DBS Bank's Approach to Responsible Financing

We recognise that our lending practices play an influential role in shaping the behaviours of our customers towards sustainable development and are committed to supporting and implementing responsible financing. The DBS Responsible Financing Standard sets out our overarching approach to responsible financing and provides more structured and detailed guidance to identify and assess potential environmental, social and governance (ESG) risks as part of the credit evaluation process.

Our ESG risk assessment approach is centred on the need to ensure that material ESG issues are considered for all new lending relationships, new credit applications and periodic reviews, as outlined below:

- Where appropriate, specific sector guidelines or approach for ESG-sensitive industries are established to provide further guidance on ESG risks unique to that industry. These are established taking into consideration our strategy and level of exposure to a sector and presently cover eight sectors namely agriculture, chemicals, energy, infrastructure, mining and metals, waste management, forestry and defence. We are guided by sectoral standards, principles or guidelines and industry best practices when developing these guidelines.

- The ESG risk assessment is designed to allow an overall understanding of the customer's approach to managing the ESG issues associated with their business activities (including commitment, capacity and track record) and benchmarks it against the relevant industry standards. Where we identify potential issues as part of our ESG risk assessment or where a customer is in ESG-sensitive industries, additional due diligence would be required. The additional due diligence may entail customer engagement, site visits, review of documentation and where necessary, independent reviews or certification requirements. Depending on outcomes of the due diligence, additional escalation, which may include requirements for additional levels of review by relevant industry specialists, and approvals may be required.

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- If any customer is suspected to have, or there are credible allegations that it is involved in undesirable ESG practices, we will promptly engage the customer concerned. 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 re-assess the banking relationship.

The DBS Responsible Financing Standard, which includes general ESG guidance for all sectors and the relevant sector guidelines for ESG-sensitive industries, is subject to regular review. We recognise that responsible financing is a journey and intend to review and enhance our standards over time to create positive outcomes for our customers and stakeholders.

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Approach to Palm Oil sector

Palm oil is widely used for cooking, in food products, healthcare, detergents, cosmetics, and increasingly, biofuels. It is also a very productive crop and the palm oil sector provides a livelihood to millions of people in developing countries. Indonesia and Malaysia are the largest producers and exporters of palm oil globally. However, its production, if not integrated with good ESG practices, can result in negative impacts to the environment, economy and people.

While our credit exposure to growers and processors of palm oil is not material, accounting for <1% of total loans and advances to customers as at end 2016, we recognise that we can play a role in promoting a sustainable palm oil sector by being discerning in our lending practices to this sector. In this regard, we seek to support responsible companies in the palm oil sector that undertake good ESG practices including complying with existing national and international certification standards such as the Indonesian Sustainable Palm Oil (ISPO), Malaysian Sustainable Palm Oil (MSPO) or Roundtable on Sustainable Palm Oil (RSPO). We will not consciously finance companies that we know are violating local or national regulations or engaged in unlawful land clearance by burning, adversely affect high-conservation value forest, involved in new planting on peatland or violate rights of workers or local communities.

Going forward, we will require new lending relationships in the palm oil sector to be able to additionally demonstrate alignment with no deforestation, no peat and no exploitation policies or equivalent that are increasingly being adopted in the palm oil sector. We will also consider new customers who have achieved RSPO certification or are able to demonstrate that they are working towards achieving RSPO certification within a satisfactory timeframe. For avoidance of doubt, these commitments are in addition to compliance with local or national regulations and must include zero burning policy. These requirements for new lending relationships in the palm oil sector will be integrated into our existing ESG risk assessment approach for the palm oil sector. We recognise that responsible financing is a journey and seek to support customers that are able to demonstrate commitment or are taking positive steps towards responsible and sustainable practices. We will not onboard new lending relationships who do not meet these requirements.

We will continue to monitor the sector closely and ensure that our policies reflect changes in societal expectations and new standards in the sector.

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