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# Standard Chartered (LSE:STAN)

## Aligning financing with net zero by 2050 commitment

**Despite committing to the goal of net zero emissions by 2050, Standard Chartered is aligning its financing with the failure of this goal. This exposes Standard Chartered and its shareholders to unnecessary and unacceptable transition, legal, regulatory and reputational risks.**

The International Energy Agency (IEA) Net Zero by 2050 scenario (NZE2050) – modelled to provide a 50% chance of limiting global warming to 1.5°C – projects steeply declining demand for fossil fuels and makes clear there is no room to expand the coal, oil and gas sectors. In July 2021, 115 investors worth $4.5 trillion assets under management and/or stewardship asked Standard Chartered to 'integrate the findings of the IEA Net-Zero scenario and/or another 1.5C scenario with low overshoot and minimal reliance on Negative Emission Technologies' into its climate strategy.

Standard Chartered has failed to meet this demand, despite updating its climate policy in October 2021. The bank's ongoing heavy financing of fossil fuel expansion, enabled by its inadequate policy settings, undermines the Paris Agreement's goals and the transition to net zero emissions.

**Shareholders are therefore urged to engage with Standard Chartered in support of the bank adopting these key policies ahead of its upcoming Notice of Meeting:**

1. **A commitment to no longer provide financing[1] where proceeds would be used for new or expanded fossil fuel projects; and**
2. **Short-, medium-, and long-term targets to reduce fossil fuel exposure consistent with the goal of net zero by 2050, avoiding overreliance on negative emissions technologies.**

Market Forces and Friends Provident Foundation have worked with shareholders to file a resolution making these requests of Standard Chartered (see page 6). If the requests are met through upcoming disclosures, the proposal will be withdrawn.

[1] Including corporate lending, project finance, trade finance, bonds, IPOs and their distribution

# Policy and practice undermining net zero

**Standard Chartered is misleading investors in its claims to be aligned with NZE2050. The bank's inadequate climate policies have allowed it to:**

- **Provide $31.4 billion[2] in finance to fossil fuels between the signing of the Paris Agreement and the end of 2020, including $7.1 billion in 2020;**
- **Increase funding for companies expanding the scale of the fossil fuel industry by almost 420% from $579 million in 2016 to $3 billion in 2020; and**
- **Provide over $3 billion in finance to companies expanding oil and gas in 2021, a 24% increase on its 2016-2019 average.**

This continued fossil fuel financing increases Standard Chartered's exposure to climate-related transition risks, given the drastic decline in coal, oil and gas demand projected under NZE2050.

Beyond the shortcomings outlined below, Standard Chartered's climate policies do not apply to the bank's debt capital market activity. From 2015 to 2020, nearly 40% of Standard Chartered's fossil fuel financing was not captured by its own policies, and this rose to more than half its financing in 2020, when 53% of Standard Chartered's financing for fossil fuels was through debt capital market activity.[3] This means **the bank's already-inadequate climate policies apply to less than half of its 2020 fossil fuel financing**.

| NZE2050 conclusions[4] | Standard Chartered policy | Standard Chartered practice |
|---|---|---|
| "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway… Also not needed are many of the liquefied natural gas (LNG) liquefaction facilities currently under construction or at the planning stage."<br><br>Absolute emissions from oil and gas fall by 23% from 2020-2030 (oil 27%, gas 17%). | Limited restrictions on lending to new oil and gas projects, applying to only some highly sensitive environments and extremely emission-intensive fuels. Policy allows Standard Chartered to finance new oil and gas projects in most parts of the world.<br><br>No absolute emission reduction targets for oil and/or gas.<br><br>Target to reduce emissions *intensity (by revenue)* of oil and gas in lending portfolio by just | Provided over $3 billion in finance to companies expanding oil and gas in 2021, a 24% increase on its 2016-2019 average. Recent examples of continued financing of oil and gas companies and projects demonstrably misaligned with net zero by 2050 include participation in:<br>• A 2022 $10 billion revolving credit facility and a 2021 $6 billion bond issuance for Saudi Aramco, the world's single largest corporate carbon emitter, which is expanding its operations and opening new oil and gas fields;<br>• A 2022 $3.49 billion loan for the Scarborough-Pluto LNG project, which |

[2] All dollar values are in USD unless otherwise stated
[3] Figures obtained from underlying data in Rainforest Action Network's 'Banking on Climate Chaos 2021' report
[4] NZE2050 statements and data from: IEA Net Zero by 2050 report; World Energy Outlook 2021 and associated dataset

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|---|---|---|
| | 30% by 2030, with no interim target. Intensity targets are insufficient, as they could be met even when absolute exposures to (or financed emissions from) oil and gas increase.<br>Revenue-based intensity targets are even more problematic, as they can be influenced by factors such as client diversification and commodity prices. | independent analysis has concluded "represents a bet against the world implementing the Paris Agreement";<br>• A $485 million loan to the troubled Mozambique LNG project; and<br>• Supporting Malaysian oil giant Petronas to develop an additional oil and gas processing unit off the Brazilian coast (per IJGlobal, subscription source). |
| "No new final investment decisions should be taken for new unabated coal plants [as of 2021]."<br><br>Absolute emissions from power generation fall 57% from 2020-2030. | Weak coal sector revenue thresholds allow significant continued finance for companies pursuing new coal power plants throughout this critical decade.<br><br>Target to reduce emissions intensity of power generation (by revenue) in lending portfolio by 63% by 2030, with no interim target. As discussed above, intensity targets fail to ensure absolute emissions declines in line with NZE2050, and can actually mask increases in absolute financed emissions. | UK bank with the highest financing for new coal plant developers in Asia ($4.7 billion, October 2018-20), including:<br>• Adani Group, which plans to double its coal-fired power capacity to 24 GW, more coal power capacity than all of Australia;<br>• Power Finance Corporation (India), which was involved in financing 8.8GW of new coal plants in 2019; and<br>• PLN (Indonesia), which along with its subsidiaries, affiliated entities, associates and joint ventures, is planning at least 5.9GW of new coal plants. |
| "Phase-out of unabated coal in advanced economies by 2030" & "Phase-out of all unabated coal power plants by 2040."<br><br>"No new coal mines or mine extensions are required." | No commitment to phase-out coal exposure by any date.<br><br>Restriction on finance for "companies expanding in thermal coal" only applies "at an individual client entity level (e.g. subsidiaries)," allowing Standard Chartered to finance coal expansion through parent or related companies.<br><br>Along with weak revenue thresholds for the sector, this allows continued funding for companies expanding thermal coal throughout this critical decade. | Financing companies pursuing new or expanded coal mines, such as:<br>• A 2021 $500 million refinancing of Adani Ports, the Adani Group subsidiary facilitating the highly controversial new Carmichael coal mine in Australia;<br>• $678 million loaned (2016-20) to Glencore, which is involved in nine proposed new or expansion coal mining projects in Australia; and<br>• $434 million loaned (2006-2021, including participation in a 2021 $400 million loan) to Adaro Energy Indonesia, which has stated an intention to ramp up coal production beyond its current rate of 50 million tonnes per year. By Standard Chartered's own analysis, Adaro Energy has a business plan aligned with a catastrophic 5-6°C of global warming. |

## Falling behind peers

Standard Chartered's policy falls behind its peers in several respects, placing its reputation at risk and exposing investors to heightened transition and regulatory risks:

- **Barclays** has steeper coal company revenue thresholds that will see its exposure to coal reduced much faster than Standard Chartered's. From 2020, Barclays has not provided any financing to clients that generate more than 50% of revenue from thermal coal activities (Standard Chartered currently only automatically rules out corporate financing when clients generate 100% of revenue from thermal coal). By 2025 Barclays' threshold will be reduced to 30% (Standard Chartered's 2025 threshold is 60%). Barclays also has an absolute financed emissions reduction target for its whole energy portfolio. Standard Chartered's absolute target only covers thermal coal mining.
- **HSBC** has committed to phase out global coal financing by 2040. Standard Chartered has no coal exit commitment.
- Unlike Standard Chartered, **both Barclays and HSBC's** climate policies apply to underwriting and issuance of debt. Between 2016 and 2020, nearly 40% of Standard Chartered's fossil fuel financing was through debt capital markets activity, a figure that rose to more than 50% in 2020. **As a result, roughly half of Standard Chartered's fossil fuel financing is not subject to the banks' own policies**.

Some European banks are moving faster to align with global climate goals, leaving Standard Chartered even further behind. In October last year, French bank La Banque Postale committed to immediately "refraining from financing oil and gas energy projects", "no longer providing financial services" to upstream and midstream oil and gas companies, and "a complete withdrawal from fossil fuels by 2030".

## Failure to address key risks

Standard Chartered's misleading and inadequate approach to climate change leaves the bank and its investors exposed to transition, legal, regulatory and reputational risks.

### Legal and regulatory risks

By claiming to be aligned with net zero emissions by 2050, when in fact its practices and policy settings undermine this goal, Standard Chartered risks drawing the attention of regulators' increasing focus on greenwashing and misleading environmental claims. The UK Financial Conduct Authority is cracking down on greenwashing, which it defines as "marketing that portrays an organisation's products, activities or policies as producing positive environmental outcomes when this is not the case." The Competition and

Markets Authority has also recently updated its guidance to cover misleading environmental claims, where a business “makes claims about its products, services, processes, brands or its operations as a whole, **or omits or hides information**, to give the impression they are less harmful or more beneficial to the environment than they really are.” (Emphasis added)

The London School of Economics reports the number of cumulative climate-related legal cases doubled between 2015 and 2021, with strategic litigation “dramatically on the rise” and an increase in cases related to “financial risks, fiduciary duties, and corporate due diligence, which directly affect not only fossil fuel and cement companies, but also banks, pension funds, asset managers, insurers and major retailers.”

In January 2022, the Bank of England told UK banks to be “ambitious" in properly quantifying risks from climate change, or face regulatory action if they fall short. As set out above, Standard Chartered’s failure to align its climate policies and practice with its stated commitments represents a failure of climate risk management, placing the bank at increased risk of regulatory intervention.

### Reputational risks

With public concern on climate change escalating, Standard Chartered faces increased reputational risks as long as it remains one of the world’s most significant fossil fuel funders and undermines its own climate commitments. Standard Chartered has long relied on IEA modelling to form its energy strategy. Now the IEA has stipulated that net zero by 2050 means no further fossil fuel expansion, the bank faces a credibility problem in choosing to ignore the IEA’s conclusions.

Climate change protests are gathering pace (including outside Standard Chartered premises) and disquiet will only increase while Standard Chartered’s fossil fuel financing continues to undermine its claimed commitment to net zero emissions by 2050.

Communities impacted by fossil fuel projects are also increasingly speaking out against the banks funding them. Standard Chartered is particularly exposed to these risks as a financier of companies involved in the Adani Carmichael mine and Scarborough-Pluto LNG project in Australia, the Mozambique LNG project, as well as the East Africa Crude Oil Pipeline, which the bank is currently considering financing.

## Investor support required

Despite its stated support for the Paris Agreement and net zero emissions by 2050, Standard Chartered has failed to set out a strategy or targets to align with these goals. Moreover, the company’s current fossil fuel financing policies and culture are making the alignments of its stated net zero by 2050 goal impossible.

Investors are therefore urged to engage with Standard Chartered ahead of its upcoming Notice of Meeting and encourage the bank to commit to no longer provide financing (including through debt capital market activity) for new or expanded fossil fuel projects, and adopt absolute targets to reduce fossil fuel exposure consistent with the goal of net zero by 2050, as set out in the following shareholder proposal.

## Shareholder proposal for 2022 AGM - Aligning financing with net zero by 2050

*Noting the company's stated support for the goal of achieving net-zero emissions globally by 2050,[1] along with the publication of the International Energy Agency's Net Zero by 2050 scenario,[2] to promote the long-term success of the company, given the risks and opportunities associated with climate change, the company and the directors be authorised and directed by the shareholders to:*

1. *Set, disclose and implement a strategy to manage its Fossil Fuel[3] exposure in accordance with a scenario in which global emissions reach net zero by 2050, including:*
    a. *A commitment to no longer provide Financing[4] where proceeds would be used for new or expanded Fossil Fuel projects; and*
    b. *Short-, medium-, and long-term targets to reduce fossil fuel exposure consistent with the goal of net zero by 2050, avoiding overreliance on negative emissions technologies.*

2. *Report annually on progress under that strategy, starting from 2022, including a summary of the framework, methodology, timescales and core assumptions used, omitting commercially confidential or competitively sensitive information, and at reasonable cost.*

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*Footnotes:*

*1 Standard Chartered climate change policy statement: https://www.sc.com/en/sustainability/position-statements/climate-change/*

*2 'Net Zero by 2050', International Energy Agency, May 2021*

*3 Upstream, midstream and downstream oil and gas; coal mining and transport (including haulage and ports); coal, oil and gas power generation*

*4 Including corporate lending, project finance, trade finance, bonds, IPOs and their distribution*