West. However, due to our unique footprint, we are less dependent on SLLs in the West and able to rely on the steady growth in opportunities from Asia, Africa and the Middle East.

Let me briefly touch on where we see opportunities in these markets. In South Asia, for microfinance aimed at improving social wellbeing, such as financial literacy and financial inclusion for women. In ASEAN and Greater China, for eco-friendly clean industries, such as renewable energy and EV supply chain. In the Middle East,

there is the drive for economic transformation away from oil dependency. And finally in Africa, for social projects and climate mitigation.

We have stretching ambitions in this space, while leveraging our strict standards of governance to position ourselves as the bank of choice. We apply experiences from the early successes and challenges from the West as we help our clients in Asia, Africa and Middle East navigate their participation in these markets. We are partnering with all our clients to advise them in granular detail to plan their sustainability journey and commitments. We take a tailored approach in advising and structuring Sustainable Finance opportunities that work in sync with their long-term strategic business transformation ambitions. In driving growth, we are, and we will continue to be agnostic across SLLs, green use of proceeds, social and pure play loans.

In Financing Solutions, we have executed over 300 Sustainable Finance transactions, with strong growth in Asia, Africa and the Middle East. More than half the number of transactions now come from these regions, up from only 30% in 2021. I will briefly touch on a few landmark transactions in 2023 that demonstrate the differentiation that I am highlighting.

Safaricom is a leading telecom client in Kenya. We arranged a 15 billion Kenyan Shilling, or 100-million-dollar SLL, where the client has committed to reduce emissions to achieve their net zero targets, gender diversity, as well as social equality.

In the Middle East, we advised on a headline LEED platinum neighbourhood development project.

In China, we financed a leading city gas distribution company, on a loan that supports their green projects in renewable energy and clean transportation sectors.

Finally, an example of a social loan which is very close to my heart. We led a 200-million-dollar syndicated loan to Credit Grameen, the largest microfinance institution in India. The proceeds of this loan will benefit millions of customers of Credit Grameen who are mostly women in rural areas. They are using this financing to generate employment opportunities to lift their families from poverty.

In summary, our footprint provides opportunities for high quality and impactful growth across the full financing solutions product suite. Our aim is to consistently deliver on this across our network and lead the evolution. We differentiate ourselves by applying a rigorous approach to sustainable products and driving impact. Lastly, our unique network across the East and West allows us to be the connector of experience from the West into our footprints in Asia, Middle East and Africa.

And with that, I will hand over to Pradeep.

**<<Pradeep Nair – Global Head, Structured Solutions & Development>>**

Thanks, Surya.

With international trade being 56% of the global GDP, trade finance has an enormous opportunity in making global supply chain activities more sustainable. The early indications we have had so far are that our clients are absolutely intent on making the transition.

I quickly reference a piece of research that we published in 2021. It is called “Carbon Dated” and we looked extensively at the supply chains of suppliers of global MNCs, many of whom have committed to a net zero transition. The study found that the supply chain emissions account for an average of 73% of MNC's total

emissions. More than two thirds of MNCs said tackling supply chain is the first step in their transition, with many companies planning to cut suppliers for failing to curb emissions.

So, what have we done so far and what sets us apart from others? Our Sustainable Trade Finance proposition, which we introduced in 2021, is aimed at helping companies build more resilient business models, including supply chains and making global trade more inclusive. This helps our clients and sales team to identify the sustainable business practices of our clients, or the lack thereof. This enables origination of client opportunities in a simple manner and at scale. This is aligned to external standards like the Loan Market Association's green, social and sustainability linked loan standards, incorporates greenwashing controls at a client, deal and at a transaction level. This ensures our clients, and we, are comfortable in the outcomes. These processes are designed to pre-screen most of the checks and enable transaction processing on scale, with similar turnaround times as that of a regular transaction.

We have a comprehensive suite of sustainable products spanning 12 variants, which is complementary with our traditional product suite. We have also introduced sustainable CASA as a proposition, which enables clients to use their liquidity to be referenced against our sustainable assets.

The very nature of trade means there are multiple counterparties and financial institutions. We cannot build a sustainable trade proposition without working with other banks and FIs. To this end, we introduced a FI proposition in sustainable letter of credit discounting in 2022 and a sustainable FI trade loan in the third quarter of this year. The sustainable trade loan provides FIs with liquidity to support trade flows associated with clean technology projects, accelerating the progress of their clients in their sustainability agendas.

We have also innovated with tech-based solutions, like deep-tier supply chain finance with our fintech partner Linklogis in China. This brings financing to the underbanked sector. As part of this collaboration, just a few weeks ago, we worked with an ESG rating agency to integrate supplier ESG ratings to extend sustainability-linked finance into supply chain finance structures. We are a thought leader in this space and intend to continue advancing work with all stakeholders to have an aligned approach to provide sustainable trade finance and deploy at scale across the globe.

Taken together, in a relatively short span of time, our efforts have led to us executing around 4,700 transactions across many industries and reaching about a similar number of clients in 37 markets. I will briefly touch on two client examples.

We led a 600-million-euro green syndicated invoice finance programme for Polestar AB, who procures vehicles manufactured by Geely in China. This was aligned with EU taxonomy's substantial contributing criteria. For every 20,000 cars sold, this solution helps save an estimated 2,150kg of carbon dioxide per kilometre annually.

We supported Tung Ho Steel in Vietnam with import financing for procurement of scrap steel. By using scrap steel and employing electric arc furnaces over traditional blast ones, Tung Ho Steel has significantly reduced its energy consumption, and estimates it has seen a remarkable 75% reduction in carbon dioxide emissions.

In conclusion, I hope I have given you a flavour of what we are doing in our Transaction Banking business. Sustainable trade is a large opportunity, and our proposition is differentiated. We are not only doing the right thing, which we fundamentally believe in, but we are creating an infrastructure to enable scale and develop a commercially viable trade franchise.

I will now hand it to Bill for his concluding remarks.

**<<Bill Winters – Group Chief Executive>>**

Thank you, Pradeep.

As you can tell by what you have just heard, there is a lot going on. So, just to recap, I want to leave you with a few messages.

Whilst the threat of climate change is universal, the impact we can make in Emerging Markets is the greatest and underscores the need for a just transition. As a leading global bank, we believe finance can play a significant role in addressing these challenges and we are all well positioned to capitalise on opportunities, and in doing the right thing, generate profits. We are a thought leader in this space, and we will continue to be. We can generate decent returns for our shareholders and the planet if we play the part that we very naturally play given our capabilities, and we look forward to keeping you posted on our progress.

Thank you for your time, and I'll now hand back to the operator so that the team can take your questions.

**Question and Answer session**

**<<Operator>>**

Thank you. To ask a question please press \*11 on your telephone and wait for your name to be announced. Alternatively, you may submit your question via the webcast on the Ask a Question tab. We will now take our first question. One moment, please. And the first question is from the line of Alastair Ryan from Bank of America. Please, go ahead.

**<<Alastair Ryan – Head of European Banks Equity Research, BofA Securities>>**

Thank you, good morning. It's a question on how I compare what you're doing to everybody else, really, which is what financial analysts will often come down to. So, the green asset ratio is going to be a big help to us. The EBA was going to deliver that which would allow us to see where banks were. You have your own disclosures. There were 10 billion green assets last year which would be quite a modest ratio at the time. I mean, almost no bank reported a ratio and it's super complex. But how could you help us understand – you know, I mean, your commitments are very clear. But financially we would love to be able to see it in numbers. Does your green asset ratio move up very quickly? Or is that a very poor metric that isn't relevant for you at this stage? Thank you.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Sure. Well, thank you very much for your question. So, in terms of our financial performance, I think what we want to point to first is our sustainable finance revenue target. We are very much focused on the delivery of the public commitment. I think we are one of the few banks out there, if not the only bank with an ambitious target on the revenue side. And that is the billion that we're striving for. So, on one hand I think you can measure us on our ability to deliver on that commitment. And then as well as we have published our – as part of our net zero programme, our commitment on target reduction for the high carbon emitting industry.

You will see our emissions reductions come down by definition as we reduce the brown book that we are operating in, we'll be backfilling that to deliver that top line revenue with green business. So, you are going to start to see that naturally reshape as we accomplish our transition. Thank you.

**<<Bill Winters – Group Chief Executive>>**

Alastair, thanks for the question. But we are not focused on building our balance sheet. We'll build the balance sheet as we find that we're the best source of funding and if we can get a decent return. But given the institutional demand for sustainable assets, it's much more impactful for us to find ways to standardise these markets so that we can push this stuff out into the much, much bigger capital markets and tap into those trillions of dollars of ESG funds either sitting idle or buying generic green bonds that are low impact. So– yeah, green asset ratio is one thing to watch but it's not going to be our primary focus.

**<<Alastair Ryan – Head of European Banks Equity Research, BofA Securities>>**

Thank you.

**<<Operator>>**

Thank you. As a reminder to ask a question please press \*11 on your telephone. Alternatively, you may submit your question on the webcast on the Ask a Question tab. I would like to hand back over for web questions.

**<<Gregg Powell – Group Head, Investor Relations>>**

Thank you. We'll take a few questions from the web. We'll only attribute questions to sell-side where appropriate.

First question in, could you please elaborate on how you define sustainable finance income? How do you ensure there is no greenwashing here?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly. So, we think that the best protection against greenwashing is through transparency. And we have established very robust frameworks. We have had lots of outside input from various parties into those frameworks. So that anything that we label green, social or in transition will refer back to those frameworks. And they are publicly available. And we have third party assurance on those as well. So, I think that is where I would point you. And I think we feel very good about those frameworks which we then regularly update. Because as market best practice evolves, so too shall our frameworks.

**<<Gregg Powell – Group Head, Investor Relations>>**

Next question comes from Manus Costello at Autonomous. Two questions. One at a time. When you report mobilised sustainable finance, do you include existing balance sheet assets which have been reclassified as sustainable e.g. green mortgages? If so, what proportion of both sustainable assets and sustainable finance income are truly new to bank as opposed to reclassified business as usual?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Sure. So, Manus, a very good question. So, in our mobilisation number, as we continue to refine our frameworks, we will find in some cases reclassification assets that will go into that portfolio. But that's very nominal. And over time as we sharpen those frameworks more and more you will see less and less of that. But today I can assure you that it's a nominal number out of our total mobilised figure.

**<<Gregg Powell – Group Head, Investor Relations>>**

Thank you. Second question also from Manus at Autonomous. How much do you think the current disruptions in the wind electricity generation market will impact your financing aspirations?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Thank you, Manus, for your second question. I will turn that one over to my colleague, Alper, who is heading up our project finance business, to answer that question.

**<<Alper Kilic – Global Head, Project and Export Finance>>**

Sure. First of all, I think there is no doubt that the sector is going through some short-term challenges, from the macro environment as well as supply chain disruptions. The way that we view that is that definitely short-term some challenges, but perhaps a rebalancing. But in the mid-term and long-term, the demand is so big from our clients as well as the commitments made by the governments in the west as well as the east. So, there is going to be a very big growth. And we are not concerned about the short-term impacts at all. Thank you.

**<<Gregg Powell – Group Head, Investor Relations>>**

Thank you. Back to the telephone line for the next question.

**<<Operator>>**

Thank you. We will now take the next question from the line of Perlie Mong from KBW. Please, go ahead.

**<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>**

Hello! Thank you for taking my questions. I've got two: first is related to Manus' question. I guess the question is, there are lots of clients you will be doing business with anyway and you will be issuing loans for them anyway. So, you know, they might be for green projects but in some ways, you are always going to have a relationship with them, and you are always going to support their financing needs. So, the question is, do you have an example of where you might have maybe reduced price or given certain incentives to actually encourage a change in behaviour?

Instead of the companies, building wind farms and you are supporting that company anyway, they are already your clients. So, with or without the sustainability initiative, you would already be doing that business. So, just how – to what extent are you actually taking a commercial hit maybe in the short-term to push that business through? That's the first question. And the second one is, I guess in the last couple of years with all the energy prices going up and insecurity etc. there is certainly a lot of government focus on energy security as well as energy transition

And the security part, will also play into the maybe social governance part of the ESG, less so on the E side, if you think about, natural gas, that sort of thing. So, would you consider supporting a more traditional fossil fuel-based client in the business that they already do in the sense that it would help with energy security which is, also a part of the ESG agenda?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Yes, so let me try to tackle that question in a couple of ways and invite my partners in to join me as well. But in the first instance, we do not subsidise in any way or provide any incentives for the sustainable business that we do. Our belief is that it should naturally occur, and we see an enormous opportunity in front of us as our clients' transition. So, I think inherent in your question is a little bit one of cannibalisation i.e. are we continuing to do business that will go away as we seek the future green business.

And I think the perfect example of that are the traditional industry clients who will be doing over time less and less of the traditional business. But they are the big clients who are investing in the green future. And we want to be there to capture that opportunity. I might just ask Ben to touch on that for just a minute. To bring it to life in terms of a real client example. Because I think that helps you appreciate how we work with a client through the cycle as they migrate from a brown or high emissions business into our target alignment with our net zero programme.

**<<Ben Daly – Global Head, Transition Finance>>**

Great. Thank you, Marisa. So, I think, almost the easiest way to describe it is absolutely there is part of the journey is just evolving with our clients. So, in oil and gas, a traditional oil and gas client may well be building out renewables, may well be looking at hydrogen. May even be looking at totally new business lines such as lithium extraction. We are very much with those clients on that journey. And I think part of this is just evolving our relationship with them. As they evolve, we evolve.

So, I don't think that is necessarily new, but it is also definitely not sort of not new in so far as we're just keeping track with our clients. I think though to really sort of answer your question there is a real sort of value add in these new technologies as they come to market. These are not yet an asset class that the market is particularly familiar with. So, there is a particular value add for the banking community to support our clients with both very sort of appropriately risk mitigated structures, with pricing, that there isn't yet a whole lot of compares that you can immediately go to.

So, we are doing a huge amount of work almost as much more of an advisory capacity with these new technologies. And that is where I think that the real value-add that Standard Chartered and the finance service sector is bringing to the traditional industries as they're evolving their businesses. Thank you, Marisa.

**<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>**

Okay. That was helpful. Thank you.

**<<Operator>>**

Thank you. As a reminder to ask a question please press \*1 and 1 on your telephone. I would now like to hand back over to web questions.

**<<Gregg Powell – Group Head, Investor Relations>>**

Okay. We have got a few more web questions. First one, I would be grateful if the team could outline where the bank is on achieving its targets across the 11-12 sectors highlighted earlier?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Sure. So, through our net zero programme what we have committed to is to set interim targets by 2030 for the 12 NZBA high carbon emitting sectors. And I'm very pleased to say that by the end of this year we will have completed 11 of the 12. So, the final one will happen in 2024 and that will be the agricultural sector. So, at this point we have set the baseline for every one of those sectors. We've also migrated in some cases to industry best practice in terms of the actual metrics that we are using.

So, for instance, oil and gas we moved this year to an absolute target which is industry best practice. And we've done – and we are doing the same with power where we are moving from a revenue intensity target to production intensity. So, as we've set these targets the baseline is done. We know where we need to get to by

2023 and we are well at work to reduce those emissions down in each one of those sectors. We'll publicly report on those in our annual report that will be in February of 2024. So, you'll be able to track our progress in each one of those sectors. Thank you. Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

Next question is from Raul Sinha at JP Morgan. It's a two-part question and I'll read it separately. First part, the regulatory focus around climate change and the risks for banks has increased significantly over the past few years. But last week, the UK government removed climate change from the list of key priorities for the financial policy committee. How does the evolving regulatory focus impact your priorities? And how will you independently continue to drive the agenda?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly, so maybe just touching on the UK for a moment. And this is the same in other jurisdictions. When you have a change in political leadership certain priorities certainly prevail. But what we see in our businesses and with our clients is that climate is still at the top of their priority chain. And whether that manifests itself in regulatory policy or not it really doesn't matter. There is a huge opportunity that we've been expressing to you that's in front of us. There is 275 trillion dollars of capital that needs to be invested in the global transition just to meet the existing commitments that are out there today by 2050.

This means that the world will be needing to invest this capital and we want to have our fair share of that pie. So, yes, regulatory intervention is helpful, it nudges, it helps to galvanise people around the topic. But I think the necessity, the imperative is very much there in the private sector and that's what we are seeing playing out in our business.

**<<Gregg Powell – Group Head, Investor Relations>>**

Can I give you the second part of Raul's question?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Please.

**<<Gregg Powell – Group Head, Investor Relations>>**

Could you please discuss the drop in SLLs in the west due to the concerns around KPIs? How will the market evolve from here?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly. So, I'm going to pass that question over to Surya who's responsible for that business and allow him to answer your question for you.

**<<Surya Bagchi – Global Head, Financing Solutions>>**

Marisa, thanks for the question. So, I would like to answer that in two parts. I think one is why our business is diversified and does not critically depend on this question, on the SLL market. And then second, essentially the question on where do we see the market evolving from here. So, first, there has been a sharp drop in SLLs in the west. That's contributed to the overall 28% drop in volumes in the market that I talked about earlier. That's both driven by higher interest rates as well as the tighter standards on KPI concerns that you have highlighted.

What we have seen this year therefore is that the west has led this market. But Standard Chartered Bank is less dependent on the west. What we have seen over 2019-2023 now is that the share of Asia, Africa and the Middle East has actually increased in the sustainable loan market, from 11% in 2019 to about 23% today. And that plays hugely into our capability. So, first is the geography advantage. Second is that we have a diversified product suite. So, we are not critically dependent on sustainability linked loans, we have pure play, we have green, we have social - examples of which I have given earlier. As well as the other businesses that Alper spoke about, and Pradeep spoke about. And so, on account of this differentiation of product as well, we are less dependent on the question on SLL.

And then finally, we have a very high-quality sustainable loan and product framework which is public. And our clients can rely upon to take comfort from that and so can we in terms of assessing the quality concerns. So, that's why it's not a critical dependency. Now, quickly coming to where we see the market evolve from here, in the west, while volumes are lower this year, the quality is much higher. And I think that that's a significant win, because as you pointed out the bar has been significantly raised on the product.

So, that's the first observation. Secondly, we are seeing sustainable loans take off also in AME. I gave you the example of Safari.com earlier which is a high-quality transaction by any dimension. Also, I would say that, you know, when we are seeing a situation where the bar is being raised like this, you can draw an analogy of let's say a high jumper. So, when the bar goes up on the high jump, fewer people make it over. And that is what is happening in the west right now on SLLs. But as the quality is going up, the game is going to be lifted. The strongest will win, and some will drop away. We are determined not to quit and continue to support SLLs. Back to you Marisa.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Thank you. Next question, please.

**<<Gregg Powell – Group Head, Investor Relations>>**

The next question comes from Gurpreet Sahi at Goldman Sachs. Thank you for the presentation. Although early days, how has economics on ROTE and RORWA for green balance sheet been, relative to the overall balance sheet?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly. So, we're an investment business in sustainable finance. And what I'm very much focused on at this point in our cycle is return on the capital that we invest. And very pleased to say that through the cycle that we've experienced in sustainable finance, our return on RWA has been above or at that of CCIB. My expectation as we continue to broaden out the product suite - this diversification point that we've made, I would expect that we would over time continuously converge closer and closer to that of the overall bank. So, very much I want to emphasise the point that this isn't a subsidy business. We expect this business to hold its own and to generate very healthy returns as we try to capitalise on this big pie opportunity in front of us.

**<<Bill Winters – Group Chief Executive>>**

Marisa, we expect this business to more than hold its own.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

You would expect my CEO to say that. Absolutely.

**<<Gregg Powell – Group Head, Investor Relations>>**

Thank you.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

What I might – actually if I may, invite my partner Alper to just for a moment – because as we prosecute parts of this business. So, for instance the infrastructure investment opportunity that we see in front of us, there will be some mix shifts as we move from traditional lending into project finance. And that has a slightly different profile than our historical business. Alper, maybe just a few words on that.

**<<Alper Kilic – Global Head, Project and Export Finance>>**

Absolutely, thank you. I mean, sustainable infrastructure as we discussed is a big contributor to the overall sustainable finance proposition. It's a very profitable business. And for two reasons. I talked about the project finance of the business and export finance. So, in aggregate we define it as infrastructure business here at Standard Chartered. So, as some of you may know, the project finance business is considered as specialised lending and we have a pretty good –arguably advantage because it's specialised lending.

There's a strict criteria for the projects to qualify for that. But a lot of what we do is project financing. And the export finance side is – that's our partnership in corporation with multilateral development banks, ECAs, so it's very, very RWA efficient. So, if you look at the combination of the business, our returns of the sustainable infrastructure business is significantly higher than what, we have in CCIB. And also, it's a win win in the sense that because we have the ability to provide long-term competitively priced transactions to our clients, so that is a cost save for our clients.

Also, for the investors as Bill talked about, these are long-term, stable cashflow generating assets. So, our investor clients also like these assets. And for Standard Chartered Bank it's not only the lending piece. So, every sustainable infrastructure transaction we do, we have hedge income, we have cash income, we have escrow accounts. So, in essence this is a, from a RWA and capital returns perspective, a pretty strongly delivering business. Thank you.

**<<Bill Winters – Group Chief Executive>>**

And if I could just say, and in the future we will have an increasing amount of carbon trading business that goes along with some of these key projects. And so just to amplify a bit on why I think we should be able to do better than the average return for the bank. We know that big chunks of this market will become commoditised over time. And people will be competing for, you know, league table or other credit for good stuff – which would compress returns all else equal.

On the other hand, it's a hugely fast-growing market. Not in 2023, where we outperformed quite a bit relative to market; but just looking at the trillions that need to be raised. It's a fast-growing market. And we intend to be at the cutting edge of technology as that develops. So, if we can't find a way to generate excess returns on – by being first in the areas where we can have the highest impact to offset the commoditisation effect on the older more standard products, then we will not have done our jobs.

So, we are ahead of the curve so far for exactly the reasons that I just mentioned. We are upfront in terms of technology. And we can make a difference where the impact is greatest. We continue that trend, and this will be a super returning area for us over time.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Okay. Next question, please.

**<<Gregg Powell – Group Head, Investor Relations>>**

Okay. Thank you. Grateful if Marisa could outline how her collaboration with teams across the bank has had an impact? Notably how these teams are incentivised and how they respond to this focus on sustainability?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly. Well, one thing I was struck by when I arrived at the bank as I've now passed my year mark, was the enormous amount of enthusiasm that I saw across the bank. And this is in the frontline businesses, it's in our support functions, it really is wholistically across the bank. So, the collaboration is one that's operating on an open door. But as I mentioned in the presentation, we view ourselves at the centre in CSO as a change function. So, we're going to continuously be that centre nexus for all things sustainability and then our goal is to embed that across the bank. So, the way we do that is to work very closely with our partners, whether it be the industry sector teams, the product sector teams, our relationship managers, we work hand in hand collaboratively to identify the areas of opportunity for them and then lend our expertise. So, we view ourselves as wanting to position to be everybody's favourite best partner within the bank.

And we're really starting to see that take hold. It's coming through in our numbers. But it's also that client connectivity and the reach that we get every day. I guess I would be worried if I was pushing, and I wasn't seeing any kind of a response. So, I was agitating. It's the exact opposite. We're running to keep up with the demand inside the bank to help position ourselves in front of the clients. So, I'm very excited by the momentum that we're seeing in this respect. And then I might just ask Ben to comment for just a minute on how he sees it working because he's interacting every day with the industry and coverage sector teams.

**<<Ben Daly – Global Head, Transition Finance>>**

So, I think my first point is I was – I very much came from the coverage side and the motivation and the interest in the topic is huge. Now, why is that interest there. I think firstly because our clients are irrespective of which part of the world you are in or the sector that you cover, clients are constantly thinking about climate change. And that could either be from a climate risk perspective or very much how do they sort of evolve their businesses as we've been discussing earlier today. So, number one, the RMs, the coverage teams, the product teams feel personally vested but also that they can monetise the opportunity.

Secondly and this is a slightly softer point that many of the markets that Standard Chartered operates in have an acute risk of climate change. So, there is a sort of a softer side of this that everyone feels that they have got the biggest leverage from a personal capacity if they leverage the bank. And I think that sort of thematic and sentiment very much runs true within our coverage teams and products. So, I think this is a door wide open for Marisa and myself now within the CSO network. Thank you.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

The next question comes from Jason Napier at UBS. What impact do you expect in the near and medium term on the capital requirements of Stan Chart as a whole from the regulatory – from the regulations stress test and so on linked to sustainability issues?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

So, it's a complicated question because we've got different capital regimes in different places. And we're – we continue to work with our regulators in ensuring that they are supportive of our green business. At the moment, we have some green weightings in certain jurisdictions which is supportive of more green business. But we're trying to run our business on a standalone basis where we are looking at this in comparison to a traditional business and capital weightings. So, internally as we said we are not pricing anything any differently. And I think that's our core focus in terms of how we think about the return on our capital deployed. I would invite my colleagues – Bill, I don't know if you're interacting often with the regulators and more with that policy regime. If you would like to add anything?

**<<Bill Winters – Group Chief Executive>>**

Yeah. I think there is two ways this can go. We know there's some chatter in regulatory circles about incentivising banks to do the right thing, quote on quote. I don't think that's going to get traction. I think the prudential regulators are very concerned not to have bank capital be treated as a policy instrument. So, in terms of a benefit I – we've – I don't think that's going to come. And we are certainly not pricing any of that in.

In terms of a cost, I think we'll see an increasing focus on assets that will be identified as stranded. And of course, there will be some stranded assets, not in the very short-term, given that the very short-term nature of our asset portfolio, the impact of that would be quite minimal for us. And obviously, the Bank of England has done stranded asset stress tests effectively. And the impact on us and I think at most other banks was immaterial. So, they'll find ways to zero in on the asset or geographic categories that could be at risk. Now, I don't think any of those are likely to produce much more substantial capital requirements than we would put on ourselves. So, of course we look at what the impact of a two or two and half degree or, heaven forbid three-degree temperature change would – the impact that that would have on our markets. And we know that the impact would be very substantial in a number of cases.

And we would love to think that there's a big, massive adaptation finance coming to help those countries out. Right now, that financing is not forthcoming. Now, that's going to have to come through some public/private partnership. Or public money outright. So, this is – our focus is getting ahead of the curve in terms of the adaptation requirements that unfortunately are almost certainly forthcoming. And position our own book around that. I don't think we're going to see a capital impact. I don't think we'll have a big risk impact in the foreseeable future. Obviously, if we don't crack this problem, we're all going to have a big problem.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

Okay. The next question from the web. And there's actually three or four questions on a similar theme. So, hopefully this question will cover them all. Can you explain why you have abandoned SBTi? What alternative validation process will you follow?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly. So, we had committed earlier this year that we were going to set our interim targets for another four sectors this year which is cement, aluminium, commercial and residential real estate. And it's important to us to keep on the track that we have committed to. And as we said we will complete 11 of the 12 sectors target setting by the end of this year. And in order for us to carry on with that mission, we were struggling a

little bit to have SBTI who has only recently come out with new guidance for the financial services sector meet our timetable.

So, we took the decision that we would look to industry best practice for our target setting and each one of our targets have a science-based target with the leading practitioners as a reference point. So, I can assure you that every one of our targets are science-based in nature. So, they are grounded in science. And then we'll be getting third party assurance on those targets from an auditor. So, we think that this is the best way for us to keep on with the momentum that we had articulated. But we also appreciate the role that SBTI has in the market, and we collaborate with them on their agenda ahead.

Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

Can you elaborate a bit more about the data challenges as you have set your sector decarbonisation target? How confident are you in the calculations? And what are some of the ways you have worked around the data issues?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Sure. So, what I would say is data is an issue generally in the sustainability ecosystem. Emissions data has been one of those topics that it's partly a client readiness issue. So, for us on a net zero programme our scope three emissions, 97% of those emissions are the emissions of our finance business i.e. that of our clients. So, in order for us to be able to meet our targets we need to receive that information from them.

When we are talking about the big multinationals or western companies, we are very confident that that data is very robust, very clear and they have been at this for a long time. However, the further afield you get in more of our frontier markets, it's early days for them. And we are working with our clients to ensure both that they track the data but then that data has rigour to it. So, in the absence of having data that our clients can produce we do use outside third party services for proxy data. And that just gets better and better all the time. Every year that progresses we see more and more of that data coming directly from the clients and then we can verify that. And all that data is again third party assured.

One of the investments that we are making as a bank is to create a centralised data lake for our sustainability data. Which we believe is a big asset for this firm. Because when you look at our footprint, over time the data that we are able to capture from our clients is going to be enormously valuable to us and others. So, we view that as a little bit of a secret asset for us as that data comes in over time. The other point I would make is that technology continues to get better and better. So, whether it's geo satellite tracking or other sensor data, that is part of the equation here with the data challenge that the industry has faced. So, once again we see progression on that front too.

Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

Thank you. How do the returns for your sustainable trade financing business compare to the overall CCIB book? What is the proportion of sustainable trade financing to the entire trade business? And how much impact really does trade financing have on green outcomes?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Certainly, well, as you saw from our financials, we're quite excited. It's early days but the growth rates that we have seen coming through the trade business are quite substantial. And I think that speaks to the opportunity. But I'm going to turn the mic over to Pradeep who looks after that business to answer this question.

**<<Pradeep Nair – Global Head, Structured Solutions & Development>>**

Thank you for that question. Our business returns in trade for sustainable finance variants compare equally or similar or better to what we see in overall CCIB book. In terms of the percentage of sustainable business to the overall CCIB trade business, it also compares equally or better like the overall assets that we have and the revenues. So, it tracks very well. In terms of impact of trade finance on sustainable finance outcomes, it's very close to me. So, I believe strongly that trade finance has the largest leverage in actually impacting – in providing impact to changing the business processes of clients sustainably. And that not only at one tier but down the line. And just let me take an example.

For example, when we offer a solution saying we will offer you a letter of credit for import finance of say cotton for example. Now, cotton – this may be for purpose of making a yarn and then going into making garments for the garment sector. But, you know, the cotton needs to be certified and there are various ways to do it. And we have chosen to accept certificates by third party issuing bodies like BCI for example. And we have assessed the robustness of that certificate and what it provides in terms of outcomes. And we are quite comfortable with that. Now, what does it mean. It means that the grower/producer is certified from a BCI perspective. The trader in between is certified from BCI perspective. The miller is certified because they are using that and so also the yarn manufacturer and the garment manufacturer. You cannot take a BCI certificate in parts and say only one of the entities gets this. So, even if we were to finance the yarn manufacturer and say that we will provide a letter of credit, but we call for a BCI certificate it means that there is a chain of custody right from the farm up to the final point. And that's the impact they say. It may be a one-step point, but the impact is so great.

This is just an example. Trade has this snowball effect. And to me and us in Standard Chartered Bank, we have used this and leveraged our knowledge across trade finance and the sustainability related aspects to provide a proposition which is differentiated. And that's how we have grown so far. And we expect to grow more because our clients readily accept what we propose for them. And they're seeing a massive impact in what they do. Thank you. Back to you Marisa.

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Thank you. It really is an enormous opportunity where I feel like we are just at the very beginning of capitalising on that. And it's a big, big piece of business for us. So, may I take the next question, please.

**<<Gregg Powell – Group Head, Investor Relations>>**

Okay. Next question. Are you going as fast as you could do on the retail business particularly in the area of wealth management?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

So, once again on the CPPB side, so that is both our wealth and business banking segments, I would also characterise that as early days, but lots of promise. So, we have three areas that we're principally focused on today, but one of the places where we are spending quite a bit of time on the innovation side is thinking about new product offerings for the individual clients whether they be business banking or wealth.

I am sure you are well aware that we are an open-source platform on the wealth side. So, therefore we invite others to put their sustainability assets on our product shelf. And we're seeing a really strong take up and interest as these markets mature into sustainability and wealth. So, one of the topics that we're focused on is broadening that shelf. And also getting more specific with thematics that will appeal to certain classes of investors. So, more to come on that.

Then on the business banking side we've seen an extraordinary enthusiasm for sustainable deposit product coming from virtually nothing just a couple of years ago, we now have over four billion in sustainable deposits and those are sticky assets. So, we'd really like to see that business continue to grow. And we think that it resonates very, very well with our clients. And one of the areas that we're attacking on the tech side is providing digital solutions. So, that's very user friendly for our clients to engage with sustainable deposits and sustainable asset growth.

And then finally on sustainable mortgages, green mortgages, that's been a bit more subdued but that's principally the interest rate environment. But what we're seeing is more and more of our developing markets creating policies around tracking emissions of the built environment. And then that allows us to wrap a product around that and offer it to our clients. So, that is another source of growth that we see in the future once the interest rate market stabilises. So, all in all early days, but lots of potential.

Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

Thank you. Just two more questions. Firstly, could you please give me a sense of where you expect the most growth in percentage and dollar terms in sustainable products out to 2030?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Well, I wish I had a crystal ball to tell you what the product mix would be. But I hope that we've expressed across all of our product teams today is just the enormous potential that we see. So, it really is coming from everywhere. And one of my jobs at the centre in CSO is to identify where we see specific places where we can go in with our organisation and identify either gaps in the market or places where we might need to tweak one of our sustainable products to make them fit for purpose in a given geography. Or indeed where we can work with our clients to bring them along the journey.

But as we project out to – you know, it's very hard for me to say what life will look like nearly a decade from now. But what I really would expect is that we would see sustainability be embedded and infused in everything that we do. So, that our full suite of products will have sustainability variants to them. And then over time there will not be an opportunity where you have non-sustainable and sustainable will just be part of our BAU. So, if I were to be asked to project a pie chart, I would say it would be very much shaped by the type of opportunity that we see in our markets. Whether that's this huge investment in infrastructure, whether it's the growth and maturation of the wealth community embracing sustainability, whether it's our transition finance business, I mean, all of those will be big pieces of our pie.

Next question.

**<<Gregg Powell – Group Head, Investor Relations>>**

The last question for the day. You have made good progress on your one billion target. But is this potentially a two to two and half billion-dollar business by 2030?

**<<Marisa Drew – Group Chief Sustainability Officer>>**

Well, in answering this question, I'm smiling a bit cheekily because my bias would be to turn this over to Bill. But then he's going to tell you that I will deliver two and half billion within two years. What I am squarely focused on, and this is a number that is burned in my memory, every single day when I wake up, is to deliver on the target that we have out there. Just a reminder, I believe we are the only bank in the market that has a revenue target in sustainability, and this is an ambitious one. If I remind you where we have come from. Last year, we did a half a billion. And our goal is within two years to do this billion. That's a doubling of our sustainable finance revenue.

I have every confidence that we'll get there. But that is work. It's work to get there. So, I would tell you that if I project forward do I believe that this will be substantial portion, an ever-growing portion of our overall bank pie and wallet share, 100%. But it's as important, not only as a percentage of the bank's revenues but remember that big pie out there, 275 trillion dollars by 2050 that's going to be needed to invest in the great global transition. That's just transition finance. And then if we add adaptation onto that, I think you get a sense of that potential. But Bill you will probably have a different answer. But he promised me he wasn't going to commit me to two and half billion by 2025.

**<<Bill Winters – Group Chief Executive>>**

No, I won't mention the two-billion-dollar number at all. I will just say in my experience the first billion is always the hardest. So, we can take it from there.

I do think that Marisa's penultimate point which is that it's going to be hard to say what's sustainable and what's not in the coming years because everything is going to be sustainable. I mean, we are not going to make the distinction the way we do today. But that's – but looking at the sorts of things that our clients are investing in, that we're helping to promote and finance and advising on etc. etc. it's going to become a bigger and bigger proportion of what we do. And it should be a meaningful addition to the growth of the group.

And I know there was lots of questions about whether this was left pocket, right pocket, are we cannibalising or is this just swapping one thing for another. But, you know, think about Ben's example of a major oil company. Perhaps we were providing some working capital financing historically, perhaps some project financing, less likely, much less likely. In fact, with a major oil company, because they have ample access to financing off their corporate balance sheets, whereas we can do very substantial dedicated financing in the sustainable area now because we have got some new widgets in our toolkit. And whether those are widgets that are coming from some element of blended finance or some element of capitalising on subsidies.

I think prospectively, one of the huge opportunities is to incorporate the whole development of carbon markets. Carbon markets have not happened in a meaningful way yet, but I think we are right at the cusp of a breakthrough. Because the standards are being agreed globally. And the corporate adjudicators are also coming together. So, these things come together and so, yeah, we have an opportunity to make a real difference here, that's what we have done.

Gregg, I think we're out of time but – if I could just a huge thanks to Marisa and the whole team. They worked very hard not just to build this great business but also to pull this together today. Thanks to the IR team and thanks to all of you for joining us.