ABS Guidelines on Responsible Financing

1 June 2018

Release Version 1.1

1. Purpose of this Document

The guidelines define the minimum standards on responsible financing practices to be integrated into member Banks' and Financial Institutions' business models. Members of the Association may adopt higher standards in line with their sustainability strategy.

2. Background

As Singapore is a major regional hub, providing capital and serving as a nexus in global financial networks, banks and financial institutions in the country are important partners in promoting a low-carbon future, which is outlined in individual countries' Nationally Determined Contribution (NDC) to the Paris Agreement 2015 on climate change.

To support more transparent Environmental, Social and Governance (ESG) disclosures, Singapore Exchange Limited requires all listed companies to report on sustainability, on a "comply or explain" basis, with effect from financial year ending on, or after, 31 December 2017.

The Responsible Financing Guidelines build on values such as governance, transparency and trust that underpin Singapore's reputation as an international financial centre. The Guidelines raise the bar of responsible finance as the banking sector continues to play an important part in developing sustainable economies.

3. Scope of Responsible Financing

a. The scope of responsible financing considerations covers the Environmental, Social and Governance (ESG) criteria:

- Environmental: Greenhouse gas (GHG) emissions, deforestation and forest degradation, loss of biodiversity and critical ecosystem services, water, air and soil pollution and contamination, resource efficiency;
- Social: Labour standards, community relations and stakeholder engagement, human rights, health and safety, food security, other necessities of local communities and indigenous people;
- Governance: Corporate ethics and integrity, reputation, management effectiveness, risk management, reporting.

b. The industries with elevated risk that the banks need to take into consideration and prioritise in developing their responsible financing policies as applicable to their business models and their level of exposures are:

- Agriculture
- Chemicals
- Defence
- Forestry
- Infrastructure
- Mining & Metals

The ABS Guidelines on Responsible Financing were first published on 8 October 2015

- Energy from fossil fuels
- Waste Management

4. Three principles on Responsible Financing:

Principle 1 – Disclosure of Senior Management's Commitment to Responsible Financing

a. Banks are to publish their management position and organisation support on responsible financing together with their strategies.

b. Banks are to publish their Chairman's or CEO's commitment to support and implement responsible financing.

c. Banks are to publish their responsible financing policy framework.

d. Banks are to publish the above information in their Sustainability/ Annual Reports and make them available on their websites.

Principle 2 – Governance on Responsible Financing

a. Banks are to allocate resources with clear roles and responsibilities to support the implementation of responsible financing.

b. Banks must ensure governance and internal controls that support responsible financing (e.g. Haze Diagnostic Kit 1.1) are implemented by either:

    (i) having a separate set of responsible financing policies and procedures

    or

    (ii) embedding responsible financing practices into their existing policies and procedures.

Principle 3 – Capacity Building on Responsible Financing

a. Banks are to raise staff awareness and build management capacity on responsible financing by training staff and inculcating an "ESG" mind set.

b. The ABS will work with the relevant stakeholders such as international organisations, regulatory bodies, non-governmental organisation (NGOs) and civil society to conduct seminars for bank staff to strengthen the management of prevailing issues and trends related to responsible financing.