

Staff remuneration is based on a balanced scorecard approach, which ensures alignment between the interests of our staff and customers. A significant proportion of staff remuneration requires demonstration of adherence to proper sales process and embracing our cultural values.

All our employees receive annual training on compliance and fair dealing, in addition to training on our product suite. They also undergo product knowledge and skills tests regularly. We place great emphasis on the oversight of our sales staff and hold their supervisors accountable for their coaching, monitoring and supervision. In the interest of improving our products and services, we avail various channels for customers to provide valuable feedback.

In 2017, we made significant improvements in using data analytics to detect client vulnerabilities and predict the need for greater supervisory attention or action.

*Read more about this on page 70. See also page 39 for our customer satisfaction measures.*

### Responsible financing

Our financing plays a role in shaping the behaviours of our customers towards sustainable development. We expanded our Group Core Credit Risk Policy to incorporate the principles and approach for managing ESG issues in our lending practices and capital market activities. Supplementing the policy is the new Responsible Financing Standard, which provides structured guidance to assess potential ESG risks. Our relationship managers and credit risk officers across the region underwent ESG training in 2017 in conjunction with the roll-out of the standard.

Our risk assessment approach ensures that material ESG issues are considered for all new credit applications, capital markets transactions, and during periodic reviews. We have started collecting data to measure our progress in implementing the Responsible Financing Standard. For the last quarter of 2017, a total of 15 transactions received additional ESG due diligence, and we declined 3 transactions owing to ESG concerns.

Specific sector guides are established to provide further guidance on ESG risks pertinent to that industry. These are developed taking into consideration our strategy and level of exposure to a sector and presently cover seven sectors, namely agricultural commodities, palm oil, chemicals, oil and gas, mining and metals, power generation and infrastructure. We are guided by sectoral standards, and industry best practices such as the International

Finance Corporation Performance Standards and World Bank Environmental, Health and Safety Guidelines.

In 2017, we reviewed the ESG commitments of the seven sector guides, cognisant of the fact that societal expectations and new scientific findings evolve. We published our approach to the palm oil and coal sectors. We will continue to make public our position on the remaining sectors in the coming year.

The ESG risk assessment enables us to develop an overall understanding of the customer's approach to managing ESG issues (including commitment, capacity and track record). Where we identify significant issues, additional due diligence would be required. This may entail site visits, independent reviews or certification requirements. Escalation to relevant industry and sustainability specialists, and approvals may be required.

Read more about our approach to the palm oil and coal sectors at [go.dbs.com/responsible-financing](http://go.dbs.com/responsible-financing).



If any customer is suspected to be involved in undesirable ESG practices, we will promptly engage the customer. If the customer is not willing to take steps to adequately manage and mitigate the identified ESG risks, we are prepared to turn down the transaction or reassess the banking relationship.

### Sustainable finance

As society continues to increase its expectations for businesses to deliver solutions sustainable for our planet, we see opportunities to offer banking solutions that can help meet those expectations.

We are committed to promoting sustainable development and are continuously exploring opportunities that will help us contribute to the SDGs, particularly in the areas of financial inclusion and green financing.

In July 2017, we issued our inaugural Green Bond under the DBS Green Bond Framework. The net proceeds from the issuance were allocated towards DBS' financing of Marina Bay Financial Centre Tower 3, a commercial property in Singapore that was certified Green Mark Platinum by the Building and Construction Authority (BCA) as at the date of issuance. The energy-efficient air conditioning system and lighting of the property contribute to estimated energy savings of 8,394 MWh per annum, while recycling of condensate water from the air conditioning system for use in fountains, irrigation and cleaning contribute to estimated water savings of 6,384 m<sup>3</sup> per annum.

We participate in the BCA Building Retrofit Energy Efficiency Financing Scheme as well as the Economic Development Board of Singapore's Energy Efficiency Financing Pilot Programme to help SMEs offset the high upfront costs associated with energy efficiency improvement works. As at 31 December 2017, our outstanding loans under these schemes amounted to SGD 3.67 million, supporting retrofits that resulted in reduction of over 6,000 MWh energy consumption and two buildings certified as BCA Green Mark.

In addition, we also participate in a range of Government-Assisted Schemes to support SMEs in the growth and expansion of their businesses. These include collateral-free working capital loans for SMEs, micro loans for start-ups to fund their business expansions and the International Finance Scheme to help fund companies' overseas expansion. As at 31 December 2017, our outstanding loans to such schemes amounted to SGD 1,049 million.

DBS played an active role in bringing the USD 8 million Women's Livelihood Bond to fruition. This is the world's first social sustainability bond which is listed on a stock exchange, and positively impacts the livelihoods of over 385,000 women in Cambodia, the Philippines and Vietnam.