RESPONSIBLE FINANCING SECTOR-SPECIFIC POLICIES

Introduction

Our Responsible Financing sector-specific policies establish our requirements and recommendations[1] for clients in sectors with elevated environmental and social risks. The policies set out the criteria for assessing the ESG risks of clients operating in these sectors and lay out the standards by which we assess our clients' capacity to manage such risks, in line with best practices and standards.

The policies apply to key entities[2] of the OCBC Group that provide lending, as well as debt issuance and debt underwriting activities to corporate, commercial and institutional clients. Our policies are regularly reviewed to keep pace with an evolving external environment.

Our 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. Key activities that the Bank will not finance include:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or subject to international bans
- Activities involving harmful or exploitative forms of forced labour or child labour
- Operations impacting 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 or products regulated under the 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)
- Thermal coal-fired power plant (CFPP) projects or assets*
- Thermal coal mining projects or assets*
- 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

* For further information, please refer to the outline of the Responsible Financing Policy for Energy and Responsible Financing Policy for Mining and Metals in this document.

[1] "Requirements" are OCBC's ESG and climate risk management standards and expectations. Gaps against such requirements may exist as assessed through regular ESG risk assessments or client engagements. OCBC expects that our clients implement action plans to close these gaps over time. "Recommendations" are guidance reflecting best practices that encourage clients to adopt and further enhance their environmental and social risk management.

[2] These key entities comprise OCBC Bank and its overseas branches, offices as well as wholly or majority owned subsidiaries, in our key markets – Singapore, Malaysia, Indonesia and Greater China, with the exclusion of Great Eastern Holdings Group of Companies and OCBC Securities Private Limited. The Bank's investments are governed by a separate responsible investing policy.

Equator Principles

The Equator Principles are integrated as part of the ESG risk assessment process within the credit risk evaluation process. For financing that falls within the scope of the Equator Principles, an Equator Principles Implementation Procedure has been established to guide the relationship managers and credit risk managers on the Equator Principles requirements.

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, and Guidelines on Environmental Risk Management – Transition Planning for Banks.

Each sector-specific policy is supported by relevant ESG risk assessment template(s), which provide 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 effectively. This assessment is an integral component of the credit and risk evaluation, undertaken by relationship managers and is conducted annually. All transactions must be approved by the relevant credit approval authority. 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 clearance.

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 Energy
- Responsible Financing Policy for Industrials (Chemicals and Cement)
- Responsible Financing Policy for Mining and Metals
- Responsible Financing Policy for Real Estate, Infrastructure and Transport

Our Responsible Financing sector-specific policies are outlined below:

Responsible Financing Policy for Agriculture and Forestry

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 and land conflicts occur when businesses are not conducted 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 clients whose main economic activities are in the following sectors:

a) Crops and Forestry Commodities, covering millers, refiners, processors, wholesale distributors

b) Animal Produce, covering livestock and poultry farms, hatcheries, processors, wholesale distributors
c) Fisheries, covering aquatic farms, hatcheries, processors, wholesale distributors

We require our clients to:

- Comply with applicable local/ national laws and regulations where they operate and have adequate policies and processes to enforce compliance
- Implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations or projects
- Adopt good management practices to engage affected communities, such as obtaining free, prior and informed consent (FPIC) or equivalent in the event of displacement or resettlement, where applicable. Safeguard rights of labour and local communities, including setting up grievance mechanisms to address ongoing concerns
- Conduct Environmental and Social Impact Assessment (ESIA), where applicable prior to developing or expanding operations and identify High Conservation Value (HCV) / High Carbon Stock (HCS)
- Prohibit illegal logging and open burning in its operations and supply chain, and implement measures to prevent, monitor, combat fire and haze, including recovery
- For clients in the Palm Oil sector, demonstrate alignment to No Deforestation, No Peat, No Exploitation (NDPE). Specific to planters/millers in this sector, comply with mandatory requirements for Malaysian Sustainable Palm Oil (MSPO) or Indonesian Sustainable Palm Oil (ISPO) for clients in Malaysia and Indonesia respectively. For those in other countries, attain Roundtable on Sustainable Palm Oil (RSPO) certification within an agreed timeframe with timebound action plan communicated to OCBC
- For clients in the Timber sector, to comply with local regulations such as Malaysian Timber Certification, Timber Legality Verification and Sustainable Production Forest Management for clients in Malaysia and Indonesia respectively
- For clients in the Fishery sector, prohibit drift net fishing using nets more than 2.5 km in length

We recommend our clients to:

- Adopt relevant certifications and practices in sustainable agriculture, responsible sourcing and traceability and supply chain management, including but not limited to the International Sustainability & Carbon Certification (ISCC), Forest Stewardship Council (FSC), Terrestrial Animal Health Code and Aquatic Code by World Organisation for Animal Health
- Adopt sustainable agriculture practices to avoid soil and water degradation, reduce water usage and greenhouse gas emissions
- Work towards assessing nature risk and establishing an action plan to mitigate risks posed by nature loss

Responsible Financing Policy for Energy

The Energy sector fuels our economy and society, supplying the power required to drive industrial activities, infrastructure and essential services. Considerations on energy security and ensuring a just transition is paced alongside developments in clean energy towards decarbonisation to net zero. The sector is impacted by these changes, and there is increasing focus on scaling up low carbon technologies, whilst also supporting the early retirement of existing carbon-intensive assets. In addition, potential adverse ESG impacts such as spill accidents, safety hazards including fires and explosions can occur when the sector does not conduct its business responsibly.

The Responsible Financing Policy for Energy applies to clients whose main economic activities are in the following sectors:

a) Power Generation[3], covering development and operations, transmission, distribution, sale and support services.
b) Oil and Gas, covering exploration, production, transportation, storage, processing, refining, distribution, trading and support services

We will not finance:

- Thermal coal-fired power plants (CFPPs) projects or assets
- Clients in the power generation sector that own, control or operate thermal CFPPs:
  - For a new client in the power generation sector, where the total power generation capacity or revenue derived from CFPPs exceeds 25%
  - For an existing client in the power generation sector, where the total power generation capacity or revenue derived from CFPPs exceeds 50%

We will not extend project financing to upstream oil and gas projects that obtained approval for development after 2021.

OCBC is committed to supporting the energy transition. We recognise that transition pathways across the markets in which the Bank operates may vary, and therefore we review and assess considerations for exceptions on a case-by-case basis against strict criteria referenced from international guidelines and established regional taxonomies. Exceptions may include financing of low carbon transition programmes towards the early retirement of CFPPs or financing emissions reduction or energy efficiency improvements for existing CFPPs. We also continue to support power generation sector clients who have credible time-bound diversification or transition plans to reduce their reliance on CFPPs or if the transactions meet the requirements of established sustainable finance taxonomies.

We require our clients to:

- Comply with applicable local/ national laws and regulations where they operate and have adequate policies and processes in place to enforce compliance
- Implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations or projects
- Adopt good management practices to engage affected communities, such as obtaining free, prior and informed consent (FPIC) or equivalent in the event of displacement or

[3] The policy covers generation of electricity by sources which may include coal, natural gas, oil, nuclear, solar power, hydro power, biofuels

- resettlement, where applicable. Safeguard rights of labour and local communities, including setting up grievance mechanisms to address ongoing concerns
- Manage occupational health and safety, including setting up emergency response plan/ procedure appropriate to the clients' business activities
- Conduct Environmental and Social Impact Assessment (ESIA), where applicable prior to new development or expansion projects
- Implement appropriate waste management, pollution control and early detection measures to ensure the proper disposal of waste, mitigate leakage and minimise waste generation, air emissions, water discharges, and spillage

We recommend our clients to:
- Develop and implement sustainable water use and conservation management plans that adhere to international standards and assess potential adverse impacts on the surrounding water basin and biodiversity
- Implement sustainable end-of-life waste management plans aligned with international standards and guidelines to promote resource resilience and circularity

Responsible Financing Policy for Industrials (Chemicals and Cement)

The Industrials sector is essential to the global economy as it produces goods and materials needed for everyday life. Within the sector, Chemicals and Cement production involves energy-intensive manufacturing processes and are major greenhouse gas emitters. This sector also poses significant risks to both the natural environment and human health if not managed responsibly. Accidents like chemical leaks can have damaging effects on the land, groundwater, and communities, persisting for decades. Occupational health and safety issues are more prevalent due to heavy machinery use and exposure to hazardous materials.

The Responsible Financing Policy for Industrials applies to clients whose main economic activities are in the following sectors:

a) Chemicals and cement manufacturers
b) Chemicals and cement distributors, traders and storage providers

We require our clients to:
- Comply with applicable local/ national laws and regulations where they operate and have adequate policies and processes to enforce compliance
- Implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations or projects in the Chemicals sector
- Safeguard rights of labour and local communities. Manage occupational health and safety, including setting up emergency response plan/procedure appropriate to the clients' business activities
- Conduct Environmental and Social Impact Assessment (ESIA), where applicable prior to new development or expansion projects
- Implement adequate policies to manage hazardous material from storage, handling, production to waste disposal appropriate to their business activities

We recommend our clients to:

- Attain ISO45001 for occupational health and safety management systems
- Adopt sustainable production practices to reduce waste generation, air, water or soil pollution

Responsible Financing Policy for Mining and Metals

The Mining[4] and Metals 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 subsequent industrial production 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 impacts when not managed responsibly, such as causing fires and explosions, fugitive dust emission, effluent stream discharge, and exploitation.

The Responsible Financing Policy for Mining and Metals applies to clients whose main economic activities are in the following sectors:

a) Mining, covering exploration, development and construction, operation, closure and decommissioning, and post-closure rehabilitation
b) Processing, covering ore beneficiation and concentration, roasting, smelting, refining, casting, rolling and finishing
c) Distribution and trading

We will not finance:

- Thermal coal mining projects or assets
- Mining sector clients that own, control or operate thermal coal mines:
    - For a new client in the mining sector, where the revenue derived from thermal coal exceeds 25%
    - For an existing client in the mining sector, where the revenue derived from thermal coal exceeds 50%

OCBC is committed to supporting the energy transition. Where mining sector clients have credible time-bound diversification or transition plans to reduce reliance on thermal coal mines or if the transactions meet the requirements of established sustainable finance taxonomies, due consideration for exceptions will be given on a case-by-case basis.

We require our clients to:

- Comply with applicable local/national laws and regulations where they operate and have adequate policies and processes to enforce compliance
- Implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations or projects

[4] Mining 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

- Adopt good management practices to engage affected communities, such as obtaining free, prior and informed consent (FPIC) or equivalent in the event of displacement or resettlement, where applicable. Safeguard rights of labour and local communities, including setting up grievance mechanisms to address ongoing concerns
- Manage occupational health and safety, including setting up emergency response plan/ procedure appropriate to the clients' business activities
- Conduct Environmental and Social Impact Assessment (ESIA), where applicable prior to new development or expansion projects
- Implement appropriate waste management and pollution control measures to ensure the proper disposal of waste, and minimise waste generation, air emissions, water discharges and spillage
- Implement tailings management measures across the facility lifecycle, including independent technical reviews, resilience to extreme events, ongoing structural and water quality monitoring and controls to prevent leakage or spillage, as applicable

We recommend our clients to:
- Develop and implement sustainable water use and conservation management plans that adhere to international standards and assess potential adverse impacts on the surrounding water basin and biodiversity
- Implement sustainable end-of-life waste management plans aligned with international standards and guidelines to promote resource resilience and circularity
- Work towards assessing nature risk and establishing an action plan to mitigate risks posed by nature loss

Responsible Financing Policy for Real Estate, Infrastructure and Transport

Real estate, infrastructure and transport are key drivers of economic growth and connectivity, creating employment and delivering essential services. The development and operation of these sectors are energy-intensive and could be environmentally damaging, resulting in high carbon emissions, landscape changes and biodiversity loss. These sectors also implicate socio-economic issues concerning land acquisition, displacement and community disruption.

The Responsible Financing Policy for Real Estate, Infrastructure and Transport applies to clients whose main economic activities are in the following sectors:

a) Real estate
b) Data centres
c) Infrastructure for transport (land, sea, air facilities), utilities (water, power), and telecommunication (data transmission)
d) Transport (automotive, aviation and shipping)

We require our clients to:
- Comply with applicable local/ national laws and regulations where they operate and have adequate policies and processes to enforce compliance
- Implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations or projects

- Adopt good management practices to engage affected communities, such as obtaining free, prior and informed consent (FPIC) or equivalent in the event of displacement or resettlement, where applicable. Safeguard rights of labour and local communities, including setting up grievance mechanisms to address ongoing concerns
- Manage occupational health and safety, including setting up emergency response plan/ procedure appropriate to the clients' business activities
- Conduct Environmental and Social Impact Assessment (ESIA), where applicable prior to new development or expansion projects
- Implement preservation/enhancement measures to avoid habitat destruction and environmental pollution for clients in the real estate, data centres and infrastructure sectors
- Implement appropriate waste management and pollution control measures to ensure the proper disposal of waste, and minimise waste generation, air emissions, water discharges and spillage for clients in the transport sector

We recommend our clients to:

- Align with relevant industry certifications or guidelines such as green building certifications, International Energy Agency (IEA) Net Zero by 2050 Roadmap for the transport sector, International Civil Aviation Organization (ICAO) Long-Term Aspirational Goal (LTAG), International Maritime Organization (IMO) GHG Strategy
- Adopt circularity in manufacturing operations such as remanufacturing, battery recycling for electric vehicle manufacturers, and responsible sourcing of raw materials, referencing frameworks such as the Responsible Minerals Initiative