BoT/ WWF Sustainable Finance Workshop

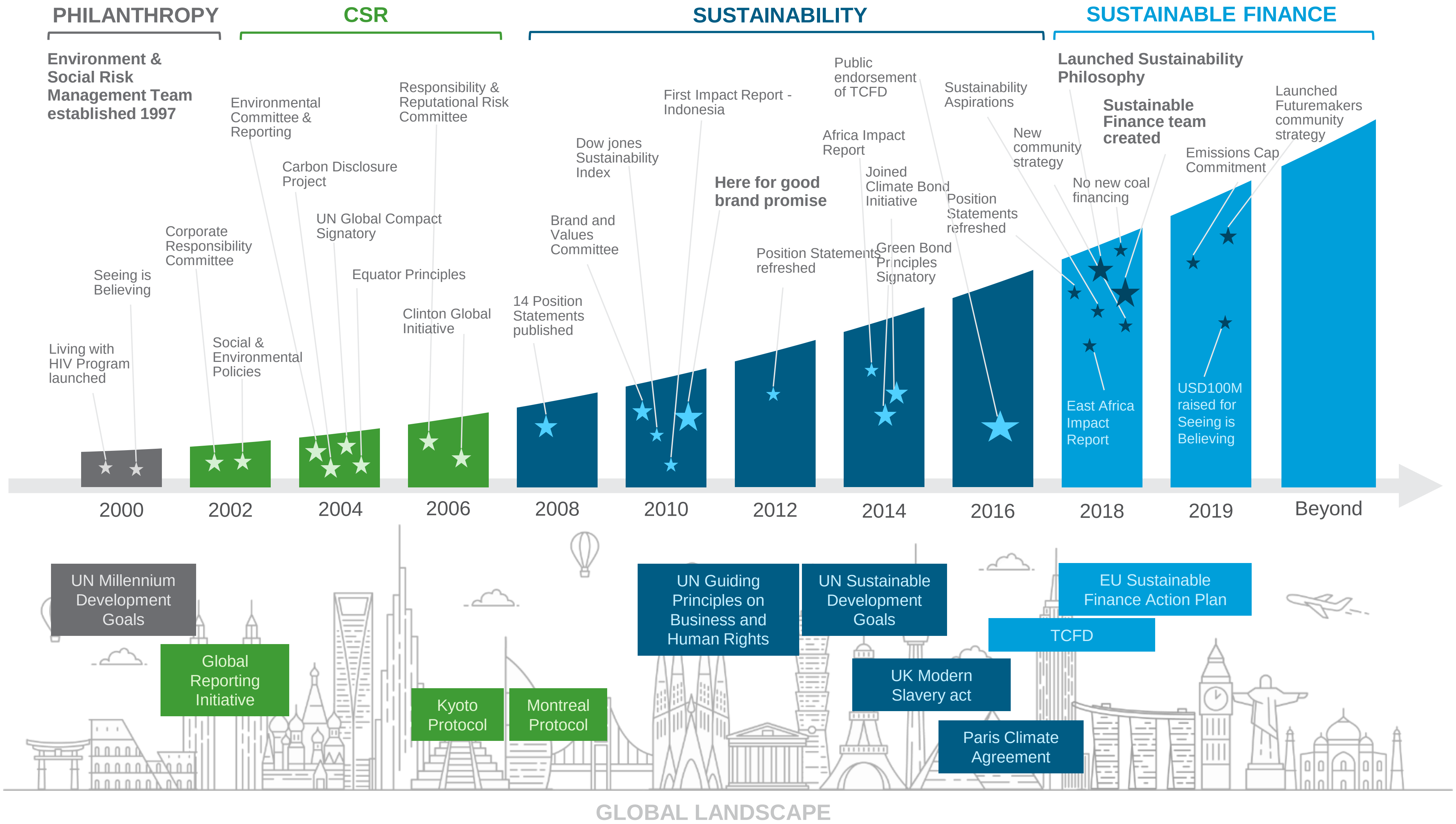
April 2019- Thailand

Roger Charles, Executive Director, ESRM

Standard Chartered Bank

Standard Chartered Bank

Our Sustainable Finance Journey



Sustainability at Standard Chartered – Mitigating ESG risks

Our main impact on the environment and society is through the business activities we finance. Our **7 Position Statements (5 sectors and 2 thematic)** outline the standards we encourage and expect of our clients and ourselves.

Extractive industries – oil & gas, metal & mining

Agro-industries – fisheries, forestry, palm oil, agribusiness

Power generation – fossil fuel, renewable energy, nuclear energy, dams and hydropower

Infrastructure and Transport

Chemicals and Manufacturing

Climate Change

Human Rights

Coal prohibition announced in Sept 2018 | All Position Statements refreshed and launched in Oct 2018

Over 18,000 bank-wide client assessments against position statements

Over 800 (up 77% yoy) referrals to ESRM

Over 1300 (up 228% yoy) frontline and risk staff trained

Over 200 transaction reviews included in above (CF, DCM, TB)

The Impact Continuum

PURE FINANCIAL GAIN	SUSTAINABLE FINANCE & INVESTMENT				PURE SOCIETAL RETURN	
TRADITIONAL	RESPONSIBLE	GREEN	SOCIAL IMPACT	BLENDED	IMPACT-FIRST	IMPACT ONLY

	TRADITIONAL	RESPONSIBLE	GREEN	SOCIAL IMPACT	BLENDED	IMPACT-FIRST	IMPACT ONLY
Deliver Financial Return		✓	✓	✓	✓		
Mitigate ESG Risk			✓	✓	✓	✓	✓
Pursue ESG Opportunities				✓	✓	✓	✓
Focus on High Impact Solutions						✓	✓

Financial-only	Accept competitive risk adjusted returns	Accept disproportionate risk adjusted returns	Accept full loss of capital

HNWI/ UHNWI/Institutional Investors	Social finance	Multilateral Finance Developmental Finance Endowments	Impact Investing Firms Foundations	Philanthropy Donors Government NGOs

	TRADITIONAL	RESPONSIBLE	GREEN	SOCIAL IMPACT	BLENDED	IMPACT-FIRST	IMPACT ONLY
FOCUS	Focus on maximising risk/return profile with no investing limitation beyond suitability	Mitigates risky ESG practices to protect value. Avoids specific stocks or industries based on ESG factors	Investment that is focused on climate change mitigation, adaption or other environmental factors	Address societal challenges and generate finance returns	Blending commercial and development capital to drive sustainable development	Address societal challenges that require a below-market financial return	Focus on social/ environmental issues with 100% financial trade off
EXAMPLE	Range of traditional wealth management solutions – equities, fixed income, funds etc	Ethically screened funds excluding tobacco, alcohol, gambling, weapons etc	Green loans and bonds, investment into renewable, or other low carbon technology, equity or debt etc.	Microfinance, EM healthcare funds, microfinance structured debt funds, social/ n bonds, private debt	Ebola response facility, World Bank partial guaranteed bonds and loans, private debt etc	Debt/equity investments made into early stage social enterprises, outcome based financing	Strategic Philanthropy, venture philanthropy through charitable foundations
SIZE	Global AUM is USD 85tn and is expected to grow at 3% per annum[1]	USD 22.8tn, growing at 12% per annum[2]	USD 1.5tn of existing finance, USD 23tn for EM (USD 53tn globally) required by 2030[3]	USD 28tn required by 2030[3]	USD 100bn current financing[4]	USD 186mn current enterprise impact funding	USD 410bn in philanthropic funds donated in 2018[6]

1. Global Asset Management 2018: The Digital Metamorphosis, Boston Consulting Group, 2018
2. Sustainable Signals: Asset Owners Embrace sustainability, Morgan Stanley, 2018
3. Raising $23 Trillion: Greening Banks and Capital Markets for Growth; G20 Input Paper on Emerging Markets, IFC, 2018
4. The State of Blended Finance 2018, Convergence, 2018
5. 2018 Global Impact Investing Network Annual Impact Investor Survey
6. Giving Statistics, Charity Navigator website https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=42

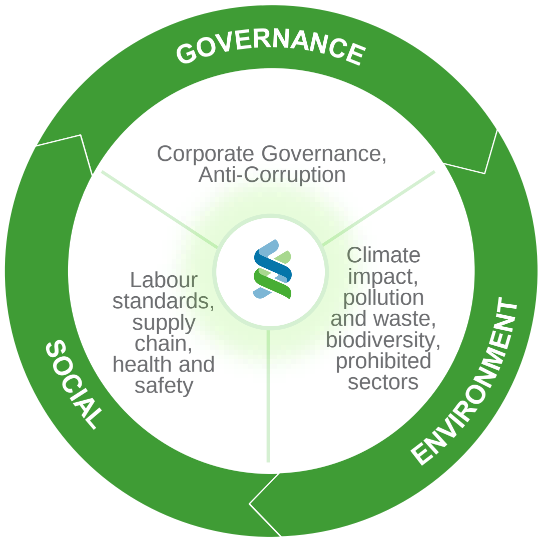
Sustainability at Standard Chartered

Our Sustainable Finance Philosophy

Social Impact

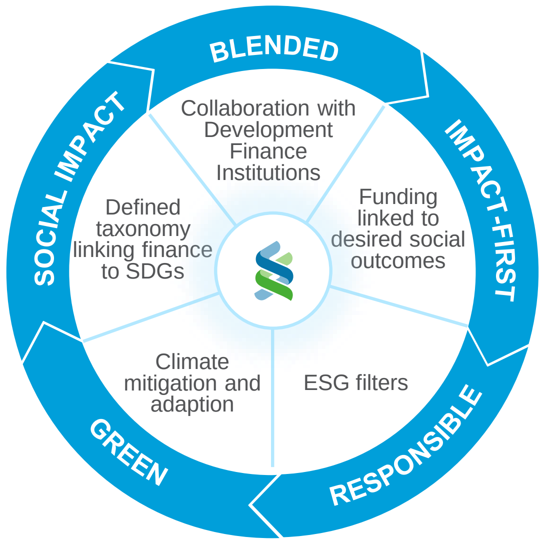
$2.4tn SDG investment gap in emerging and low income countries

ESG Risk Filters



Managing the impact on communities and the environment

Impact Driven Financing



Catalysing Sustainable Finance where it matters

Growing Trend of Green Finance

Overview of the Green Loans Market

Green" Loans are used to facilitate and support environmentally sustainable economic activity and can be for specific green projects or be based on the ESG (Environmental, Sustainability and Governance) metrics of the borrower.

Green loans have been around since 2014, but issuance has increased dramatically since 2017 when the more flexible performance driven loans started being issued.

Loans with green use of proceeds

- Term loans and project financing for specific green project or investment or to finance operations or projects which would specifically improve the environmental footprint of the company
- The LMA Green Loan Principles set out a non-exhaustive list of green projects which include, for example, renewable energy projects, biodiversity conservation clean transport, water and waste management and clean air.
- Requires a 3rd party review (e.g. DNV, Sustainalytics) to confirm that the use of proceeds qualifies under the LMA Green Loan Principles
- Positive publicity and support for CSR goals.

ESG performance driven loan

- No specific "green" use of proceeds, but pricing is linked to hitting specific metrics to reward/ incentivise sustainable activity or performance against green or ESG criteria (e.g. GHG emissions).
- Pricing improves as performance against criteria improves and there is a penalty if performance deteriorates
- Can require 3rd party review, which can be either a Second Opinion or Verification or Certification, which has an additional cost or can be linked to specific sustainability KPIs which are already being reported;
- Provides positive market publicity and enable external monitoring and accountability of CSR goals of both borrowers and lenders.

Growing Trend of Green Finance

What's next?

- Regulation and policy are no longer the only drivers of green financing.
- Rising awareness of the risks associated with climate change, water scarcity, and biodiversity loss has pushed entities to consider these new threats in their strategic decisions
- Increasing involvement of banks in the sustainable finance arena will bring more attention to green loans.
- The attention to taxonomy will intensify at an international level towards a harmonised list of economic activities that can be considered "environmentally sustainable".
- Green will go rainbow - focus on SDG finance seeks to focus and improve transparency on the use of proceeds;
- The world's first blue bond is, we believe, just the first step of a trend likely to grow.

First in the Middle East and first Islamic RCF

$2bn Green Conventional and Murabaha RCF

DP WORLD

Deal Summary

- Standard Chartered was the Green Loan Coordinator on an Amendment and Extension (A&E) of a $2bn Conventional and Murabaha RCF for DP World. This is the company's core, relationship defining RCF
- The A&E process extended the tenor of the facility by 2 years, reduced the pricing and linked the pricing to performance against a green KPI
- The green KPI chosen was the company's Carbon Intensity Ratio. This is the ratio of CO_{2e} Emissions to TEU (twenty foot equivalent units) processed by the group, with CO_{2e} Emissions reflecting both direct greenhouse gas emissions from facilities owned or controlled by the group and indirect emissions associated with off-site production of energy used by the group
- If the Carbon Intensity Ratio reduces below an agreed level then the margin on the facility decreases and if it increases beyond a specific level then the margin would increase
- Facility is for general corporate purposes with no specific restrictions on use of proceeds related to the green loan mechanism

Transaction Highlights

- Facility was the first in the Middle East and the first with an Islamic component to include pricing linked to performance against a green KPI
- As Green Loan Coordinator, SCB helped DP World design the changes to the facility and walked local banks that were unfamiliar with the concept through how the mechanism worked and the mitigants and benefits
- .Pricing mechanism was chosen to minimise monitoring costs and align most closely with one of the company's existing environmental goals. DP World was already reporting its Carbon Intensity Ratio which was verified by Lloyd's Register LRQA. No additional external verification was required for the loan pricing mechanism
- Facility was supported by 19 banks, both international and local, and delivered a reduction in pricing and extension of the facility as well as including an innovative pricing mechanism that incentivised DPW to continue its efforts to improve its carbon efficiency

Client Overview

- DP World is a leading enabler of global trade and an integral part of the supply chain
- It operates multiple yet related businesses – from marine and inland terminals, maritime services, logistics and ancillary services to technology-driven trade solutions
- 78 operating marine and inland terminals supported by over 50 related businesses in over 40 countries across 6 continents with a significant presence in both high-growth and mature markets
- Container handling is the company's core business and generates more than three quarters of its revenue. In 2017, DP World handled 70mn TEU. With its committed pipeline of developments and expansions, the current gross capacity of 88mn TEU is expected to rise to more than 100mn TEU by 2020

Impact Driven Financing – Green Finance

Driving Innovation: The World's First Sovereign Blue Bond

USD15 million US 4(a)2 World Bank Guaranteed Blue Notes Due October 2028

Transaction Background

The Republic of Seychelles
("Seychelles")

USD15 million

6.500% US 4(a)2 World Bank Guaranteed Blue Notes Due October 2028

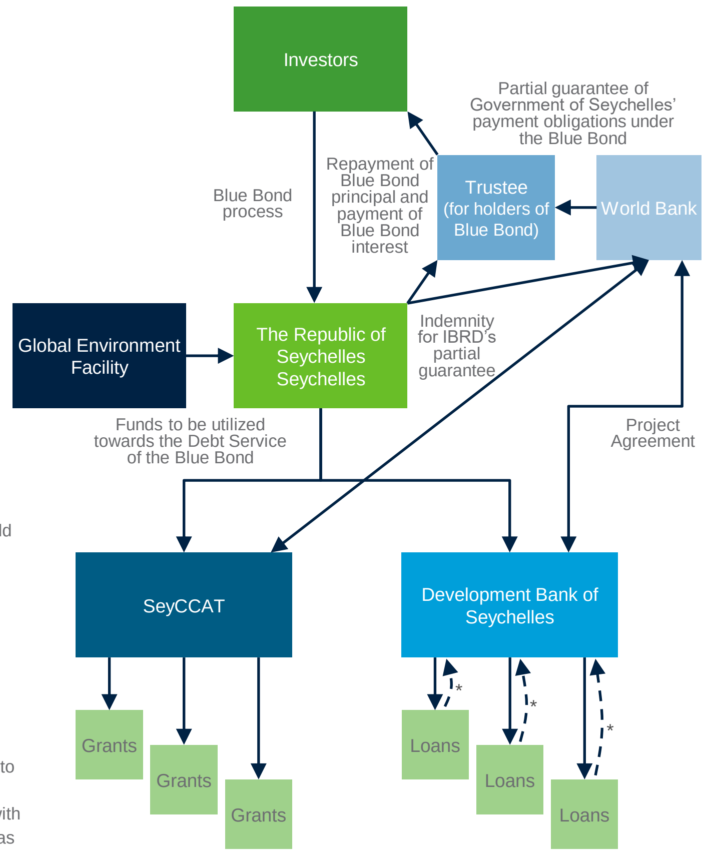
Sole Placement Agent

Standard Chartered

October 2018

Issuer	The Republic of Seychelles
Guarantor	International Bank for Reconstruction and Development
Country of Transaction	Republic of Seychelles
Issuer Rating	BB-/Stable by Fitch
Status	Senior, unsecured notes
Format	US 4(a)2
Issue Size	USD 15 million
Guarantee Amount	USD 5 million
Guarantee Cover	Principal only up to the Guarantee Amount
Pricing Date	5 October 2018
Settlement Date	11 October 2018
Tenor	10 years
Coupon	6.500% p.a.
Re-Offer Price	100%
Maturity Date	11 October 2028
Scheduled Redemption Dates	11 October 2026, 11 October 2027 and 11 October 2028
Scheduled Redemption	Principal to be redeemed in three equal instalments of USD 5 million on the Scheduled Payment Dates
Listing	Not Listed
Governing Law	English Law
Placement Agent	Standard Chartered Bank

Transaction Structure



* While the fund from the bond proceeds will be managed by the Development Bank of Seychelles and Seychelles Conservation and Climate Adaptation Trust (SeyCCAT), the repayment of the Blue Bond principal and payment of the Blue Bond interest will be an obligation of the Republic of Seychelles

Transaction Highlights

The deal marks the first-ever Blue Bond issuance and the third World Bank guaranteed financing arranged by Standard Chartered. In addition to the World Bank guarantee, noteholders also benefit from a USD 5million deposit placed with the Central Bank of Seychelles as part of the World Bank's Global Environment Facility Program (GEF) which will be exclusively drawn down to meet Seychelles debt service obligations under the bond

Key Deal Highlights:

i. First-ever blue bond issuance that will establish a framework for further issuances in the 'Blue Bond' space
ii. 100% of proceeds are earmarked for supporting the development of a sustainable marine economy in Seychelles
iii. Deal was fully placed into Socially Responsible Investment portfolios
iv. Marks Seychelles return to the international capital markets after a hiatus of 8 years
v. 3rd World Bank guaranteed sovereign financing arranged by Standard Chartered

- **Market First** – As the first ever 'Blue Bond', there was a steep learning curve in terms of establishing a framework for the issuance via terms and conditions that would meet the existing SRI criteria for the target investor base. Concurrently, broadening the scope of the framework was important to lay the groundwork for 'Blue Bond' principles that are expected to be established in the future
- **Exclusively Targeting SRI Portfolios** – Standard Chartered worked closely with the World Bank to pre-identify investors with large SRI portfolios with a mandate to invest in 'blue' financing. Given the strong interest from US investors and the need to market in a private-placement format, the deal was documented in a US 4(a)2 format which enabled us to target US investors without the need to go down the less cost-efficient 144A route. In the end the deal was fully placed into the SRI portfolios of investors based out of the US
- **Achieving Optimal Terms** – Seychelles was keen to extract the highest value from the World Bank guarantee in the form of access to longer tenors and tighter pricing vis-à-vis what was available on a standalone basis. Both of these objectives were met with the door-to-door tenor of 10-years representing a tenor extension of 5-7 years vs. demand for standalone Seychelles risk. The 6.500% coupon/yield translated into a 200-250bps running value assigned by investors to the World Bank guarantee, which is the highest value assigned to the World Bank guarantee by the market
- **Landmark Transaction** – The Seychelles Blue Bond is expected to pave the way for other 'Blue Bond' issuances, with a number of sovereign issuers already actively exploring this space. Standard Chartered's role as the Sole Placement Agent for the inaugural 'Blue Bond' allows us to be in the unique position of being a 'thought-leader' in this space and we are already in discussions on similar offerings for other clients in our global footprint

Impact Driven Financing – Impact First

Case Study: CDC Sierra Leone – Ebola Response

Transaction Background

Up to USD 50 million

Portfolio of Customers
Working capital facilities

CDC Risk Participation

Standard Chartered CDC 2015

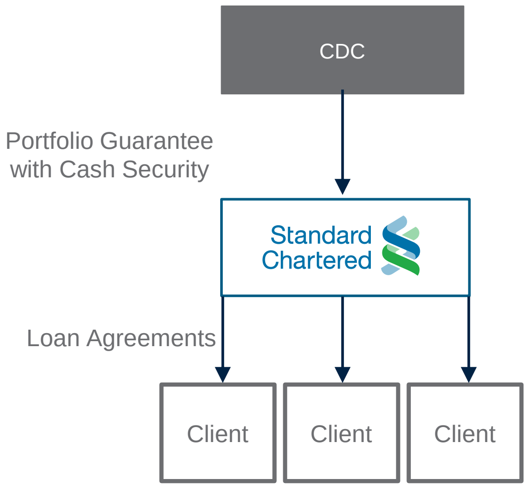
- Many corporate customers of SCB in Sierra Leone were adversely impacted by the ongoing Ebola crisis and were in need of extraordinary working capital to support their businesses
- SCB, in partnership with CDC Group Plc (the UK's DFI), finalized a list of corporate customers and estimated their incremental working capital requirements
- SCB structured and negotiated a Risk Participation Agreement and Cash Security Agreement with CDC to achieve a competitive financing solution to the customers

Deal Key Elements

Borrowers	Portfolio of existing corporate customers of SCB (finalized in consultation with CDC)
Facility	Working capital facility (up to 1 year)
Financial Close	Q1 2015
Total Facility **CDC Guarantee**	Up to USD 50 million Up to USD 25 million
SCB Role	MLA, Structuring Bank and Lender

Transaction Structure

- SCB entered into a portfolio risk sharing guarantee with CDC
- CDC deposited a cash collateral with SCB UK for the guaranteed amount. A cash security agreement was executed to create charge on the cash deposit
- SCB then executed separate, bilateral, facility agreements with the identified customers (finalized in consultation with CDC)
- CDC approval process involved a business integrity review of the proposed customers to check acceptability under their E&S and reputational risk policies.



Transaction Highlights

- The Facility provided essential working capital facilities, at a competitive rate, to a number of the SCB customers at a time when they needed it the most.
- The transaction reinforced SCB's commitment to the "Here for Good" promise in Sierra Leone and Africa
- Transaction covered by Financial Times and highlighted by UK Government as part of UK's Ebola Relief efforts
- https://www.gov.uk/government/news/new-deal-to-help-businesses-bounce-back-from-ebola-in-sierra-leone