

# Second-Party Opinion

## Standard Chartered Bank

### Sustainability Bond Framework



#### Evaluation Summary

Sustainalytics is of the opinion that the Standard Chartered Bank Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories<sup>1</sup> for the use of proceeds are aligned with those recognized by the Green Bond Principles 2021 and Social Bond Principles 2023. Sustainalytics considers that investments in the eligible categories will support the transition to a low-carbon economy, advance socioeconomic development in areas where Standard Chartered Bank Plc operates and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12, 14 and 15.



**PROJECT EVALUATION AND SELECTION** Standard Chartered Bank Plc's Sustainable Finance and Banking and Sustainable Bonds teams, as well as the Sustainable Finance Governance Committee and its subcommittee, are responsible for the evaluation and selection of eligible projects. Standard Chartered Bank Plc has processes in place to identify and manage environmental and social risks associated with the eligible projects, which apply to all allocation decisions made under the Framework. Sustainalytics considers these processes to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Standard Chartered Bank Plc's Sustainable Finance Governance Committee will be responsible for the management and allocation of proceeds using a portfolio approach, which will be recorded and monitored regularly by Standard Chartered Bank Plc's Sustainable Finance team. Standard Chartered Bank Plc intends to fully allocate net proceeds within 24 months of issuance. Pending allocation, the unallocated proceeds will be temporarily invested in accordance with Standard Chartered Bank Plc's liquidity investment guidelines. This is in line with market practice.



**REPORTING** Standard Chartered Bank Plc commits to report on the allocation and impact of proceeds in its allocation report and non-financial impact report, which will be made publicly available on its website, on an annual basis until full allocation. Allocation reporting may include the total amount of proceeds allocated to eligible projects and relevant categories and the amount of unallocated net proceeds. Sustainalytics views Standard Chartered Bank Plc's allocation and impact reporting commitments as aligned with market practice.

**Evaluation date** October 25, 2023<sup>2</sup>

**Issuer Location** London, England

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<sup>1</sup> The use of proceeds categories are: Renewable Energy; Green Buildings; Energy Efficiency; Sustainable Management of Living and Natural Resources; Pollution Prevention and Control; Sustainable Water and Wastewater Management; Clean Transportation; Climate Change Adaptation; Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes; Employment Generation and programmes designed to prevent or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance; Access to Essential Services; Affordable Housing; Affordable Basic Infrastructure; Food Security and Sustainable Food Systems; Charities; and COVID-19 Response.

<sup>2</sup> This document is an update of Sustainalytics' Second-Party Opinion dated 8 November 2022.

## Introduction

Standard Chartered Bank Plc (“Standard Chartered” or the “Bank”) is a multinational banking and financial services company headquartered in London, England. The Bank has two main business segments: corporate, commercial and institutional banking; and consumer, private and business banking. As of 2023, the Bank has more than 83,000 employees and operates in 59 countries.

Standard Chartered has developed the Standard Chartered Bank Sustainability Bond Framework (the “Framework”), under which it intends to issue green, social and sustainability bonds and notes, and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to contribute to the transition to a low-carbon economy and advance socioeconomic development in areas where Standard Chartered operates.

The Framework defines eligibility criteria in the following nine green categories:

1. Renewable Energy
2. Green Buildings
3. Energy Efficiency
4. Sustainable Management of Living and Natural Resources
5. Pollution Prevention and Control
6. Sustainable Water and Wastewater Management
7. Clean Transportation
8. Climate Change Adaptation
9. Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes

The Framework defines eligibility criteria in the following seven social categories:

10. Employment Generation and programmes designed to prevent or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance
11. Access to Essential Services
12. Affordable Housing
13. Affordable Basic Infrastructure
14. Food Security and Sustainable Food Systems
15. Charities
16. COVID-19 Response

Standard Chartered engaged Sustainalytics to review the Framework, dated October 2023,<sup>3</sup> and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP).<sup>4</sup> The Framework has been published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021 (“SBG”), Green Bond Principles 2021 (“GBP”), and Social Bond Principles 2023 (“SBP”), as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and

<sup>3</sup> The Framework updates and replaces Standard Chartered’s 2022 Sustainability Bond Framework, for which Sustainalytics provided a Second-Party Opinion.

Sustainalytics, “Second Party: Opinion Standard Chartered Bank Sustainability Bond Framework”, (2022), at: <https://av.sc.com/corp-en/content/docs/sustainability-bond-framework-second-opinion.pdf>

<sup>4</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>5</sup> The Standard Chartered Bank Sustainability Bond Framework is available on Standard Chartered Bank Plc’s website at: <https://www.sc.com/en/sustainability/contributing-to-sustainable-economic-growth/>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Standard Chartered's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Standard Chartered representatives have confirmed (1) they understand it is the sole responsibility of Standard Chartered to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Standard Chartered.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Standard Chartered is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Standard Chartered has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Standard Chartered Bank Sustainability Bond Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy; Green Buildings; Energy Efficiency; Sustainable Management of Living and Natural Resources; Pollution Prevention and Control; Sustainable Water and Wastewater Management; Clean Transportation; Climate Change Adaptation; Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes; Employment Generation and programmes designed to prevent or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance; Access to Essential Services; Affordable Housing; Affordable Basic Infrastructure; Food Security and Sustainable Food Systems; Charities; and COVID-19 Response – are aligned with those recognized by the GBP and SBP.
  - Standard Chartered has communicated to Sustainalytics that it will limit refinancing activities under the Framework to capital expenditures and, therefore, has not established a look-back period. Sustainalytics considers this to be aligned with market practice.

- Standard Chartered has communicated to Sustainalytics that research and development (R&D) expenditures under the Framework will be limited to 10% of the net proceeds.
- Under the Renewable Energy category, Standard Chartered may finance or refinance renewable energy generation projects and associated infrastructure. Eligible projects and activities may include:
  - Onshore and offshore wind projects, excluding projects or facilities supported by fossil fuel-based auxiliary power. Sustainalytics considers this expenditure to align with market practice.
  - Wave, tidal and ocean thermal energy conversion where the fossil fuel backup is limited to power monitoring, operating and maintenance equipment, as well as resilience or protection measures or restart capabilities in the ocean thermal energy conversion projects. Sustainalytics considers this expenditure to align with market practice.
  - Solar power generation through photovoltaic (including floating) and concentrated solar heat and power generation (CSP). Sustainalytics notes that the Framework limits financing to CSP projects that generate at least 85% of electricity from solar energy sources. Sustainalytics considers this expenditure to align with market practice.
  - New or existing hydropower projects as follows: i) new facilities that became operational after 2022 and have a life cycle carbon intensity below 50 gCO<sub>2</sub>e/kWh or are run-of-river without an artificial reservoir or low storage capacity or power density greater than 10 W/m<sup>2</sup>; or ii) existing facilities that became operational before 2022 with a life cycle carbon intensity below 100 gCO<sub>2</sub>e/kWh or are run-of-river without an artificial reservoir or low storage capacity or power density greater than 5 W/m<sup>2</sup>. Sustainalytics notes the following:
    - All new hydropower projects will be mandated to conduct an environmental and social risk assessment by a credible third party to ensure that no significant risk, negative impact or controversy related to the projects is identified.
    - Sustainalytics considers it market practice for hydropower projects that have become operational after the end of 2019 to have a life cycle carbon intensity below 50 gCO<sub>2</sub>e/kWh or power density greater than 10 W/m<sup>2</sup> and notes that Standard Chartered intends to finance projects with a higher life cycle carbon intensity or lower power density between 2019 and 2022. However, considering the longevity of hydropower assets, Sustainalytics notes that the facilities effectively lock in energy generation for a very extended period. Hence, Sustainalytics encourages Standard Chartered to favour projects operational after the end of 2019 with a lower life cycle carbon intensity or higher power density and to report on the thresholds, where feasible.
  - Waste-to-energy facilities where the waste is sourced from: i) municipal solid waste where the majority of recyclables are segregated before energy conversion; or ii) anaerobic digested sewage sludge excluding the use of wastewater from fossil fuel operations. Additionally, Standard Chartered may finance bioenergy facilities with life cycle emissions intensity below 100 gCO<sub>2</sub>e/kWh which may use feedstock such as biochar. Sustainalytics notes the following:
    - Standard Chartered may also finance the production of biochar with a GHG savings threshold of 65% relative to the fossil fuel comparator set out in Annex V to Directive (EU) 2018/2001.
    - Plastics-, rubber- and tire-derived fuels for energy or fuel conversion will be excluded under the Framework. Sustainalytics also notes that such facilities may not ensure the removal of all recyclables and hazardous materials prior to incineration. Overall, Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy (waste prevention and recycling). Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in

many cases. Sustainalytics, therefore, encourages Standard Chartered to promote the removal of increasing amounts of recyclables and the monitoring of thermal efficiency of the financed facilities.

- Geothermal power facilities where the direct emissions intensity is lower than 100 gCO<sub>2</sub>/kWh. Sustainalytics considers this expenditure to align with market practice.
- Green hydrogen projects where the production by electrolysis is powered by renewable energy as defined in the Framework. Sustainalytics considers this expenditure to align with market practice.
- Retrofit of renewable energy power plants that generate the renewables defined in the Framework. Sustainalytics considers this expenditure to align with market practice.
- Production of biofuels from: i) waste feedstock, including forestry and agricultural residues and palm kernel shells from certified by the Roundtable on Sustainable Palm Oil (RSPO) operations;<sup>7</sup> and ii) non-waste feedstock. Sustainalytics notes that:
  - Biofuel production (including sustainable aviation fuels) from non-waste feedstock will fulfil the following criteria: i) production achieving at least a 65% reduction in emissions compared to the fossil fuel baseline;<sup>8,9</sup> and ii) food crops are certified by a credible source, including the Roundtable on Sustainable Biomaterials (RSB),<sup>10</sup> ISCC Plus,<sup>11</sup> Bonsucro<sup>12</sup> and Roundtable on Responsible Soy (RTRS).<sup>13</sup> Sustainalytics has assessed these certifications schemes and views them as credible. However, the Framework allows for the inclusion of other certification schemes with equivalent requirements. Sustainalytics encourages Standard Chartered to report on any specific certifications and schemes it intends to use, as market practice is to specify all eligible certifications and schemes.
- Development or manufacturing of components for renewable energy technologies and associated assets wholly dedicated and used for the purpose of supporting renewable energy generation and energy storage facilities, which include:
  - Wind turbines, where use of balsa wood will be limited to: i) companies with a sustainable sourcing policy in place; or ii) wood certified by the Forest Stewardship Council (FSC)<sup>14</sup> or the Programme for the Endorsement of Forest Certification (PEFC).<sup>15</sup>
  - Solar panels.
  - Battery storage connected to renewables.
  - Energy storage systems connected to an eligible transmission and distribution (T&D) system as defined in the Framework.
  - Development, manufacturing or purchase of vessels, such as boats, barges or ships powered by conventional fuels or low-carbon fuels (including electric, biofuel or hydrogen-powered) and fully dedicated to the construction or other services of marine renewables, such as wind turbine installation. Sustainalytics notes that vessels used for the transportation of fossil fuels will be excluded from financing under the Framework.
  - Sustainalytics considers this expenditure to align with market practice.
- The construction, maintenance and expansion of an energy T&D network system in full if: i) the system transmits more than 90% renewable energy; or ii) the system transmits less than 90% renewable energy but is on a decarbonization trajectory adhering to the Technical Screening Criteria (TSC) of the EU Taxonomy for the transmission and

<sup>7</sup> RSPO: <https://rspo.org/as-an-organisation/our-standards/>

<sup>8</sup> Pre-2021 installations: 60% reduction below baseline; pre-2015 installations: 50% reduction below baseline.

<sup>9</sup> Fossil fuel baselines for biofuel production facilities: i) Biofuels for transportation: 94 gCO<sub>2</sub>/MJ; ii) bioliquids production of electricity: 183 CO<sub>2</sub>/MJ; and iii) bioliquids production of heat: 80 CO<sub>2</sub>/MJ as per EU RED II. For outermost regions and non-EU countries, the baseline of 212 gCO<sub>2</sub>/MJ is applicable for electricity generation.

<sup>10</sup> RSB: [https://rsb.org/library/?parent-lib-cat=21#block\\_49616230d7f1fd63642f3e952ae2594a](https://rsb.org/library/?parent-lib-cat=21#block_49616230d7f1fd63642f3e952ae2594a)

<sup>11</sup> ISCC plus: <https://www.iscc-system.org/certification/iscc-certification-schemes/iscc-plus/>

<sup>12</sup> Bonsucro: <https://bonsucro.com/what-is-certification/>

<sup>13</sup> RTRS: <https://responsiblesoy.org/certificacion?lang=en>

<sup>14</sup> FSC: <https://fsc.org/en/fsc-standards>

<sup>15</sup> PEFC: <https://pefc.org/standards-implementation/standards-and-guides>



distribution of electricity.<sup>16</sup> In case the T&D system transmits less than 90% renewables, but the percentage of renewables is expected to increase, Standard Chartered will consider financing the eligible T&D project on a pro-rata basis. Sustainalytics notes that new T&D infrastructure dedicated to connecting new fossil power plants. Sustainalytics considers this expenditure to be align with market practice.

- Under the Green Buildings category, Standard Chartered may finance or refinance the construction, acquisition and renovation of commercial, public and residential buildings that meet one of the following eligibility criteria:
  - Certified or pre-certified<sup>17</sup> buildings that achieve or are expected to achieve one of the following green building certifications: EDGE (Certified or above);<sup>18</sup> BREEAM (Excellent or above);<sup>19</sup> LEED (Gold or above);<sup>20</sup> Green Star (5 Star or above);<sup>21</sup> China Green Building Evaluation Label (China Three Star) (2 Stars or above);<sup>22</sup> BEAM Plus (Gold or above);<sup>23</sup> G-SEED (Level 2 or above);<sup>24</sup> IGBC New Buildings or Existing Buildings (Gold or above);<sup>25</sup> IGBC Green Home (Platinum);<sup>26</sup> EEW (Gold or above);<sup>27</sup> Pearl Rating System (4 Pearl or 3 Pearl with a 20% improvement of energy efficiency over ASHRAE 90.1 2007);<sup>28</sup> BEAM Plus Selective (Very Good or above with the Energy Use category included under the assessment, or all levels with buildings achieving at least a 20% energy efficiency improvement over ASHRAE 90.1 2013 or local baseline comparable with ASHRAE 90.1 2013);<sup>29</sup> HQM (4 Stars or above);<sup>30</sup> Energy Performance Certificate (EPC) with level B or above for buildings located in the UK; buildings that comply with a Climate Bond Initiative (CBI) approved proxy;<sup>31</sup> NABERS Energy Rating (5 star or above);<sup>32</sup> Vietnam GBC Lotus Certification (Platinum);<sup>33</sup> GRIHA (4 Stars or above);<sup>34</sup> Green Building Index (Gold or above);<sup>35</sup> GreenRE (Gold or above);<sup>36</sup> Al Sa'fat (Platinum);<sup>37</sup> BCA Green Mark (Gold or above);<sup>38</sup> Mostadam (Gold and above);<sup>39</sup> DGNB (Gold or above);<sup>40</sup> Minergie (P and A);<sup>41</sup> PassivHaus;<sup>42</sup> BER-B2 level for buildings in Ireland (B and above);<sup>43</sup> Higg FEM (for textile sector buildings with 75 points and above);<sup>44</sup> BEAM Plus Neighbourhood (Gold and above);<sup>45</sup> SS 564 for data centres with

<sup>16</sup> European Commission, "Annex to the Commission Delegated Regulation", (2021), at: [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

<sup>17</sup> Sustainalytics notes that pre-certified green buildings include those with evidence of application for the final certification to be obtained within 12 months of project completion.

<sup>18</sup> EDGE: at: <https://www.edgebuildings.com/certify/certification/>

<sup>19</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>20</sup> LEED: <https://www.usgbc.org/leed>

<sup>21</sup> Green Star Rating System: <https://new.gbca.org.au/green-star/rating-system/buildings/>

<sup>22</sup> China Green Building Evaluation Label: <http://www.gbig.org/collections/14970>

<sup>23</sup> BEAM Plus: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

<sup>24</sup> G-SEED: <https://www.gbc.re.kr/app/info/qualificationStandard.do>

<sup>25</sup> IGBC: <https://igbc.in/igbc/redirectHtml.htm?redVal=showratingSysnosign>

<sup>26</sup> Ibid.

<sup>27</sup> EEW: <https://eehw.tw/>

<sup>28</sup> The Pearl Rating System for Estidama: <https://pages.dmt.gov.ae/en/Urban-Planning/The-Pearl-Rating-System-for-Estidama>

<sup>29</sup> BEAM Plus: <https://www.hkgbc.org.hk/eng/beam-plus/introduction/index.jsp>

<sup>30</sup> Home Quality Mark: <https://www.homequalitymark.com/discover/what-is-hqm/>

<sup>31</sup> CBI: <https://www.climatebonds.net/standard/buildings/commercial/calculator> and

<https://www.climatebonds.net/standard/buildings/residential/calculator>

<sup>32</sup> NABERS: <https://www.nabers.gov.au/ratings/our-ratings/nabers-energy>

<sup>33</sup> LOTUS: <https://vgbc.vn/en/rating-systems/>

<sup>34</sup> GRIHA: <https://www.grihaindia.org/griha-rating>

<sup>35</sup> Green Building Index Rating System: <https://www.greenbuildingindex.org/how-gbi-works/gbi-rating-system/>

<sup>36</sup> GreenRE: <https://greenre.org/process>

<sup>37</sup> Al Sa'fat – Dubai Green Building System: <https://www.dm.gov.ae/municipality-business/al-safat-dubai-green-building-system/>

<sup>38</sup> Green Mark Certification Scheme: <https://www1.bca.gov.sg/buildsg/sustainability/green-mark-certification-scheme>

<sup>39</sup> Mostadam: <https://mostadamksa.org/>

<sup>40</sup> DGNB: <https://www.dgnb.de/en/certification/buildings/>

<sup>41</sup> Minergie: <https://www.minergie.ch/de/standards/neubau/>

<sup>42</sup> PassiveHaus: [https://passivehouse.com/03\\_certification/02\\_certification\\_buildings/01\\_benefits-of-certification/01\\_benefits-of-certification.htm](https://passivehouse.com/03_certification/02_certification_buildings/01_benefits-of-certification/01_benefits-of-certification.htm)

<sup>43</sup> BER -B2: <https://www.seai.ie/home-energy/building-energy-rating-ber/>

<sup>44</sup> Higg FEM: <https://apparelcoalition.org/higg-brand-tool/>

<sup>45</sup> BEAM Plus Neighbourhood: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-neighbourhood/index.jsp>

- a power usage effectiveness (PUE) below 1.5;<sup>46</sup> or SS 564 for data centres in Singapore;<sup>47</sup> and EarthCheck (Gold or above).<sup>48</sup> Sustainalytics views the certification schemes and the levels specified under the Framework to be credible.
- Renovation of existing buildings that result in at least a 30% improvement in energy use or reduction in carbon emissions compared to the local or regional baselines or code. Sustainalytics notes that expenditures under this category will be limited to the cost of the renovation and not the entire building construction.
  - Building renovation or certification that have achieved or will achieve any green building certifications with corresponding levels that ensure building energy efficiency gains of at least 20% over the ASHRAE 90.1 (2013 or above) or local equivalent building codes as baselines.
  - Financing green buildings pure play companies or developers where more than 90% of the gross floor area is certified to an acceptable level under a green building certification scheme mentioned in the Framework and noted above.
  - Replacement of existing heating or cooling systems in buildings with more efficient, non-fossil fuel-powered systems.
  - Installation of new cogeneration, tri-generation or combined heat and power (CHP) plants that generate electricity and provide heating and cooling in buildings. Sustainalytics notes that financing for cogeneration plants will be limited to those that are either: i) powered by CSP, solar thermal or biomass waste; or ii) powered by geothermal energy or bioenergy with emissions below 100 gCO<sub>2</sub>e/kWh. Additionally, Sustainalytics notes that cogeneration and CHP plants powered by coal, oil or natural gas will be excluded from financing under the Framework.
  - Improvements in buildings' waste heat recovery. Sustainalytics notes that waste heat from fossil fuel production and operation will be excluded under the Framework.
  - Data centres with a PUE lower than 1.5.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, Standard Chartered may finance or refinance projects and activities aimed at improving energy efficiency in buildings and other infrastructure, industrial processes, supply chains and T&D systems. Eligible projects and activities may include:
- Installation of energy-efficient equipment, such as energy-efficient lighting.
  - Rehabilitation of electric-powered district heating and cooling systems in non-fossil fuel-powered utilities, power plants and other public services. Sustainalytics notes that district heating and cooling distribution network systems primarily powered by renewables are preferred in the market. However, Sustainalytics recognizes the importance of improving the energy efficiency of air conditioning systems and encourages Standard Chartered to report on the impact achieved.
  - Upgrading mobile networks to 5G and 4G LTE from 3G or lower and modernizing broadband networks from copper to fibre optic. Sustainalytics views the financing of 5G technologies in the context of upgrades of older infrastructure as impactful. While the expansion of 5G technologies could lead to increased energy demands on networks, such expenditures are expected to enable energy efficiency gains of data transmission, as well as operational efficiency across a range of industries and activities downstream of the network provider. Sustainalytics encourages Standard Chartered to report on the energy efficiency gains of these projects.
  - Upgrades in telecom towers to enhance their energy efficiency through investment in cooling systems, insulation and reflective paints.
  - Upgrades, improvement and installation of technologies and equipment aimed at increasing energy efficiency in industrial and manufacturing processes.

<sup>46</sup> Infocomm Media Development Authority, "Green Data Centre Standard", at: <https://www.imda.gov.sg/regulations-and-licensing-listing/ict-standards-and-quality-of-service/it-standards-and-frameworks/green-data-centre-standard>

<sup>47</sup> Singapore's Infocomm Media Development Authority (IMDA) and the Economic Development Board (EDB) have amended their data centre moratorium, taking note of the negative environmental effects on the environment caused by the growth and dependency on data centres. They now require a data centre's energy efficiency level (calculated in PUE) to be below 1.5.

Infocomm Media Development Authority, "Green Data Centre Standard", at: <https://www.imda.gov.sg/regulations-and-licensing-listing/ict-standards-and-quality-of-service/it-standards-and-frameworks/green-data-centre-standard>

<sup>48</sup> EarthCheck: <https://earthcheck.org/what-we-do/certification/earthcheck-certified/>

- Development, manufacture and distribution of equipment and software that are designed to increase the energy efficiency of industrial and manufacturing processes, such as demand management technologies.
  - Manufacturing of steel through the direct reduced iron electric arc furnace (DRI-ERF) process powered by green hydrogen or electricity sourced from renewable sources for the facility.
  - Activities aimed at improving industrial or utility energy efficiency through reduction in heat loss or improvement in waste heat recovery. Examples may include the installation of cogeneration plants powered by: i) CSP, solar thermal or biomass waste; or ii) geothermal energy or bioenergy with emissions below 100 gCO<sub>2</sub>e/kWh.
  - Retrofitting of distribution systems, transmission lines and substations. The distributed assets will be limited to those with the intent to reduce the curtailment of renewable energy into the grid. Furthermore, the electrical grid maintenance projects will be limited to systems dedicated to connecting renewables to the power grid or supporting at least 90% renewable electricity.
  - Development, manufacture and integration of technologies or components, such as smart grid technology, including advanced or smart meters, monitoring and control automation devices, computing platforms, distributed generation and peak demand management, smart energy algorithms and green computing systems designed for energy-efficient use.
  - Distribution networks for district heating and cooling that are primarily (more than 50%) powered by renewables, waste heat or both.
  - The following activities will be excluded from financing under this category: i) energy efficiency technologies designed or intended for production processes that are inherently carbon intensive, primarily driven or powered by fossil fuels; and ii) energy efficiency improvements in traditional carbon-intensive production processes in heavy industries, such as steel, cement and aluminium;<sup>49</sup> and iii) energy efficiency improvements in transmission lines directly connected or dedicated to fossil fuel power.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Sustainable Management of Living Natural Resources category, Standard Chartered may finance or refinance projects according to the following criteria:
- Energy efficiency improvements of irrigation systems.
  - Investments targeted at smallholder farmers that incorporate integrated cropland-livestock forestry systems (ICLFS) and agroforestry systems and have sustainable forestry management plans in place. Sustainalytics notes that livestock management projects for industrial-scale meat processors or producers will be excluded from financing under the Framework. Sustainalytics recognizes that ICLFS and agroforestry projects encompass a diversified production strategy that aims to enhance agricultural productivity and have been demonstrated to reduce the vulnerability of farmers (particularly smallholder farmers) to environmental shocks, including climate change. However, such integrated projects could face certain barriers,<sup>50</sup> especially related to their effective adoption on a farm level, as well as their overall potential for achieving a net reduction in methane emissions resulting from livestock production.<sup>51</sup>
  - Promotion or implementation of sustainable agricultural techniques and practices, such as: i) no-till farming systems; ii) soil recovery and restoration of degraded pastures; iii) no use of synthetic fertilizers and pesticides; iv) crop rotation for carbon sequestration and nitrogen fixation; and v) vertical farming projects powered by renewable energy sources or power sources with a carbon intensity below

<sup>49</sup> The exclusionary criteria are not applicable to secondary aluminium facilities.

<sup>50</sup> The adoption of integrated crop-livestock systems is influenced by several factors, including the “costs of adoption versus non-adoption, supply chain infrastructure, biophysical suitability, availability of skilled labour, access to information and know-how, as well as the willingness to diversify production.”

Gil, JDB et al. (2016), “Determinants of crop-livestock integration in Brazil: Evidence from the household and regional levels”, Land Use Policy, at: [https://www.bu.edu/gdp/files/2018/02/Gil\\_Garrett\\_et\\_al\\_2016\\_Determinants-of-ICLS.pdf](https://www.bu.edu/gdp/files/2018/02/Gil_Garrett_et_al_2016_Determinants-of-ICLS.pdf)

<sup>51</sup> IPCC, “Chapter 2: Land-Climate Interactions”, at: [https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2\\_FINAL.pdf](https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2_FINAL.pdf)



100 gCO<sub>2</sub>e/kWh. Sustainalytics encourages Standard Chartered to promote the holistic deployment of conservation agriculture practices<sup>52</sup> through its lending criteria for agriculture projects.

- Financing products and associated activities that achieve one of the following certification levels: i) US Soy Sustainability Assurance Protocol (US Soy);<sup>53</sup> ii) RSPO (waste to energy from palm oil operations);<sup>54</sup> iii) Cotton made in Africa (CmiA) Standard or the Better Cotton;<sup>55</sup> iv) Biomass Biofuel Sustainability Voluntary Scheme (2BSvs) for soy;<sup>56</sup> v) Rainforest Alliance;<sup>57</sup> vi) FSC;<sup>58</sup> PEFC;<sup>59</sup> or China Forest-certified forests;<sup>60</sup> vii) certified organic agriculture according to the IFOAM directory for crop produce<sup>61</sup> and USDA Organic;<sup>62</sup> which is limited to cropping agriculture; viii) Aquaculture Stewardship Council (ASC);<sup>63</sup> ix) Best Aquaculture Practices (two stars or higher);<sup>64</sup> x) Marine Stewardship Council (MSC);<sup>65</sup> xi) Best Seafood Practice (BSP);<sup>66</sup> xii) International Sustainability and Carbon Certification (ISCC);<sup>67</sup> xiii) Sustainable Rice Platform (minimum score of 95/100);<sup>68</sup> xv) Round Table on Responsible Soy (RTRS) Standard for Responsible Soy Production;<sup>69</sup> and xvi) Global Organic Textile Standard (GOTS).<sup>70</sup>
  - Sustainalytics notes that US Soy does not explicitly ban the use of synthetic or inorganic fertilizers and that the application of synthetic fertilizers to crops is associated with significant GHG emissions, air and water pollution, and impact on biodiversity. Nevertheless, Sustainalytics acknowledges that US Soy has implemented mitigation measures to minimize the impact and reduce the use of synthetic fertilizers and encourages Standard Chartered to promote actions in its financed projects in the short term for the reduction and phase-out of synthetic fertilizers.
- Investments in protected areas, such as national or regional natural parks and other protected areas, including coastal and marine ecosystems. These may include the management and maintenance of national parks, restoration of native and high conservation value forests and conservation of valuable natural habitats and protected areas. In the case of reforestation projects, preference will be given to native species that are well adapted to the site conditions and those with a certified<sup>71</sup> sustainable management plan in place.

<sup>52</sup> Conservation Agriculture (CA) is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems.

Food and Agriculture Organization of the United Nations (FAO), "Conservation Agriculture", at: <http://www.fao.org/conservation-agriculture/en/>

<sup>53</sup> US Soy Sustainability Assurance Protocol: <https://ussec.org/resources/ssap-2021/>

<sup>54</sup> RSPO: <https://rspo.org/certification>

<sup>55</sup> Cotton made in Africa: <https://cottonmadeinafrica.org/en/standards-system/>

<sup>56</sup> Sustainalytics notes that 2BSvs requires only compliance with EU regulatory thresholds and has not been demonstrated to promote best-in-class performance, which has been critiqued by some observers.

2BSvs: <https://www.2bsvs.org/what-is-the-2bs-association.html>

<sup>57</sup> Rainforest Alliance: <https://www.rainforest-alliance.org/>

<sup>58</sup> Forrest Stewardship Council: <https://fsc.org/en>

<sup>59</sup> PEFC: <https://www.pefc.org/>

<sup>60</sup> China Forest Certification Council: <https://www.pefc.org/discover-pefc/our-pefc-members/national-members/china-forest-certification-council-cfcc>

<sup>61</sup> IFOAM: <https://www.ifoam.bio/>

<sup>62</sup> USDA Organic: <https://www.usda.gov/topics/organic>

<sup>63</sup> ASC: <https://www.asc-aqua.org/>

<sup>64</sup> Best Aquaculture Practices: <https://www.bapcertification.org/>

<sup>65</sup> MSC: <https://www.msc.org/standards-and-certification/developing-our-standards>

<sup>66</sup> BSP: <https://bspcertification.org/Standards>

<sup>67</sup> ISCC: <https://www.iscc-system.org/>

<sup>68</sup> The Bank has excluded use of inorganic fertilizers under the Framework.

Sustainable Rice Platform: <https://www.sustainablerice.org/>

<sup>69</sup> RTRS Standard for Responsible Soy Production: <https://responsiblesoy.org/?lang=en>

<sup>70</sup> Sustainalytics notes that a controversy regarding GOTS and organic cotton sourced from India. Through its own investigation on the issue, GOTS detected 20,000 tonnes of fake material and, as a result, GOTS issued a certification ban on 11 companies and terminated the contract with one approved certification body.

GOTS, "GOTS detects evidence of Organic Cotton Fraud in India", (2020), at: <https://global-standard.org/news/gots-press-release-gots-detects-evidence-of-organic-cotton-fraud-in-india#:~:text=GOTS%2C%20through%20own%20investigation%2C%20has,system%20of%20organic%20cotton%20production>

<sup>71</sup> Certifications may include FSC or PEFC.

- R&D related to cultured meat, fermented meat and plant-based protein. Additionally, the expenditure includes the production of: i) fermented meat, which has GHG emissions significantly lower than plant and animal production counterparts; and ii) plant-based protein with evidence of significantly lower life cycle GHG emissions than meat counterparts and production that procures raw materials from certified activities according to the schemes listed in the Framework and above.
  - The following activities will be excluded from financing under this category: i) manufacture, purchase or distribution of inorganic, synthetic fertilizers, pesticides or herbicides; ii) equipment running on fossil fuels; iii) genetically modified crops; and iv) techniques and technologies implemented on industrial-scale livestock production units.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Pollution Prevention and Control Category, Standard Chartered may finance or refinance projects for the reduction of air emissions and GHG emissions, soil remediation,<sup>72</sup> and waste prevention, reduction, recycling and sorting. Investments include financing the following infrastructure facilities and activities:
  - Development of waste collection facilities and services that support source segregation of waste, including waste collection vehicles that are either zero emissions or hybrid vehicles with tailpipe emissions at or below 75 gCO<sub>2</sub>/km, based on lab tests using the WLTP<sup>73</sup> or NEDC procedure.<sup>74</sup>
  - Development of recycling facilities that process: i) recyclable waste into secondary raw material; ii) mixed residual waste to produce feedstock for waste-to-energy plants; and iii) food, green, garden or yard waste to produce compost. Standard Chartered will exclude financing electronic waste recycling without robust waste management processes to mitigate associated risks, as well as chemical recycling of plastic under the Framework.
  - Expenditures related to process upgrades or sensors to monitor and test emissions control and compliance.
  - Expenditures related to the following will be excluded from financing under the Framework: i) fossil fuels; ii) traditional carbon-intensive production processes in heavy industries, such as steel, cement and aluminium;<sup>75</sup> iii) R&D and commercial-scale carbon capture, utilization and storage applied to hard-to-abate industrial activities that are inherently carbon intensive; and iv) carbon capture utilization where captured carbon is intended for enhanced oil recovery.
  - Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, Standard Chartered may finance or refinance activities that improve water quality and water-use efficiency, including:
  - Water treatment, recycling and reuse facilities, water saving systems, technologies and metering.
  - Wastewater treatment facilities (including upgrades to remove nutrients) and discharge infrastructure, excluding facilities that treat wastewater from fossil fuel operations.
  - Desalination plants that are primarily powered by low-carbon sources, such as renewables, or by electricity with an average carbon intensity equal to or below 100 gCO<sub>2</sub>e/kWh over the residual asset life. Standard Chartered has confirmed to Sustainalytics that desalination plant projects with an appropriate waste management plan in place for brine disposal will only be considered eligible for financing under the Framework.

<sup>72</sup> Sustainalytics notes that soil remediation projects where the contamination or negative environmental externality results from the borrower's own activities will be excluded from financing under the Framework.

<sup>73</sup> UNECE, "World Forum for Harmonization of Vehicle Regulations (WP.29)", at: <https://unece.org/transport/vehicle-regulations/world-forum-harmonization-vehicle-regulations-wp29>

<sup>74</sup> European Commission, "Commission Implementing Decision (EU) 2020/1102 of 24 July 2020", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020D1102&from=EN>

<sup>75</sup> The exclusionary criteria are not applicable to secondary aluminium facilities.

- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, Standard Chartered may finance or refinance sustainable transport and associated infrastructure according to the following criteria:
  - Vehicles, including: i) passenger cars and public transportation (including electric trams and trains) with an emissions threshold below 50 gCO<sub>2</sub>/km until 2025 and zero tailpipe emissions thereafter; ii) electric scooters; iii) electric motorbikes; iv) light commercial vehicles, including electric shuttles; and v) zero direct emissions vehicles not intended for roads, including cranes and forklifts.
  - Electric planes for freight transportation where fossil fuel transport accounts for less than 25% of the freight.
  - Freight rail transport with an average portfolio emissions threshold below 25 gCO<sub>2</sub>/tkm until 2030 and 21 gCO<sub>2</sub>/tkm from 2030 to 2050.
  - Active mobility, including bicycles and other forms of self-propelled types of transportation and associated infrastructure, including walking and cycling lanes.
  - Low-carbon transport infrastructure, including railway tracks, electric charging stations, low-carbon fuelling stations for green hydrogen, biofuels, and battery exchange and swapping. Expenditures related to the construction of parking facilities and roads will be excluded from financing under the Framework.
  - Development and production of electric vehicles (EV), including the construction of new dedicated manufacturing facilities, and upgrading or retrofitting of existing facilities for the purpose of expanding production.
  - Manufacture of EV batteries and development of specialized parts, such as cathode or anode materials and ternary precursors.
  - The following activities will be excluded from financing under this category: i) efficiency improvements involving conventional fossil fuel combustion engines;<sup>76</sup> ii) fossil fuel-based transportation, and supporting infrastructure and systems dedicated to it; and iii) hydrogen production processes that entail a fossil fuel lock-in.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Climate Change Adaptation category, Standard Chartered may finance or refinance projects according to the following criteria:
  - Climate monitoring solutions and systems, such as early warning systems, climate observation and GHG emissions monitoring systems.
  - Development and use of information and communications technology for the purpose of collecting, transmitting, storing and using data to facilitate GHG emissions reductions.
  - Financing projects and activities that improve climate resilience of local systems, such as: i) coastal pumping stations and water reclamation plants in water-stressed areas, wetland protection, stormwater management and flood defences; ii) green roofs and walls, water retention gardens and porous pavements; iii) projects related to wild brush clearing, species diversification, transmigration of species that are more capable of survival, nature-based solutions – such as afforestation and reforestation<sup>77</sup> – mangrove conservation and replanting, restoration of salt marshes and peatland restoration; and iv) projects related to grid resilience, backup generation and storage designed for climate-related disruption.
  - Investments in equipment, such as air quality forecasting systems, monitoring of fire propagation and smoke transport systems to monitor risks on human health due to climate change. Standard Chartered has confirmed to Sustainalytics that systems inherently reliant on fossil fuels as an energy source will be excluded from financing under the Framework.
  - Sustainalytics notes that eligible climate change adaptation projects will be supported by vulnerability assessments and related adaptation plans prior to implementation under this category.

<sup>76</sup> The exclusionary criteria are not applicable to hybrid engines and related technologies.

<sup>77</sup> Eligible afforestation and reforestation activities are those that use tree species well adapted to site conditions and have a sustainable management plan in place, such as FSC or PEFC.

- The following activities will be excluded from financing under this category: i) livestock management projects for industrial-scale meat processors or producers; ii) genetically modified organisms and crops; and iii) T&D grids dedicated to fossil fuel power.
- Sustainalytics considers the above investments to be aligned with market practice.
- Design, construction, refurbishment and maintenance of existing and eligible infrastructure designed to integrate climate resilient construction, such as: i) heavy rain drainage systems, flood prevention and defence systems, sluice gates, tunnels, channels and elevation of existing infrastructure; ii) use of climate-resilient crops, such as drought-resistant seeds, drip irrigation technology, stormwater storage, grain storage, soil rehabilitation and climate-resilient livestock infrastructure, such as cooling sheds and emergency shelters; iii) wildfire safety infrastructure and equipment, such as HD cameras, weather stations and fire-resilient utility lines;<sup>78</sup> iv) seawalls to advance climate change adaptation infrastructure; and v) climate change adaptation insurance in line with the EU Taxonomy's TSC criteria related to "Non-life insurance: underwriting of climate-related perils".<sup>79</sup>
  - Sustainalytics notes that climate change adaptation insurance results in an ex-post transfer of climate risk but does not contribute proactively to a reduction of such risk for assets susceptible to being impacted by climate change-driven events.
  - Sustainalytics notes that the Framework criteria for these expenditures are aligned with the EU Taxonomy.
- Under the Eco-efficient and Circular Economy Adapted Products Production Technologies and Processes category, Standard Chartered may finance or refinance the following activities:
  - R&D related to: i) products that are designed for circularity or reuse demonstrating significant waste diversion or use of waste productions and go beyond a credible and recognizable eco-label;<sup>80</sup> and ii) products, processes and technologies that utilize bio-based materials, such as biopolymers or bioplastics.
  - Equipment, technology or IT systems that help to reduce the resource intensity of economic activities.
  - Procurement and sale of recycled waste materials for input. Standard Chartered has confirmed to Sustainalytics that it will exclude the procurement of plastic inputs for single-use plastic products in the case of financing the procurement of recycled plastics.
  - Production of resource-efficient or low-carbon products that are certified by the RSB.<sup>81</sup>
  - Manufacturing of plastics where: i) more than 90% of the input in the manufacturing process is made up of recycled plastics; ii) at least 90% of the final product must not be intended for single-use consumer products; and iii) all products are recyclable. Where biogenic inputs are utilized in the manufacturing process, they must be sourced sustainably and certified with the Bonsucro Production Standard<sup>82</sup> or ISCC certification scheme.<sup>83</sup>
  - Repair, refurbishment and reuse activities that aim to increase the lifespan of existing products and put them back to their original use with very minimal processing or without any requirement of further preprocessing.
  - The following activities will be excluded from financing under this category: i) equipment and technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels; ii) ineligible projects where products are made entirely from virgin petroleum-based plastic and for non-recyclable

<sup>78</sup> Standard Chartered has confirmed to Sustainalytics that the financing of equipment will exclude firefighting helicopters.

<sup>79</sup> Climate change adaptation insurance in line with the technical screening criteria 1.1 a-c under activity 10.1 "Non-life insurance noting insurance against climate-related hazards" of the EU Taxonomy Delegated Act 2021: 1.1 The insurance activity uses state-of-the-art modelling techniques that a. properly reflect climate change risks, b. do not only rely on historical trend and c. integrate forward-looking scenarios.

European Commission, Annex 2 to the EU Taxonomy Delegated Act 2021, at: [https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1\\_0021.02/DOC\\_3&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1_0021.02/DOC_3&format=PDF)

<sup>80</sup> Sustainalytics notes that eco-label products may be eligible, but products will also be assessed for the reduction of raw resource inputs and outputs.

<sup>81</sup> RSB is a globally recognized certification body for materials compliant with circular economy principles.

RSB: <https://rsb.org/why-choose-rsb/>.

<sup>82</sup> Bonsucro: <https://bonsucro.com/what-is-certification/>

<sup>83</sup> ISCC: <https://www.iscc-system.org/>

- products; iii) repair, refurbishment and reuse of products that are fossil fuel intensive or used for the extraction of fossil fuels; and iv) chemical recycling of plastic.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under Employment Generation and programmes designed to prevent or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance category, Standard Chartered intends to finance or refinance projects aimed at increasing access to affordable and responsible financial products and services for one or more of the following target populations: i) women; ii) rural populations, such as smallholder farmers;<sup>84</sup> focusing on agricultural production and agricultural value chains; iii) economically excluded individuals;<sup>85</sup> and iv) populations in developing countries that are not considered high-income countries, as defined by the UN.<sup>86</sup> Intended expenditures include:
  - Loans to micro-enterprises, including those led or owned by women,<sup>87</sup> via microfinance institutions (MFIs) in developing countries that are not considered high-income countries, as defined by the UN. The Framework defines micro-enterprises as those that fulfil two of the following three criteria: i) an employee base of up to 10 people; ii) total annual turnover of less than USD 100,000; and iii) total assets less than USD 100,000.<sup>88</sup>
  - Loans to small- and medium-sized enterprises (SMEs), including SMEs led or owned by women<sup>89</sup> in developing countries that are not considered high-income countries, as defined by the UN. The Framework defines SMEs as those that meet two of the following three criteria: i) an employee base of up to 300 people; ii) total annual turnover between USD 100,000 and USD 15 million; and iii) total assets from USD 100,000 to USD 15 million.<sup>90</sup>
  - Sustainalytics notes that the exclusionary criteria outlined under the Framework is applicable to all expenditures under this category. Furthermore, Sustainalytics considers the investments under this category as credible social investments expected to improve employment opportunities for disadvantaged populations.
- Under the Access to Essential Services category, Standard Chartered may finance or refinance projects aimed at improving access to healthcare, education and services for disabled people, subject to the following criteria:
  - Healthcare infrastructure, emergency services and healthcare-related products and services expenditures include:
    - Financing to construct, equip and operate public and private hospitals, clinics and healthcare centres offering free or subsidized healthcare services in developing countries that are not considered high-income countries as defined by the UN. Standard Chartered has confirmed to Sustainalytics that financing to private hospitals, clinics and healthcare centres will be limited to those that are affordable and accessible to at least 90% of the population in each country. Sustainalytics views these investments as socially impactful.

<sup>84</sup> Standard Chartered defines smallholder farmers according to FAO's definition of small-scale farmers as those with a landholding threshold of 2-10 ha.

FAO, "Smallholders and Family Farmers", (2012), at: <https://www.fao.org/family-farming/detail/en/c/273864/>

<sup>85</sup> The definition of economically excluded individuals will be based on the local government's definition.

<sup>86</sup> UN, "World Economic Situation and Prospects 2023", at: <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2023/>

<sup>87</sup> Micro enterprises that are: i) ≥51% owned by a woman or women; or ii) ≥20% owned by a woman or women, has ≥1 woman as CEO, COO, president, vice president and ≥30% of the board of directors is composed of women where a board exists. Standard Chartered has defined women-owned business following the IFC's definition.

IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

<sup>88</sup> If the data mentioned above is not available, the loan size provided to the micro-enterprises should be less than USD 10,000 as per the IFC's MSME loan size proxy.

IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

<sup>89</sup> SMEs that are: i) ≥51% owned by a woman or women; or ii) ≥20% owned by a woman or women, has ≥1 woman as CEO, COO, president, vice president and ≥30% of the board of directors is composed of women where a board exists. Standard Chartered has defined women-owned business following the IFC's definition.

IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

<sup>90</sup> If the data mentioned above is not available, the loan size provided to SMEs should be between USD 10,000 and USD 1,000,000 as per the IFC's MSME loan size proxy.

IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>



- Infrastructure projects for emergency services related to fire, rescue, medical response and disease control in least-developed countries as defined by the OECD DAC.<sup>91</sup> Sustainalytics notes that such services are free and are accessible to all segments of the population as outlined in the Framework. Sustainalytics views these investments as socially impactful.
- R&D of medical products and supplies (medicines), including the logistics and distribution of these products and supplies during medical emergencies, as well as disease control services and vaccinations. Sustainalytics notes that such products and supplies will be affordable to more than 90% of the population in each country and the financing will be limited to developing countries that are not considered high-income countries, as defined by the UN. Sustainalytics views these investments as socially impactful.
- Provision and distribution of healthcare equipment and services to public and private hospitals. Sustainalytics notes that financing to private hospitals is limited to those where more than 90% of the population in a given country is able to afford the healthcare equipment and services. Sustainalytics views these investments as socially impactful.
- Primary, secondary, tertiary and vocational education and access to services for disabled people. Related expenditures include:
  - Construction of educational facilities that aim to increase access to primary, secondary and tertiary education by providing free or subsidized education. The Bank has confirmed that the financed educational facilities will include: i) public schools that are accessible and affordable to all segments of the population regardless of their ability to pay; and ii) private schools, including enterprises that serve vulnerable populations and charge a nominal fee that is affordable to all in the local context in developing countries that are not considered high-income countries, as defined by the UN. Sustainalytics views these investments as socially impactful.
  - Construction of campuses for public schools and universities. The Bank has confirmed to Sustainalytics that these facilities will be accessible to all regardless of ability to pay. Sustainalytics views these investments as socially impactful.
  - Financing affordable schools and education providers<sup>92</sup> in developing countries that are not high-income countries, as defined by the UN. Sustainalytics notes that schools are considered affordable when 90% of the population in a given country is able to afford the fees. Sustainalytics views these investments as socially impactful.
  - Construction of affordable student housing with rent below the local or regional rent level. Sustainalytics notes that Standard Chartered's role is limited to being a loan provider for such investments and, therefore, the Bank does not exercise any control over deciding the detailed criteria for determining the low-income or marginalized students deemed eligible for the student housing units or the pricing of student housing financed under the Framework. Sustainalytics recognizes the importance of prioritizing target populations for such expenditures and is of the opinion that such expenditures have the potential to create a positive social impact in target regions and encourages Standard Chartered, where feasible, to provide further disclosure on the pricing of student housing financed and relevant beneficiaries defined by regional governments, and to report on the social impact achieved as part of its annual reporting commitments.
  - Educational loans intended to increase access to education for low-income or marginalized students<sup>93</sup> with favourable payment terms, including: i) interest rates below market rate in the local context; ii) collateral-free loans;

<sup>91</sup> OECD, "Official Development Assistance", at: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm>

<sup>92</sup> Education providers include Bridge International Academies: <https://www.bridgeinternationalacademies.com/>

<sup>93</sup> The definition of low-income and marginalized individuals will be based on the local government's definitions.

- iii) merit-based loan sanctioning; or iv) loan extension period. Standard Chartered has responsible lending practices in place to assess a potential borrower's financial situation, help them understand the terms of loans and mitigate the risk of predatory lending. Sustainalytics considers that providing flexible loans to enhance access to education is socially impactful and encourages the Bank to report on the financial advantages offered under such loans and the social impact achieved as part of its annual reporting commitments.
- Access to services for disabled people. Related expenditures include:
    - Purchase of new equipment, such as wheelchairs and mobility devices for disabled people. The Bank has confirmed to Sustainalytics that the equipment and mobility devices will be made affordable for the target population. Sustainalytics views these investments as socially impactful.
    - Retrofit spaces and infrastructure to improve accessibility for disabled people, such as handrails and ramps in public and private spaces, including hospitals, museums, restaurants and offices. Sustainalytics views these investments as socially impactful.
    - Projects that focus on consultancy services and training programmes to provide pre-employment support and job assistance for disabled people, including skill development courses; capacity-building programmes; career counselling; any government or community-based programmes aimed at providing training and job placement; and job readiness programmes, such as the development of résumé writing skills, interview skills and job search strategy. The Bank has confirmed to Sustainalytics that these services will be free or charge a fee at affordable rates in the local context for the target population to ensure the services are affordable to the target population.
    - Sustainalytics considers investments under this category to be socially impactful as they are expected to enhance access to services for disabled people and encourages Standard Chartered to report on the social impacts achieved as part of its annual reporting commitments.
  - Under the Affordable Housing category, Standard Chartered may finance or refinance projects that increase access to affordable housing for marginalized communities as defined by local governments.
    - The Bank has responsible lending practices in place to avoid the risk of predatory lending. Sustainalytics also notes that the role of Standard Chartered in affordable housing projects is limited to providing financing for the development or acquisition of housing units, and the Bank does not have control on deciding the detailed criteria for determining the low-income or marginalized groups deemed eligible for the affordable housing units and the corresponding affordability mechanisms. Sustainalytics further notes that it is good practice to clearly define low-income or marginalized groups and affordability. Nevertheless, Sustainalytics acknowledges that such financing is expected to enhance access to affordable housing in target regions and encourages Standard Chartered, where feasible, to provide further disclosure on the affordable housing programmes financed and relevant beneficiaries defined by the applicable national or local governments and to report on the social impact achieved as part of its annual reporting commitments.
  - Under the Affordable Basic Infrastructure category, Standard Chartered may finance or refinance activities that aim to improve connectivity in low-income countries and expand public access to safe and affordable water and sanitation facilities. Intended projects include:
    - Development of public infrastructure, such as roads, bridges and tunnels in rural or remote areas in developing countries that are not considered high-income countries, as defined by the UN, where there is inadequate or no access to such infrastructure in order to improve connectivity and aid passenger and commercial transport in rural or remote areas. The Framework excludes financing towards: i) development of highways in urban areas; ii) upkeep and upgrade of major roads and highways; iii) privatization of highways; and iv) construction of toll booths.

- Public transportation to improve connectivity in developing countries that are not considered high-income countries, as defined by the UN, where there is a substantial lack of access to public transportation and which comply with the CO<sub>2</sub> emissions standard in the relevant jurisdictions.
- Provision of telecommunications or internet connectivity targeted towards underserved communities in developing countries that are not considered high-income countries, as defined by the UN.
- Development of T&D infrastructure aimed at improving access to electricity targeted at underserved communities in developing countries that are not considered high-income countries, as defined by the UN. The Framework excludes expenditures related to transmission grids connected to a dedicated fossil fuel power plant (coal, oil or natural gas) and fossil fuel power generation.
- Construction, maintenance and equipment for water supply infrastructure, such as pipework, and access to clean water, including desalination projects and sanitation facilities, such as sewage systems. Sustainalytics notes that the Framework excludes financing of: i) desalination projects without appropriate waste management plans for brine disposal; ii) integrated water and power plants with fossil fuel power; and iii) desalination plants with dedicated on-site fossil fuel power.
- Development, refurbishment and maintenance of recreational facilities, such as parks, sport facilities and cultural centres that are free and accessible to all.
- Sustainalytics considers investments under this category to be credible and expects them to enhance access to transport, telecommunication, internet, energy and clean water and sanitation, and recreational facilities in the targeted regions.
- Under the Food Security and Sustainable Food Systems category, Standard Chartered may finance or refinance projects aimed at: i) enhancing food security; ii) improving storage facilities for agricultural products; and iii) improving farming practices. Intended projects include:
  - Financing companies that manufacture food and nutritional supplements to aid agencies, such as the UN World Health Organization or the World Food Programme, that distribute food and nutritional supplements to improve food security or reduce food loss in developing countries that are not considered high-income countries, as defined by the UN. Standard Chartered has confirmed to Sustainalytics that financing will be limited to companies that exclusively manufacture food for aid agencies. Sustainalytics notes that nutritional supplements will be affordable to all regardless of ability to pay.
  - Finance infrastructure such as warehouses to provide adequate storage facilities, food conservation or connectivity in the food chain to reduce food loss.
  - Finance goods that are fair trade-certified<sup>94</sup>
  - Provide support to smallholder farmers as defined by the Food and Agriculture Organization<sup>95</sup> through the provision of equipment or facilities with the aim to prevent food loss and waste, improve productivity and increase market access to smallholder producers.
  - The Bank has confirmed to Sustainalytics that expenditures under this category will only go to regions with deficiencies in food production, distribution and food security.
  - Sustainalytics views these investments as socially impactful and considers that such expenditures will enhance food security.
- Under the Charities category, Standard Chartered may extend financial services to registered charities or non-profit organizations whose work either i) addresses the green and social activities under the Framework; ii) advance social causes; or iii) specifically benefit vulnerable target populations.
  - The Bank has confirmed to Sustainalytics that financing under this category will be limited to 10% of the total use of proceeds. Furthermore, Sustainalytics notes that the Framework excludes donations to charities, non-profit organizations and financing to programmes that promote religious or political activities.

<sup>94</sup> Fairtrade International, "Fairtrade Standards", at: <https://www.fairtrade.net/standard/fairtrade-standards>.

<sup>95</sup> Smallholders as defined by the Food and Agriculture Organization as those farming on less than 10 hectares of land on average. FAO, "Smallholders and Family Farmers", (2013), at: <https://www.fao.org/family-farming/detail/en/c/273864/>

- Sustainalytics considers investments under this category to have positive social impacts and encourages the Bank to report on the positive social outcomes achieved through these investments.
- Under the COVID-19 Response category, Standard Chartered has financed or refinanced projects aimed at providing support to healthcare services, healthcare supplies and equipment, and pharmaceuticals, including projects focused on sanitation, food security and impacts on SMEs and other impacts during the COVID-19 pandemic.
  - Healthcare service-related expenditures include:
    - Financing for essential healthcare facilities, such as hospitals, clinics, healthcare centres, acute care, emergency care, diagnostics, laboratory facilities, nursing home and rehabilitation facilities to equip them to operate and add capacity during the COVID-19 pandemic.
    - Manufacture of medical products and supplies, including the logistics and distribution of such products and supplies to support disease control services and vaccinations.
    - Finance for facilities that provide: i) healthcare training; and ii) housing for healthcare professionals to equip them to operate and add capacity during the COVID-19 pandemic.
    - Investments in projects focused on hiring and training medical personnel to assist in the prevention and treatment of COVID-19.
  - Healthcare supplies- and equipment-related expenditures include:
    - Projects focused on the conversion of facilities to produce supplies or equipment required for the prevention or treatment of COVID-19.
  - Pharmaceuticals-related expenditures include:
    - Finance the production and distribution, including subsidization, of pharmaceuticals required for the prevention and treatment of COVID-19.
  - Sanitation-related expenditures include:
    - Manufacture, logistics and distribution of products, such as hand sanitizers, to manage water, sanitation and hygiene.
  - Food security-related expenditures include:
    - Finance the production of food and nutritional supplements, including logistics and distribution, to increase capacity and efficiency in food systems.
  - Impacts on SMEs and employment-related expenditures include:
    - Loans and other financing services provided to SMEs that have been impacted and are facing financing stress due to the COVID-19 pandemic as per the Bank's Sustainable Finance Working Group assessment.
    - Loans or other financial services to support initiatives designed to prevent or alleviate unemployment.
  - Other impact-related expenditures include:
    - Financial support to charities, non-profits, and non-governmental and other social service organizations that provide food supplies to populations that are directly affected by the COVID-19 pandemic.
  - Furthermore, Sustainalytics notes that financing towards cosmetic facilities, aesthetic medical facilities, chiropractic facilities, acupuncture facilities and hospital greenfield construction will be excluded under the Framework. Standard Chartered has confirmed to Sustainalytics that all COVID-19 transactions were originated before 30th June 2022 and the Bank will not extend any new financing or refinancing under this category.
  - Sustainalytics considers investments under this category to be impactful.
- Sustainalytics notes that Standard Chartered will not extend financing to businesses or projects involved in: payday loans; adult entertainment; manufacture and production of finished alcoholic beverages; fossil fuel exploration and distribution; lethal defence goods, including small arms; gambling; military contracting; nuclear power generation; non RSPO-certified palm oil; predatory lending; manufacture and production of finished tobacco products; conflict minerals; and child labour or forced labour.
- Project Evaluation and Selection:
  - Standard Chartered's Sustainable Finance (SF) Banking and Sustainable Bonds teams are responsible for identifying transactions that are in line with the Framework's eligibility criteria.

The Bank's Sustainable Finance Governance Committee (SFGC) and its subcommittee is responsible for the evaluation and selection of eligible projects. The Global Head of Sustainable Finance chairs the SFGC, which consists of representatives from various departments of the Bank, including Legal, Compliance, Reputational and Sustainability Risk, Environmental and Social Risk Management, Audit, and Group Public and Regulatory Affairs. The subcommittee consists of a representative each from the Sustainable Finance, Environmental and Social Risk Management, Debt Capital Markets and Sustainable Finance function departments.

- Standard Chartered has in place an ESG and climate risk management system, through which the relationship manager undertakes a client environmental and social risk assessment before allocations are made. Regarding project financing, the Bank will carry out a separate transaction environmental and social risk assessment. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, refer to Section 2.
- Based on the cross-functional oversight for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Standard Chartered's SF team will be responsible for the management and allocation of proceeds to the eligible assets on a portfolio basis and the process will be recorded and monitored on a regular basis. The Bank's SFGC is ultimately responsible for the management of proceeds. Sustainalytics notes that the Bank has been managing the net proceeds from issuances under the 2022 framework through a portfolio approach. Sustainalytics considers it good practice to ensure continuous allocation to ensure that, as the underlying eligible loans in the pool are amortized or removed for any reason, the pool is replenished so that the value of the outstanding eligible loans remains equal to or greater than the net proceeds. Standard Chartered has committed to implement this practice until bond maturity.
  - Standard Chartered intends to allocate all proceeds within 24 months of issuance. Pending allocation, the Bank will temporarily invest the proceeds in short-term marketable instruments, and cash or cash equivalents in accordance with Standard Chartered's liquidity investment guidelines.
  - Based on the regular monitoring of the allocation process and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Standard Chartered commits to report on the allocation of proceeds and corresponding impact in its allocation report and non-financial impact report, which will be published on the Bank's website, on an annual basis until full allocation of the proceeds.
  - Allocation reporting will include the total amount of proceeds allocated to eligible projects and relevant categories, as well as the balance of unallocated net proceeds and where these have been invested.
  - The Bank intends to align its impact reporting with the ICMA Harmonised Framework for Impact Reporting Handbook<sup>96</sup> on a best-effort basis. This includes reporting on relevant impact metrics, such as annual renewable energy generation (measured in MWh, GWh, GJ or TJ), annual GHG emissions reduced or avoided (measured in tonnes of CO<sub>2</sub> equivalent), reduced or avoided water loss (measured in m<sup>3</sup>), number of loans to SMEs, number of public hospitals, clinics and healthcare centres financed and number of people provided with access to affordable, safe, nutritious and sufficient food.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Standard Chartered Bank Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

<sup>96</sup> ICMA, "Harmonised Framework for Impact Reporting", (2022), at: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022v2-020822.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf)



## Section 2: Sustainability Strategy of Standard Chartered

### Contribution to Standard Chartered's sustainability strategy

Standard Chartered demonstrates a commitment to embedding sustainability across three strategic pillars: i) business, ii) operations, and iii) communities.

The Bank's sustainability strategy and emissions reduction targets apply to Standard Chartered and all its subsidiaries and focus on four key strategies: i) leveraging climate risk management to support clients in managing climate-related risks and identifying transition opportunities; ii) integrating sustainable finance as a part of the Bank's value proposition and solutions; iii) continuing to promote economic inclusion and tackling inequality in its footprint; and iv) achieving net zero carbon emissions in its operations and financing.<sup>97</sup> Standard Chartered also follows the guidelines and recommendations of the Task Force on Climate-related Financial Disclosures, publishing such disclosures as part of its approach to assessing and managing climate change risks.

Under the business pillar, the Bank aims to achieve net zero emissions from its financed emissions by 2050. To facilitate this transition to net zero, the Bank has set 2030 sectoral targets for financed emissions in carbon-intensive sectors, such as power, steel, oil and gas, coal mining, shipping and aviation.<sup>98,99</sup> Standard Chartered is in the process of formulating sectoral targets for cement, mortgages and aluminium, with plans to extend these targets to corporate real estate and agriculture in 2024.<sup>100</sup> In 2021, Standard Chartered introduced its transition finance framework, outlining transition themes and activities and serving as a guideline for its clients to move towards a low-carbon trajectory.<sup>101</sup> To meet its net zero commitments, the Bank aims to finance clients that meet specific criteria based on their revenue share: i) less than 80% dependent on thermal coal by 2024; ii) less than 60% dependent on thermal coal by 2025; iii) less than 40% dependent on thermal coal by 2027; and iv) less than 5% dependent on thermal coal by 2030.<sup>102</sup> Furthermore, Standard Chartered has set a goal to end financing for legacy direct coal mining projects globally by 2032 and to mobilize USD 300 billion for sustainable finance by 2030, thereby advancing sustainable economic growth.<sup>103</sup> In 2022, the Bank provided USD 23.4 billion in sustainable financing, including sustainability-linked loans, green mortgages, green bonds and social bonds.<sup>104</sup> As of September 2022, the Bank provided USD 10.3 billion towards green financing activities, including green buildings (USD 7 billion), renewable energy (USD 2.1 billion), clean transportation (USD 541 million) and energy efficiency (USD 507 million).<sup>105</sup>

Under the communities pillar, Standard Chartered is committed to advancing socioeconomic development, through financing projects that positively impact society. As of September 2022, the Bank provided USD 13.47 billion in social financing, including USD 2.93 billion to increase access to finance, USD 127 million to enhance access to essential services, such as healthcare, and USD 57 million to improve road infrastructure in areas where such infrastructure is clearly inadequate and hinders a community's development.<sup>106</sup> In 2019, the Bank established the Futuremakers programme, a global initiative targeted at disadvantaged youths under 35 and dedicated to the reduction of inequality and promotion of their economic inclusion by providing employment opportunities, education and capacity-building initiatives.<sup>107</sup>

Standard Chartered also participates in various international initiatives related to environmental and social sustainability, including the Partnership for Carbon Accounting Financials, the UNEP Finance Initiative and the UN Global Compact, reflecting the Bank's commitment to supporting projects that enable the transition to a low-carbon, climate-resilient economy.<sup>108,109</sup>

<sup>97</sup> Standard Chartered, "Annual Report 2022", at: <https://av.sc.com/corp-en/content/docs/standard-chartered-plc-full-year-2022-report.pdf>

<sup>98</sup> Ibid.

<sup>99</sup> The sectoral targets aim to reduce emissions intensity by 2030 compared to a 2020 baseline and include: i) reducing scope 1 and 2 revenue emissions intensity of the power sector by 63%; ii) reducing scope 1 and 2 emissions intensity of steel producers by 33%; iii) reducing scope 1, 2 and 3 revenue emissions intensity of oil and gas by 30%; iv) reducing absolute scope 1, 2 and 3 emissions from coal mining by 85%; and vi) reducing production emissions intensity of aviation by 34%.

<sup>100</sup> Standard Chartered, "Our path to net zero", at: <https://www.sc.com/en/about/our-long-term-ambition/net-zero>

<sup>101</sup> Standard Chartered, "Transition Finance Framework", (2023), at: <https://av.sc.com/corp-en/content/docs/Standard-Chartered-Bank-Transition-Finance-Framework.pdf>

<sup>102</sup> Standard Chartered, "Annual Report 2022", at: <https://av.sc.com/corp-en/content/docs/standard-chartered-plc-full-year-2022-report.pdf>

<sup>103</sup> Ibid.

<sup>104</sup> Ibid.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

<sup>107</sup> Standard Chartered, "Futuremakers impact report", at: <https://www.sc.com/en/sustainability/investing-in-communities/>

<sup>108</sup> Standard Chartered, "Annual Report 2022", at: <https://av.sc.com/corp-en/content/docs/standard-chartered-plc-full-year-2022-report.pdf>

<sup>109</sup> Standard Chartered, "Our Memberships", at: <https://www.sc.com/en/sustainability/our-memberships/>

Sustainalytics is of the opinion that the Standard Chartered Bank Sustainability Bond Framework is aligned with the Bank's overall sustainability strategy and that the use of proceeds will further the Bank's action on its key environmental and social priorities.

#### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) biodiversity loss and community relations due to land use from large infrastructure projects, ii) emissions and effluents and waste generated in construction, iii) worker health and safety, and iv) stakeholder participation. Additionally, Standard Chartered is exposed to risks pertaining to the social impact of products, human rights, quality and safety, business ethics and predatory lending. Standard Chartered plays a limited role in the development of projects and assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

Sustainalytics is of the opinion that Standard Chartered is able to manage or mitigate potential risks through implementation of the following:

- For risks associated with biodiversity and land use, Standard Chartered ensures that clients comply with the International Finance Corporation's (IFC) Performance Standards.<sup>110</sup> These standards define responsibilities for managing risks and provide guidelines on identifying risks and developing measures to mitigate or manage them at the project level. The standards focus on protecting and conserving biodiversity, maintaining ecosystem services and sustainably managing living natural resources.<sup>111</sup> The IFC Performance Standards also address land resettlement in cases of community displacement from land-use change.<sup>112</sup>
- To manage or mitigate risks related to emissions, effluents and waste generated during construction, Standard Chartered assesses all clients against the World Bank Group Environmental, Health and Safety (EHS) Guidelines. These guidelines establish performance levels and measures that clients must implement to meet international good practices on air emissions and ambient air quality, wastewater and ambient water quality, waste management, hazardous materials management and contaminated land.<sup>113</sup>
- Compliance with the IFC Performance Standards and the World Bank Group ESH Guidelines, addressing risks related to worker health and safety by establishing requirements on exposure to chemical and physical hazards, working conditions, child or forced labour and monitoring.<sup>114,115</sup> The Bank's Group Health, Safety and Security Policy also requires compliance with local laws and regulations on general health, safety and security.<sup>116</sup>
- To mitigate or manage risks associated with stakeholder participation, Standard Chartered has implemented a formal stakeholder engagement process following the Global Reporting Initiative Standards.<sup>117</sup> The Bank engages with stakeholders through one-to-one sessions, virtual roundtables, written responses and surveys to understand their interests, which are then communicated to senior management and the board's Culture and Sustainability Committee to ensure that concerns are addressed in developing strategies and operations.<sup>118</sup>
- Regarding human rights, Standard Chartered's clients must be aligned with the following international principles: i) International Bill of Human Rights, ii) International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and iii) ILO Conventions 138 (Minimum Age) and 182 (Worst Forms of Child Labour). Additionally, clients must be aligned with the UN's Guiding Principles on Business and Human Rights, Convention on the Rights of the Child, the Global Compact, the Thun Group of Guiding Principles and the OECD Due Diligence Guidelines for Responsible Corporate Lending and Securities

<sup>110</sup> Ibid.

<sup>111</sup> IFC, "Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources", (2012), at:

<https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-6>

<sup>112</sup> IFC, "Performance Standard 5: Land Acquisition and Involuntary Resettlement", (2012), at: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standard-5>

<sup>113</sup> IFC, "Environmental, Health, and Safety Guidelines", at: <https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines>

<sup>114</sup> IFC, "Performance Standard 2: Labour and Working Conditions", (2012), at:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps2](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps2)

<sup>115</sup> IFC, "Environmental, Health, and Safety Guidelines", at: <https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines>

<sup>116</sup> Standard Chartered, "Group Health, Safety, and Security Policy", at: <https://av.sc.com/corp-en/content/docs/health-and-safety-policy.pdf>

<sup>117</sup> GRI, "How to use the GRI standards", at: <https://www.globalreporting.org/how-to-use-the-gri-standards/>

<sup>118</sup> Standard Chartered, "Annual Report 2022", at: <https://av.sc.com/corp-en/content/docs/standard-chartered-plc-full-year-2022-report.pdf>

Underwriting. Clients are required to provide evidence of adequate policies and processes in place to manage risks in their operations and supply chain aligned with the above standards.<sup>119,120</sup>

- Standard Chartered has implemented a code of conduct at the group level, which applies to all transactions and addresses business ethics, compliance with laws and regulations, bribery and corruption and overall corporate responsibility. Under the code, the Bank has established the Speaking Up programme, which allows any employee to report violations of the code and any other of the Bank's policies and procedures.<sup>121,122</sup>
- Standard Chartered has developed the Client Rights Policy, which embeds principles on fair treatment into its lending process, ensuring that unfair discriminatory practices – including unfair contract terms that significantly disadvantage financial consumers – are avoided. The policy requires the Bank to provide its customers with clear, relevant and timely information (including on costs and risks) so they can make informed decisions before, during and after the point of sale.<sup>123</sup>
- Standard Chartered is a signatory to and chair of the Equator Principles,<sup>124</sup> a globally recognized risk management framework, which is recognized by Sustainalytics as a proxy for robust environmental, social and governance policies. Specifically, Standard Chartered's Environmental and Social Risk Management team ensures that the Equator Principles are correctly applied to transactions.<sup>125</sup> Additionally, in September 2019, Standard Chartered endorsed the UN Principles for Responsible Banking,<sup>126</sup> which require impact analysis and risk management regarding people and the environment associated with its activities, products and services.
- Standard Chartered has also established position statements regarding environmental and social management, against which its Environmental and Social Risk Management team reviews transactions to minimize environmental and social risks. The position statements include minimum requirements on human rights and climate change, as well as detailed sector-specific positions, against which companies are assessed.<sup>127</sup> Through the position statements, the Bank tightened the group-wide minimum financing requirements for five sectors associated with high environmental or social impact: i) extractive industries (oil and gas, mining and metals); ii) power generation (fossil fuel power, nuclear power renewable energy, including hydropower); iii) agro-industries (agribusiness, fisheries, tobacco, forestry, palm oil); iv) infrastructure and transport; v) chemicals and manufacturing.<sup>128</sup>

Based on the above, Sustainalytics is of the opinion that Standard Chartered has in place adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with projects in the eligible categories.

### Section 3: Impact of Use of Proceeds

All 16 use of proceeds categories are aligned with those recognized by the GBP or the SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the markets in which Standard Chartered operates.

#### Importance of green buildings in emerging economies

The buildings and construction sector accounted for more than 34% of energy demand and 37% of energy- and process-related CO<sub>2</sub> emissions in 2021.<sup>129</sup> As construction activities rebounded to pre-COVID19 pandemic levels in 2021, more emerging economies increased their use of fossil fuel gases in buildings,<sup>130</sup> resulting in an overall increase in energy demand of 4%, the largest increase since the previous decade.<sup>131</sup> In

<sup>119</sup> Standard Chartered, "Position Statements – How we manage environmental and social risk", at: <https://www.sc.com/en/sustainability/position-statements/>

<sup>120</sup> Standard Chartered, "Human Rights Position Statement", at: <https://av.sc.com/corp-en/content/docs/human-rights-position-statement-sustainability-standard-chartered.pdf>

<sup>121</sup> Standard Chartered, "Group Code of Conduct", at: <https://www.sc.com/global/av/ke-code-of-conduct.pdf>

<sup>122</sup> Standard Chartered, "Speaking Up: Summary of Procedure", at: <https://av.sc.com/corp-en/content/docs/speaking-up-policy.pdf>

<sup>123</sup> Standard Chartered, "Client Rights Policy", at: <https://www.sc.com/global/av/customer-rights-policy.pdf>

<sup>124</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about/>

<sup>125</sup> Standard Chartered, "Equator Principles Reporting 2022", at: <https://www.sc.com/en/sustainability/position-statements/our-framework/equator-principles-reporting/>

<sup>126</sup> UNEP Finance Initiative, "Signatories", at: <https://www.unepfi.org/banking/bankingprinciples/prbsignatories/>

<sup>127</sup> Standard Chartered, "Sustainability philosophy: Promoting economic and social development", at: <https://www.sc.com/en/sustainability/philosophy/>

<sup>128</sup> Standard Chartered, "Position Statements – How we manage environmental and social risk", at: <https://www.sc.com/en/sustainability/position-statements/>

<sup>129</sup> UNEP, "CO<sub>2</sub> emissions from buildings and construction hit new high, leaving sector off track to decarbonize by 2050: UN", (2022), at: <https://www.unep.org/news-and-stories/press-release/co2-emissions-buildings-and-construction-hit-new-high-leaving-sector>

<sup>130</sup> UNEP, "Global Status Report for buildings and construction", (2022), at: [https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction\\_3.pdf](https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction_3.pdf)

<sup>131</sup> Ibid.

Latin America and Africa, buildings accounted for 24% and 61% of final energy use, respectively, as well as 21% and 32% of process-related CO<sub>2</sub> emissions, respectively, in 2018.<sup>132,133</sup> In the Asia-Pacific region, the World Green Building Council anticipates a sustained rise in emissions from new buildings and infrastructure, particularly in urban areas, over the next decade.<sup>134</sup> The effects of the pandemic continued to impact developing economies in Asia into 2022, leading to ongoing disruptions in building construction activities and constraining public investment programmes.<sup>135</sup>

To meet the climate goals of the Paris Agreement, direct CO<sub>2</sub> emissions from the buildings sector need to decrease by 50% and indirect emissions by 60% by 2030.<sup>136,137</sup> The Global Alliance for Buildings and Construction suggests countries must double investments in energy efficiency improvement over the next five years and increase the use of building certifications (especially in regions where building energy codes are not yet in place) for all building types.<sup>138</sup> In 2021, investments in energy efficiency improvements in buildings increased by 16% over 2020 levels to reach USD 237 billion.<sup>139</sup> In this context, the lack of mandatory or voluntary building energy codes in some jurisdictions provide an opportunity for these countries to shift from prescriptive to performance-based building codes.<sup>140</sup>

Based on the above, Sustainalytics considers that Standard Chartered's investments in certified green buildings and energy efficiency improvements are expected to reduce GHG emissions from buildings in emerging economies.

### Importance of MSME and SME financing in emerging economies

SMEs are the main driver of employment generation and global economic development, accounting for up to 40% of GDP in emerging economies.<sup>141</sup> SMEs represent approximately 90% of businesses and more than 50% of employment worldwide.<sup>142</sup> An estimated 600 million jobs will be needed by 2030 to meet the growing global workforce, making SME development a high priority for governments worldwide.<sup>143</sup> The classification of SMEs as a priority sector by governments and central banks in emerging economies reflects their keen interest in the sector.<sup>144</sup> Overall, SMEs have a huge potential to address existing socioeconomic challenges in emerging economies.<sup>145</sup>

Access to financing is identified as a critical impediment to the growth of MSMEs: in 2022, 41% of established MSMEs in emerging countries lacked access to financing.<sup>146</sup> The estimated finance gap for MSMEs in emerging countries in 2022 was USD 5 trillion, surpassing the current level of MSME lending by a factor of 1.3.<sup>147</sup> Women-owned MSMEs represent 23% of MSMEs and account for 32% of the finance gap in the sector.<sup>148</sup> The challenge of evaluating the creditworthiness of SMEs due to the lack of accessible credit information further contributes to the constraints faced by SMEs.<sup>149</sup> Therefore, supporting SMEs to keep up

<sup>132</sup> IEA, "GlobalABC Regional Roadmap for Buildings and Construction in Latin America 2020-2050", (2020), at: <https://www.iea.org/reports/globalabc-regional-roadmap-for-buildings-and-construction-in-latin-america-2020-2050>

<sup>133</sup> IEA, "GlobalABC Regional Roadmap for Buildings and Construction in Africa 2020-2050", (2020), at: <https://www.iea.org/reports/globalabc-regional-roadmap-for-buildings-and-construction-in-africa-2020-2050>

<sup>134</sup> World Green Building Council, "New WorldGBC report outlines how Asia Pacific can build back better by tackling embodied carbon in built environment", at: <https://worldgbc.org/article/new-worldgbc-report-outlines-how-asia-pacific-can-build-back-better-by-tackling-embodied-carbon-in-built-environment/>

<sup>135</sup> UNEP, "Global Status Report for buildings and construction", (2022), at: [https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction\\_3.pdf](https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction_3.pdf)

<sup>136</sup> Henry, P. (2021), "Why building greener is crucial to meet Paris climate targets", World Economic Forum, at: <https://www.weforum.org/agenda/2021/11/green-building-global-warming-climate-change/>

<sup>137</sup> UNEP, "2021 Global Status Report for Buildings and Construction", (2021), at: <https://www.unep.org/resources/report/2021-global-status-report-buildings-and-construction>

<sup>138</sup> Ibid.

<sup>139</sup> UNEP, "CO<sub>2</sub> emissions from buildings and construction hit new high, leaving sector off track to decarbonize by 2050: UN", (2022), at: <https://www.unep.org/news-and-stories/press-release/co2-emissions-buildings-and-construction-hit-new-high-leaving-sector>

<sup>140</sup> UNEP, "Global Status Report for buildings and construction", (2022), at: [https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction\\_3.pdf](https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction_3.pdf)

<sup>141</sup> The World Bank, "Small and Medium Enterprises (SMEs) Finance", at: <https://www.worldbank.org/en/topic/sme/finance>

<sup>142</sup> Ibid.

<sup>143</sup> Ibid.

<sup>144</sup> Onyiriuba, L. (2016), "Chapter 7 – SME Credit Risk, Analysis, and Control in Emerging Economies", Emerging Market Bank Lending and Credit Risk Control, at: <https://www.sciencedirect.com/science/article/abs/pii/B9780128034385000076>

<sup>145</sup> Amoah, J. et al., (2022), "Enhancing SME contribution to economic development: A perspective from an emerging economy", Journal of International Studies, at: [https://jois.eu/files/5\\_1227\\_Amoah%20et%20al.pdf](https://jois.eu/files/5_1227_Amoah%20et%20al.pdf)

<sup>146</sup> SME Finance Forum, "MSME Finance Gap", at:

<sup>147</sup> Ibid.

<sup>148</sup> Ibid.

<sup>149</sup> World Bank Group, "Improving Access to Finance for SMEs", (2018), at: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Special-Reports/improving-access-to-finance-for-SMEs.pdf>

production and employment will be fundamental for the recovery of the global economy, as reflected in the G20 2020 action plan to improve financial access for SMEs through funding and policy support.<sup>150</sup>

Based on the above, Sustainalytics is of the opinion that Standard Chartered's financing aimed at increasing access to finance for MSMEs and SMEs is expected to create positive socioeconomic impacts in emerging economies.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Standard Chartered Bank Sustainability Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Management of Living Natural Resources	12. Responsible Production and Consumption	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Pollution Prevention and Control	12. Responsible Production and Consumption	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older person
Climate Change Adaptation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial

<sup>150</sup> Global Partnership for Financial Inclusion, "G20 2020 Financial Inclusion Action Plan", (2020), at: <https://www.gpfi.org/sites/gpfi/files/sites/default/files/G20%202020%20Financial%20Inclusion%20Action%20Plan.pdf>



		and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Access to Essential Services	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
COVID-19 Response	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	6. Clean Water and Sanitation	6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
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## Conclusion

Standard Chartered has developed the Standard Chartered Bank Sustainability Bond Framework, under which it may issue green, social and sustainability bonds and notes, and use the proceeds to finance projects related to the following categories: Renewable Energy; Green Buildings; Energy Efficiency; Sustainable Management of Living and Natural Resources; Pollution Prevention and Control; Sustainable Water and Wastewater Management; Clean Transportation; Climate Change Adaptation; Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes; Employment Generation and programmes designed to prevent and/or alleviate unemployment stemming from socio-economic crises, including through the potential effect of SME financing and microfinance; Access to Essential Services; Affordable Housing; Affordable Basic Infrastructure; Food Security and Sustainable Food Systems; Charities; and COVID-19 Response. Sustainalytics considers that the projects funded by the green, social and sustainability bonds and notes are expected to contribute to the transition to a low-carbon economy and help support socioeconomic development in areas where Standard Chartered operates.

The Standard Chartered Bank Sustainability Bond Framework outlines a process by which the proceeds will be tracked, allocated and managed, and makes commitments for reporting on the allocation and impact. Sustainalytics considers that the Standard Chartered Bank Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 11, 12, 14 and 15. Additionally, Sustainalytics considers that Standard Chartered has adequate measures to identify, manage or mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Standard Chartered is well positioned to issue green, social and sustainability bonds and notes and that the Standard Chartered Bank Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

## Appendix

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Standard Chartered Bank Plc
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Standard Chartered Bank Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 25, 2023
Publication date of review publication:	Update to 2022 Sustainalytics SPO, published on
Original publication date:	November 8, 2022

#### Section 2. Review overview

##### SCOPE OF REVIEW

The review:

- ☒ assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- ☐ assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
  - ☐ Use of Proceeds ☐ Process for Project Evaluation and Selection
  - ☐ Management of Proceeds ☐ Reporting
- ☐ assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

##### ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- ☒ Second Party Opinion ☐ Certification
- ☐ Verification ☐ Scoring/Rating
- ☐ Other (please specify):

##### Does the review include a sustainability quality score?

- ☐ Of the issuer ☐ Of the project
- ☐ Of the Framework ☐ Other (please specify):

☐ No scoring

## ASSESSMENT OF THE PROJECT(S)

### Does the review include:

- ☒ The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- ☒ The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- ☒ The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

## ISSUER'S OVERARCHING OBJECTIVES

### Does the review include:

- ☒ An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- ☒ An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- ☒ A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

## CLIMATE TRANSITION STRATEGY

### Does the review assess:

- ☐ The issuer's climate transition strategy & governance?
- ☐ The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- ☐ The credibility of the issuer's climate transition strategy to reach its targets?
- ☐ The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- ☐ If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- ☐ The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- ☐ The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

**Overall comment on this section:**

## Section 3. Detailed Review

### 1. USE OF PROCEEDS

#### Does the review assess:

- ☒ the environmental/social benefits of the project(s)?
- ☒ whether those benefits are quantifiable and meaningful?
- ☒ for social projects, whether the target population is properly identified?

**Does the review assess if the issuer provides clear information on:**

- ☐ the estimated proceeds allocation per project category (in case of multiple projects)?
- ☐ the estimated share of financing vs. re-financing (and the related lookback period)?

**Overall comment on this section:** The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles 2021 and Social Bond Principles 2023. Sustainalytics considers that investments in the eligible categories will support the transition to a low-carbon economy, advance socioeconomic development in areas where Standard Chartered Bank Plc operates and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12, 14 and 15.

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

**Does the review assess:**

- ☒ whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones. *"Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards."*
- ☒ whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- ☒ the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- ☒ the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- ☒ any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

**Overall comment on this section:** Standard Chartered Bank Plc's Sustainable Finance and Banking and Sustainable Bonds teams as well as the Sustainable Finance Governance Committee and its subcommittee are responsible for the evaluation and selection of eligible projects. Standard Chartered Bank Plc has processes in place to identify and manage environmental and social risks associated with the eligible projects, which apply to all allocation decisions made under the Framework. Sustainalytics considers these processes to be in line with market practice.

## 3. MANAGEMENT OF PROCEEDS

**Does the review assess:**

- ☒ the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- ☒ the intended types of temporary investment instruments for unallocated proceeds?
- ☐ Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

**Overall comment on this section:** Standard Chartered Bank Plc's Sustainable Finance Governance Committee will be responsible for the management and allocation of proceeds using a portfolio approach, which will be recorded and monitored regularly by Standard Chartered's Sustainable Finance team. Standard Chartered Bank Plc intends to fully allocate net proceeds within 24 months of issuance. Pending allocation, the unallocated proceeds will be temporarily invested in accordance with Standard Chartered's liquidity investment guidelines. This is in line with market practice.

## 4. REPORTING

**Does the review assess:**

- ☒ the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- ☒ the frequency and the means of disclosure?
- ☐ the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

**Overall comment on this section:** Standard Chartered Bank Plc commits to report on the allocation and impact of proceeds in its allocation report and non-financial impact report which will be made publicly available on



its website on an annual basis until full allocation. Allocation reporting may include the total amount of proceeds allocated to eligible projects and relevant categories and the amount of unallocated net proceeds. In addition, Standard Chartered Bank Plc is committed to report on relevant impact metrics. Sustainalytics views Standard Chartered Bank Plc's allocation and impact reporting commitments as aligned with market practice.

## Section 4. Additional Information

**Useful links** (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

**Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:**

**Additional assessment in relation to the issuer/bond framework/eligible project(s):**

### ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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