OCBC’s ESG Risk Assessment Process

ESG Risk Assessment Embedded in the Risk Management Process

Initial ESG Risk Assessment	Enhanced Due Diligence	Escalation & Approval	Monitoring
• Customer-facing relationship managers perform initial assessment to identify if customers/ transactions may present significant ESG risks • Customers/transactions may be turned down if significant ESG risks are identified and not mitigated • Customers/transactions that fall within our exclusion list will not proceed	• High risk customers/ transactions will be subjected to enhanced due diligence by ESG specialists in the Bank • Depending on the nature of ESG risk, time bound action plans and ESG covenants may be imposed in the facility agreement	• Transactions with significant reputational risk will be escalated to the Reputational Risk Review Group for clearance • All transactions must be approved by the relevant credit approval authority • Where customers are unable to agree to an action plan or where the risks are too high, Credit will decline to proceed	• Customer’s progress on agreed action plans and ESG covenants will be regularly monitored • If the covenants are breached or our ESG expectations are not met, the customer relationship will be reassessed • ESG risk assessment on our customers will be conducted regularly throughout the financing tenor • ESG risk exposure of our portfolio will be monitored and findings will be reported to Group CEO and Board Risk Management Committee periodically

Assurance of our ESG risk assessment process is provided by Group Audit

Consistent with our overall risk management approach, we manage ESG risks by adopting the Three Lines of Defence model.

The first line consists of ESG risk assessments conducted by our relationship managers on their customers. Our credit approving officers' systematic review of these ESG risk assessments creates a structure of governance and control, which forms the second line of defence. Assurance that this process is effective and complies with regulations and our internal standards is provided by our Group Audit, forming the third line of defence.

Initial ESG Risk Assessment

Under our credit evaluation process, we conduct ESG risk assessment on borrowers at least once a year throughout the financing tenor. As part of the assessment, we evaluate our customers' capacity, commitment and track record in managing and mitigating the ESG risks they face in the conduct of their business operations.

These ESG risks may include biodiversity (terrestrial and marine) loss, deforestation, water scarcity and pollution. Their pollution prevention measures, relating to air emissions, water effluents and waste, are expected to be adopted in a manner that is consistent with local laws and regulations, at a minimum, as well as applicable international industry standards.

We also take into consideration social issues such as child/forced labour, occupational health and safety as well as any resettlement of affected communities in our assessment. The requirements we have of our borrowers in these areas reference standards and conventions from organisations such as the International Finance Corporation (IFC), United Nations (UN) and International Labour Organisation (ILO).

Based on the Initial ESG Risk Assessment we assign an ESG risk rating to our borrowers that reflects the extent to which they meet our ESG requirements.

Enhanced Due Diligence

High Risk Clients or Transactions or those where significant environmental and social risks are identified, will be referred to a dedicated team of ESG specialists for enhanced due diligence.

As part of the enhanced due diligence, the ESG specialists will conduct further due diligence which includes but is not limited to reviewing independent third-party reports, conducting site visits, and engage with clients to better understand how they manage their E&S risks. Following the enhanced due diligence, time-bound action plans may be imposed on borrowers who are rated as carrying high or medium ESG risk. In addition, covenants with ESG requirements may also be imposed in our credit facilities which borrowers are required to comply.

Escalation and Approval

Transactions with high ESG or reputational risk are escalated to the Reputational Risk Review Group for review and clearance.

All transactions must be approved by the relevant credit approving authority. In cases where clients are unable or unwilling to agree to an action plan to address identified risks, or the risks are deemed too high, we may decline to support the transaction or continue the client relationship.

Monitoring

We will regularly (at least once annually) monitor the ESG performance of the clients. If the covenants are breached or our ESG expectations are not met, we will reassess the client relationships, including turning down transactions.

We review our portfolio's ESG exposure periodically and report the findings to our Group CEO and Board Risk Management Committee.