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Summary of Responsible Financing Sector-Specific Policies

Introduction

Our Responsible Financing sector-specific policies outline our requirements and expectations for clients in sectors with high risk of potential environmental and social impacts. We continue to evolve our framework by developing new policies or revising existing ones in response to a dynamic external environment.

Our Responsible Financing sector-specific policies cover all the sectors identified as 'high risk' by the Association of Banks in Singapore (ABS) Responsible Financing Guidelines. Each policy identifies sector-specific ESG risk factors and lays out the standards in which we assess our clients' capacity to manage ESG risks, in line with international standards where possible. Each sector-specific policy is supplemented by a sector-specific ESG risk assessment template, which provides relationship and credit risk managers with a structured approach to assess ESG risks as part of the credit risk evaluation process.

We regularly review our policies or when triggered by material change in circumstances. Our Responsible Financing sector-specific policies are reviewed in consultation with the relevant internal stakeholders and approved by the Credit Risk Management Committee.

As we value long-term client relationships, we seek to positively influence the behaviours of our clients by engaging and supporting them in adopting more sustainable practices. This includes giving our clients reasonable time to work towards meeting applicable ESG expectations. We will reassess the client relationship (including turning down transactions) if the applicable ESG expectations are not met.

Applicability

Our Responsible Financing sector-specific policies apply to key entities of the OCBC Group that provide lending (including syndicated loans), as well as debt issuance and debt underwriting activities to new and existing corporate, commercial and institutional clients, unless exempted. The key entities comprise of branches and wholly or majority owned subsidiaries in 19 countries and regions, including our key markets – Singapore, Malaysia, Indonesia and Greater China, with the exclusion of Great Eastern Holdings Group of Companies and OCBC Securities Private Limited.

For corporate and project financing transactions falling under the scope of the Equator Principles, an Equator Principles Implementation Procedure is established to provide guidance to relationship and credit risk managers. Additional ESG risk assessment to address requirements of the Equator Principles is specified within the credit risk evaluation process.

Our Responsible Financing sector-specific policies comprise of:

- Agriculture and Forestry
- Chemicals
- Defence (prohibited under our exclusion list)
- Energy
- Infrastructure
- Metals and Mining
- Waste Management

Agriculture and Forestry (incl. Palm Oil)

The agriculture and forestry sector plays an important role in supporting livelihood, food security and economic growth in certain countries. However, if not managed responsibly, the sector could cause potential adverse impacts to the environment and community, such as deforestation, fires and haze, biodiversity loss, land conflicts, and greenhouse gas emissions. The Responsible Financing policy for the agriculture and forestry sector outlines our requirements and expectations for clients in managing associated ESG risks.

The Responsible Financing policy for the agriculture and forestry sector applies to borrowers that cultivate and process agricultural products including

a) Upstream planters of agriculture and forestry commodities
b) Midstream processors and refiners of agriculture and forestry commodities
c) Downstream traders and distributors of agriculture and forestry commodities

We will not finance:

- Production or activities involving harmful or exploitative forms of forced labour or child labour.
- Projects located in or have significant impact on United Nations Educational, Scientific and Cultural Organisation (UNESCO) World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES) and United for Wildlife Financial Taskforce.

We require that our clients:

- Comply with applicable local / national laws and regulations where they operate and have adequate policies and processes in place to manage ESG issues, including issues relating to workplace health and safety, labour standards and local communities.
- Comply with the ABS Haze Diagnostics Kit requirements around open burning, peat management and fire prevention, monitoring and suppression.
- Implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations and / or projects.

We encourage our clients to:

- Adopt No Deforestation, No Peat and No Exploitation (NDPE), Roundtable on Sustainable Palm Oil (RPSO) and other good industry practices.
- Adopt precautionary approach and take necessary steps such as undertaking Social Environment Impact Assessment (SEIA) or equivalent, High Conservation Value (HCV) / High Carbon Stock (HCS) approaches in identifying, avoiding and mitigating impacts to the environment.
- Engage in good management practices such as engaging the affected parties, obtaining Free, Prior and Informed Consent (FPIC) or equivalent where applicable.
- Work with relevant government authorities to ensure proper community engagement, including grievances and compensation handling, where resettlement is unavoidable.
- Adopt supply chain management and pollution prevention measures in their operations.

Chemicals

The chemicals industry is an important part of the global economy. Chemicals are present in countless industrial and consumer products, from pesticides and automobiles to toys and clothing.

Chemicals industry operations pose significant risks to environment and human health if not managed responsibly. The damages inflicted can have long-term and irreversible impacts to the environment and in some cases, may even be fatal for humans, such as through chemical or gas leaks or fires and explosions at the chemical facilities. The Responsible Financing policy for the chemicals sector outlines our requirements and expectations for clients in managing associated ESG risks.

The Responsible Financing policy for the chemicals[1] sector applies to borrowers in chemicals-related business, including

a) Manufacturers
b) Distributors and storage providers
c) Traders with parent group / subsidiaries / related businesses having other manufacturing, distribution and storage activities

We will not finance:

- Production or activities involving harmful or exploitative forms of forced labour or child labour.
- Projects located in or have significant impact on UNESCO World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under CITES and United for Wildlife Financial Taskforce.
- Production or trade in any product or activity deemed illegal under host country laws or regulations (including those ratified by host countries under international conventions and agreements) or subject to international bans.
- Production or trade in controversial chemical weapons and munitions for offensive warfare.

We require that our clients:

- Comply with applicable local / national laws and regulations where they operate and have adequate policies and processes in place such as appropriate hazardous materials storage and management practices as part of their Environment Health and Safety Management System and an Emergency Response Plan / Procedure.
- Implement or work towards implementing an appropriate ESMS to address key environmental and social risks in their operations and / or projects.

[1] Chemicals refers to basic chemicals including petrochemicals, speciality chemicals, agrochemicals, and fertilizers.

Energy

The energy sector is critical for economic development. According to the International Energy Agency's World Energy Outlook 2021, demand for energy is set to grow in tandem with the rise in global population, with developments in clean energy representing significant potential for growth. Potential adverse ESG impacts such as atmospheric emissions contributing to climate change, spill accidents, safety hazards including fires and explosions can occur when the sector does not conduct its business responsibly. The Responsible Financing policy for the energy sector outlines our requirements and expectations for clients in managing associated ESG risks.

The Responsible Financing policy for the energy sector applies to borrowers involved in

a) Power generation using coal, natural gas, nuclear and oil
b) The oil and gas sector, including equipment / consumables suppliers / manufacturers, exploration and extraction and supporting service contractors, refining / processing, storage and distribution and oil and gas trading

We will not finance:

- New financing or refinancing for coal-fired power plants (CFPPs), including existing / operating CFPPs.
- Production or activities involving harmful or exploitative forms of forced labour or child labour.
- Projects located in or have significant impact on UNESCO World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under CITES and United for Wildlife Financial Taskforce.

We require that our clients:

- Comply with applicable local / national laws and regulations where they operate and have adequate policies and processes in place to manage ESG issues, including issues relating to air and water pollution, solid and radioactive waste, occupational health and safety, labour standards, local communities and decommissioning of installations.
- Implement or work towards implementing an appropriate ESMS to address key environmental and social risks in their operations and / or projects.

We encourage our clients to:

- Engage in good management practices such as engaging the affected parties, obtaining FPIC or equivalent where applicable.
- Work with the relevant government authorities to ensure proper community engagement, including grievances and compensation handling, where resettlement is unavoidable.

Infrastructure

Infrastructure projects are core to the growth and prosperity of economies and societies, creating jobs and delivering essential services to the communities they serve. Infrastructure projects deliver social good and provide basic human necessities, such as desalination plants providing drinking water to water scarce areas, and play a key role in building a greener future and combatting climate change.

However, the development or expansion of infrastructure projects can often result in significant alteration of the environment, be energy intensive and could contribute to climate change. Similarly, it can cause socio-economic impacts due to land acquisition and physical and economic displacements. These impacts can be long lasting and / or irreversible. The Responsible Financing policy for the infrastructure sector outlines our requirements and expectations for clients in managing associated ESG risks.

The Responsible Financing policy for the infrastructure sector applies to clients involved in construction, operation and / or decommissioning of:

a) Transport infrastructure including road and rail-related infrastructure, airports, ports, terminals and harbours
b) Utility infrastructure including portable water treatment facilities, desalination, NEWater and distribution systems, and power generation-related infrastructure (e.g., substations, transmission and distribution lines)
c) Telecommunication infrastructure including fixed / wireless voice and data transmission infrastructure, terrestrial / submarine cables as well as telecommunication broadcasting installations and equipment, except the installation and operation of telecommunication infrastructure (e.g., telecommunications network within buildings, data centres) within an urbanised environment

We will not finance:

- Production or activities involving harmful or exploitative forms of forced labour or child labour.
- Projects located in or have significant impact on UNESCO World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under CITES and United for Wildlife Financial Taskforce.

We require that our clients:

- Comply with applicable local / national laws and regulations where they operate and have adequate policies and processes to manage ESG issues, including issues relating to waste management, labour standards and decommissioning, rehabilitation, and restoration of infrastructure.
- Implement or work towards implementing an appropriate ESMS to address key environmental and social risks in their operations and / or projects.

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Mining and Metals

The mining and metals industry is a critical supplier of essential inputs in almost all aspects of modern society, from transport to energy, housing to health care and food to technology. It is also a global provider of trade and employment. However, the sector could cause potential adverse ESG impacts when not managed responsibly, such as causing fires and explosions, fugitive dust emission, effluent stream discharge, and exploiting illegal child labour. The mining of coal is also seen as part of a supply chain contributing to climate change. The Responsible Financing policy for the mining and metals sector outlines our requirements and expectations for clients in managing associated ESG risks.

The Responsible Financing policy for the mining and metals sector[2] applies to borrowers involved in

a) Mining in terms of exploration, development and construction, operation, closure and decommissioning, and post-closure rehabilitation
b) Processing in terms of roasting, smelting and refining
c) Distribution and trading entities, including traders with parent group / subsidiaries / related businesses that have other upstream, mid-stream or downstream activities

We will not finance:

- New financing or refinancing to thermal coal mines including significant expansion and refinancing of existing / operating thermal coal mines.
- Production or activities involving harmful or exploitative forms of forced labour or child labour.
- Projects located in or have significant impact on UNESCO World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under CITES and United for Wildlife Financial Taskforce.

We require that our clients:

- Comply with applicable local / national laws and regulations where they operate and have adequate policies and processes in place to manage ESG issues, including issues relating to air and water pollution, waste management, land use, labour standards, communities, occupational health and safety and decommissioning, rehabilitation, and restoration of mines.
- Implement or work towards implementing an appropriate ESMS to address key environmental and social risks in their operations and / or projects.

We encourage our clients to:

- Engage in good management practices such as engaging affected parties, obtaining FPIC or equivalent where applicable.
- Work with the relevant government authorities to ensure proper community engagement, including grievances and compensation handling, where resettlement is unavoidable.

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[2] The policy covers metals and non-metals which may include iron ore, bauxite, coal, limestone, sulphur, tin, tungsten, cobalt, lithium, copper, silver, gold, diamond, and others. The mining techniques involved include surfacing mining (open pit) and underground mining.

Waste Management

With rising population and urbanisation, transboundary movement of waste, waste treatment and disposal have become global environmental issues. Environmental issues include the generation of methane gas, which is explosive and contributes to the greenhouse effect, and the generation leachate and use of incineration that may cause both air and ground pollution. Waste recycling is also increasingly important, as societies move towards circular economies to reduce pressure on the environment. The Responsible Financing policy for the waste management sector outlines our requirements and expectations for clients in managing associated ESG risks.

The Responsible Financing policy for the waste management sector applies to borrowers involved in waste management activities including waste collection, treatment (including stand-alone waste incineration plants and stand-alone industrial wastewater treatment plants and recycling plants), transport and storage and disposal / landfill.

We will not finance:

- Production or activities involving harmful or exploitative forms of forced labour or child labour.
- Projects located in or have significant impact on UNESCO World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under CITES and United for Wildlife Financial Taskforce.

We require that our clients:

- Comply with applicable local / national laws and regulations where they operate and have adequate policies and processes in place to manage ESG issues, including issues relating to air and water pollution, waste management for transportation, handling and storage, an Emergency Response Plan/Procedure, and decommissioning of facilities.
- Obtain the necessary authorisation from the exporting and importing countries for the exporting of hazardous wastes.

We encourage our clients to:

- Assess, identify, and manage closure and post-closure needs in line with best management practices when there are no existing in-country laws and regulations for the decommissioning, rehabilitation, and restoration of facilities.