The Association of Banks in Singapore

ABS Guidelines on Responsible Financing

8 October 2015

Version 1.0

1. Purpose of this Document

The guidelines define the minimum standards on responsible financing practices to be integrated into banks' business models in Singapore. Member banks may adopt higher standards if they wish.

2. Background

Irresponsible development, unsustainable business and commercial practices have adverse impacts on people and the environment. Financiers have an important role to play in shaping and expecting the responsible actions from their employees and clients.

Banks in Singapore are committed to and have been practising responsible financing as part of their business models. The ABS has established these guidelines to raise the bar of responsible and sustainable finance across the banking sector in Singapore.

3. Scope of Responsible Financing

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

- 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[1];
- Social: Labour standards, community relations and engagement, human rights, health and safety, food security and other basic necessities of local communities or indigenous people;
- Governance: Corporate ethics and integrity, reputation, management effectiveness, risk management.

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
   - Energy, or specially oil, gas and coal
   - Forestry
   - Infrastructure
   - Mining & Metals
   - Waste Management

[1] resource efficiency = using the Earth's limited resources in a sustainable manner while minimising impacts on the environment,

4. **<u>Banks in Singapore to adopt the following three principles on Responsible Financing in their business models:</u>**

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

a. Banks are to publish their management positioning and organisation support on responsible financing as one of their banks' strategies/priorities.

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

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

d. Banks are to publish the above (item a to c) in their Annual Reports and on their websites.

Principle 2 – Governance on Responsible Financing

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

b. Banks must ensure governance/internal controls that support responsible financing by either:

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

    or

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

Principle 3 – Capacity Building on Responsible Financing

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

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