

MEDIA RELEASE

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BANKING SECTOR IN SINGAPORE TO ADVANCE RESPONSIBLE FINANCING WITH THE LAUNCH OF NEW INDUSTRY GUIDELINES

Singapore – The Association of Banks in Singapore (ABS) today released a set of industry guidelines to enhance the implementation of responsible financing as part of Singapore banking sector’s strategic priorities to support sustainable development. The ABS recognises that responsible financing is vital in the sustainable development journey.

Developed in consultation with the banks, the guidelines underscore the Singapore banking sector’s commitment to advance responsible financing through a structured and transparent approach. The guidelines will help to achieve systematic integration of Environmental, Social and Governance (ESG) criteria into banks’ risk assessment and lending decision-making process, as well as greater transparency and accountability on ESG issues. The guidelines comprise three principles:

- Disclosure of senior management’s commitment to responsible financing
- Governance on responsible financing
- Capacity building on responsible financing

At the minimum, banks will share their vision and commitment on responsible financing in their annual reports, and publish their ESG policy framework in 12-18 months’ time. To facilitate the implementation of these guidelines, banks will allocate resources for internal capacity building and skills development. In addition, the banks will implement robust governance systems through appropriate policies and procedures by 2017.

Said Mrs Ong-Ang Ai Boon, Director, ABS: “The banking sector in Singapore wants to play a bigger role in driving responsible business and long-term sustainable development. While some major global banks are further ahead, others have just started on the journey. To support banks on this journey, ABS will continue to engage with regulatory bodies, civil societies, NGOs and other relevant stakeholders to raise the awareness of prevailing ESG issues and trends and facilitate capacity and skills development.”

The ABS will continue to work with the banks to promote sustainable development. It will build on the current work and update the guidelines to respond to new developments and evolving ESG best practices.

ENDS

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About The Association of Banks in Singapore:

The Association of Banks in Singapore (ABS) plays an active role in promoting and representing the interests of the banking community in Singapore. In doing so, ABS works closely with the relevant government authorities towards the development of a sound financial system in Singapore. Since its establishment in 1973, ABS has promoted common understanding among its members and projected a unifying voice on banking issues. It has brought its members closer together through various guidelines and banking practices as well as the support of projects of mutual benefit to face the challenges of the financial and banking community in Singapore. Today, ABS has a membership of 158 local and foreign banks. Further information on ABS is available on the website: www.abs.org.sg.



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 efficiency¹;
- 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. Banks in Singapore to adopt the following three principles on Responsible Financing in their business models:

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 proceduresor
 - (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.