RESPONSIBLE FINANCING SECTOR-SPECIFIC POLICIES

Introduction

Our Responsible Financing sector-specific policies outline our requirements and expectations for clients in sectors with elevated risk of potential environmental and social impacts. They set out the ESG assessment criteria and guidelines for assessing the ESG risks of our clients operating in these sectors, and lay out the standards in which we assess our clients' capacity to manage such risks, in line with best practices and standards. We continue to evolve our framework by developing new policies or reviewing existing ones in response to a dynamic external environment, such as incorporating climate-related considerations.

Our Policies

Our Responsible Financing sector-specific policies are guided by the Association of Banks in Singapore (ABS) Responsible Financing Guidelines, the Monetary Authority of Singapore (MAS) Environmental Risk Management (EnRM) Guidelines for Banks, and scientific, technological and regulatory policy developments in environmental risk. The Policies are approved by the Bank's Credit Risk Management Committee, and comprise:

- Responsible Financing Policy for Agriculture and Forestry
- Responsible Financing Policy for Chemicals
- Responsible Financing Policy for Energy
- Responsible Financing Policy for Infrastructure
- Responsible Financing Policy for Mining and Metals
- Responsible Financing Policy for Waste Management

Each sector-specific policy is supported by a sector-specific ESG risk assessment template, which provides relationship and credit risk managers with a structured approach to assess our clients' track record, along with their capacity and commitment to manage ESG factors and climate risk effectively. This assessment is an integral component of the credit and risk evaluation, undertaken by relationship managers and is reviewed annually. Transactions identified as having high ESG risk are subject to enhanced due diligence, while transactions that pose significant reputational risks related to ESG issues are escalated to the Reputational Risk Review Group (RRRG) for additional review.

Exclusion List

We will not engage in or knowingly finance any activity where there is clear evidence of immitigable adverse impact to the environment, people or communities. Our exclusion list lays out the activities we will not finance.

- 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 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
- Production or trade in controversial weapons and munitions for offensive warfare (e.g. nuclear, biological and chemical weapons, anti-personnel mines and cluster munitions)
- Coal-fired power plants (CFPPs)
    - Project financing:
        - Except where financing is towards coal phase-out, as part of a low-carbon transition programme
    - Corporate financing:
        - Where the power generation capacity or revenue of the new client derived from CFPPs exceeds 25%
        - Where the power generation capacity or revenue of an existing client derived from CFPPs exceeds 50%
- Thermal coal mines
    - Project financing
    - Corporate financing:
        - Where the mines capacity or revenue of the new client derived from thermal coal exceeds 25%
        - Where the mines capacity or revenue of an existing client derived from thermal coal exceeds 50%
- Oil and gas upstream projects approved for development after 2021
- Drift net fishing in the marine environment using nets in excess of 2.5km in length

<u>Applicability</u>

Our Responsible Financing sector-specific policies and prohibitions in our exclusion list 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.

The key entities comprise OCBC Bank and its overseas branches, offices as well as wholly or majority owned subsidiaries, 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.

<u>Equator Principles</u>

For corporate and project financing transactions under the scope of the Equator Principles, an Equator Principles Implementation Procedure is established to provide guidance to relationship and credit risk managers. The Equator Principles is integrated as part of the ESG risk assessment process within the credit risk evaluation process.

Responsible Financing Policy for Agriculture and Forestry (incl. Palm Oil)

The agriculture and forestry sector plays an important role in supporting livelihoods, food security and economic growth. However, adverse impacts such as deforestation, fire and haze, biodiversity loss, land conflicts, greenhouse gas emissions, occur when our clients do not conduct their businesses responsibly. Climatic impacts and nature degradation also threaten to significantly affect agriculture production, whilst emissions-intensive agricultural practices continue to contribute to rising global temperatures.

The Responsible Financing Policy for Agriculture and Forestry applies to borrowers that cultivate and process agricultural products, animal production and fisheries:

a) Planters, mills, refiners, processors, wholesale distributors of crops and forestry commodities
b) Livestock and poultry farms, hatcheries, processors, wholesale distributors of animal produce
c) Aquatic farms, hatcheries, processors, wholesale distributors of fisheries

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 mandatory requirements for Malaysian Sustainable Palm Oil (MSPO) or Indonesian Sustainable Palm Oil (ISPO) for palm planters in Malaysia and Indonesia respectively. For planters in other countries to attain Roundtable on Sustainable Palm Oil (RSPO) certification within an agreed timeframe with timebound action plan communicated to OCBC.
- Put in place policies and procedures within an agreed timeframe to prohibit illegal logging.
- Adhere to the country regulations regarding the planting on peat or new peat. New clients and existing clients involved in the development of new plantations to demonstrate alignment to NDPE (No Deforestation, No Peat, No Exploitation).
- Avoid drift net fishing using nets more than 2.5km in length and no illegal, unreported and unregulated (IUU) fishing.
- 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 Roundtable on Sustainable Palm Oil (RPSO), International Sustainability & Carbon Certification (ISCC) and other good industry practices such as Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) and those set by Global Good Agricultural Practices, International Finance Corporation and World Organisation for Animal Health for palm traders.
- Adopt sustainable agriculture practices and techniques that avoid soil and water degradation, reduce water usage and greenhouse gas emissions.

- 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 responsible sourcing and traceability, supply chain management.

Responsible Financing Policy for Chemicals

The global chemicals[1] industry is an important part of the global economy. Chemicals are present in various 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 chemical or gas leaks or fires and explosions at chemical facilities. Manufacturing of chemicals is also one of the activities with highest share in greenhouse gas emissions due to the high energy consumed in the production process.

The Responsible Financing Policy for Chemicals applies to borrowers in the chemicals-related business:

a) Manufacturers
b) Distributors, traders and storage providers

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 Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations and / or projects.

Responsible Financing Policy for Energy

The Energy sector is critical, notably in regions experiencing economic development, population growth and rising energy demands. At the same time, considerations on energy security and ensuring a just transition is paced alongside developments in clean energy towards decarbonisation to net zero. The Energy sector is impacted by these changes, and there is increasing focus not only on scaling low carbon technologies, but also supporting the early retirement of existing carbon-intensive assets. In addition, potential adverse ESG impacts such as atmospheric emissions contributing to climate change, spill accidents, safety hazards

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

including fires and explosions can occur when the sector does not conduct its business responsibly.

The Responsible Financing Policy for Energy applies to borrowers involved in

a) Power generation derived from coal, natural gas, oil, nuclear, and renewables
b) The oil and gas sector, covering exploration, production, transportation, storage, processing, refining, distribution, trading and support services

We will not finance:

- Coal-fired power plants (CFPPs)
  - Project financing:
    - Except where financing is towards coal phase-out, as part of a low-carbon transition programme
  - Corporate financing:
    - Where the power generation capacity or revenue of the new client derived from CFPPs exceeds 25%
    - Where the power generation capacity or revenue of an existing client derived from CFPPs exceeds 50%
- Oil and gas upstream projects approved for development after 2021.

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 Environmental and Social Management System (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 Free, Prior and Informed Consent (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.

Responsible Financing Policy for Infrastructure

Infrastructure projects are core to the growth and prosperity of economies, creating jobs and delivering essential services to the communities they serve. The development or expansion of infrastructure projects can however be energy intensive with significant environmental footprint, resulting in the alteration of natural landscapes as well as socio-economic impacts arising from land acquisition and physical and economic displacements.

The Responsible Financing Policy for Infrastructure applies to borrowers involved in the construction, operation and/ or decommissioning of:

a) Transport infrastructure, including land, rail, air and sea infrastructure such as roads, bridges, tunnels, airports, ports, terminals and harbours
b) Utility infrastructure, including portable water treatment facilities, desalination, drainage and distribution systems, and ancillary power generation-related infrastructure
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 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 Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations and / or projects.

<u>Responsible Financing Policy for Mining and Metals</u>

The Mining and Metals[2] industry plays a crucial role in modern society, supplying essential materials for economic activities such as energy, transport, and construction. Notably, critical minerals such as copper, lithium, nickel, cobalt, and rare earth elements are key components in clean energy technologies, from electric vehicles and electricity networks to wind turbines. Such extractive and industrial activities are however carbon-intensive, with significant footprint on surrounding ecological systems. There is also high risk of stranded assets in thermal coal mines, as the world transitions away from fossil fuels. In addition, the sector can 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 Responsible Financing Policy for Mining and Metals 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

We will not finance:

- Thermal coal mines
  - Project financing
  - Corporate financing:
    - Where the mines capacity or revenue of the new client derived from thermal coal exceeds 25%

[2] The policy covers both 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 would largely include surfacing mining (open pit) and underground mining.

  - Where the mines capacity or revenue of an existing client derived from thermal coal exceeds 50%

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 Environmental and Social Management System (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 Free, Prior and Informed Consent (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.

Responsible Financing Policy for Waste Management

With rising population and urbanisation, transboundary movement of waste, waste management has become a significant environmental issue. Notably, waste treatment and disposal, when not properly managed, pollute ecological systems, and can lead to high levels of carbon dioxide and methane released. Concomitantly, increased concern over use of fossil-fuel derived plastics and electronic waste generation has led to enhanced regulation (e.g., extended producer responsibility) around waste reduction, reuse and recycling, as societies move towards circular economies.

The Responsible Financing Policy for Waste Management applies to borrowers involved in waste management services, covering waste collection and processing, waste treatment and waste disposal, of various types of waste including but not limited to industrial, biohazardous, chemical (including oil spill), agricultural, electronic and gaseous waste, as well as sewage.

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, occupational health and safety, 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.
- 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.