BOS WEALTH MANAGEMENT

A subsidiary of Bank of Singapore

Investing in a Sustainable Future

Environmental, Social and Governance Disclosures

Sustainable investing in various forms has been steadily gaining momentum, with growing interest encouraging the development of better metrics and industry standards that enable greater integration of relevant non-financial factors into investors' decisions.

1. Sustainable or ESG investing aims to achieve a better and more sustainable future for all
2. Small but growing body of evidence suggests that sacrificing returns is not necessary
3. We see a virtuous circle developing that will drive further demand for sustainable investing

BOS Wealth Management Europe S.A. and its UK branch ("BOSWME") are striving in partnership with its parent company Bank of Singapore Limited ("BOS"). to be at the vanguard of sustainable finance and ESG by delivering investments products and solutions that supports the integration of ESG into our values and investment capabilities. In this context, wherever we've said 'we' or 'our', this means BOSWME. BOSWME entity is part of a wider global group which include BOS and its parent Oversea-Chinese Banking Corporation Limited ("OCBC") together referred as "Our Group".

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Commitment to sustainability capabilities, solutions, and services

What is sustainable investing?

While precise definitions vary, sustainable investing – also known as socially responsible investing – can be described broadly as an investment approach guided by the aim of achieving a better and more sustainable future for society as a whole – and not just the individual investor. Sustainable investing thus requires consideration of ESG) factors- defined by Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters - and ESG risks - defined by SFDR as environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of one or more investment and potentially a total loss of its value - in the investment process and is often also referred to as ESG investing.

Broadly, the practice of sustainable investing today can be categorized into three main strategies:

1. **Selective exclusion** of companies or whole industries engaged in activities that are inconsistent with investors' views on what constitutes sustainable or responsible practices. Common examples are weapons, tobacco, fossil fuels, gambling, and pornography.
2. **Integration** of financially relevant ESG factors into investment decisions. An example would be incorporating the risk of future taxes or legal costs in analyzing the future profitability of businesses that use aggressive tax-avoidance strategies, or have poor labor or environmental practices. Such integration is further described when referring to "Our ESG Investment Approach by Services".
3. **Impact investing,** where investors explicitly aim to achieve positive ESG outcomes via their investment decisions – directing capital allocation for social good. Examples include fighting climate change; alleviating poverty; eliminating gender or racial discrimination; and improving access to clean water, healthcare, and education for disadvantaged groups.

In its early days, sustainable investing was widely viewed by the broader financial community as demanding the sacrifice of risk-adjusted returns by excluding lucrative industries (defence, fossil fuels and tobacco); or requiring investments in high-risk ventures such as unproven clean-energy technologies or social enterprises where the profit motive is explicitly subordinated to ESG goals.

Unsurprisingly, many investors keen to effect positive social change initially preferred to base their investment decisions primarily on financial criteria, and set aside a separate budget for engaging in philanthropy, thus effectively treating their wealth generation and ESG activities as distinct.

Over time, however, this view has evolved significantly. Many investors now take a more sophisticated approach to sustainable investing, systematically incorporating ESG factors and ESG risks into their investment process, and engaging more directly in impact investing to improve the ESG outcomes produced by the effort and resources deployed.

As more resources are directed into researching sustainable investing, there is also a small but growing body of evidence that shows that ESG factors can be integrated successfully into the investment process without sacrificing returns.

Why ESG matters in investment today?

We see three key, mutually reinforcing developments that are driving interest in sustainable investing today.

1. Enhancements and greater availability of ESG scoring frameworks used to distinguish between investments using ESG criteria, supported by the deployment of more resources to research sustainable investments.

   Many global financial data providers such as Bloomberg, Refinitiv, MSCI, FTSE and S&P Dow Jones Indices now offer progressively more refined ESG securities ratings and benchmarks. This has helped to improve and expand investors' ability to integrate ESG criteria into their investment process.

2. Greater awareness and activism around global issues such as climate change, and wealth and gender inequality, supported by the increasingly sophisticated use of social media. This has encouraged more individuals to seek ways to shape both public policy and private business practices related to these issues.

3. Companies' desire to manage ESG-related reputational risks. With greater public scrutiny and improved and more easily accessible tools for assigning ESG scores, businesses are also increasingly conscious of significant downside risks to brands and reputations if they are perceived to be socially irresponsible. In particular, scoring low on published ESG metrics relative to their industry peers is a risk that could hurt their market value.

As ESG methodologies improve, industry standards emerge, and social awareness and activism around global issues grow, we believe that sustainable investing will increasingly become accepted as an integral part of the investment process instead of a distinct or optional investment discipline – in the same way that sophisticated investors expect a minimum standard of due diligence done based on financial criteria before risking their capital.

We see signs of a virtuous circle developing, with growing interest in sustainable investing encouraging the research and development of higher-quality ESG metrics and industry standards – leading to more consistent and granular measurement and reporting of ESG data, closer integration of ESG factors into investment decisions by the professional investment community, and greater availability and customization of ESG products, further reinforcing demand for better tools and products to invest sustainably.

Profit with purpose: what ESG investing means to BOS

- Sustainability assessments are an increasingly indispensable part of the investment process
- ESG considerations focus attention where it belongs – on long-term, risk-adjusted returns
- Many approaches to ESG investing exist; investors should select those that align best with their goals

ESG – Three guiding principles

As our approach to sustainable investing has evolved, we have distilled three key principles that guide our thinking on investing based on environmental, social and governance (ESG) considerations:

1. **Assessment of ESG factors is an integral part of a robust investment process, rather than a distinct investment discipline.**

At the heart of this is our firm belief that incorporating ESG factors into the investment process equips investors with a fuller picture of the risks and opportunities faced by businesses and governments (including ESG risks). These better positions investors to evaluate the risks and opportunities associated with any investment. Incorporating ESG factors into the investment process broadens the scope of information considered, contributing additional insights that improve investment decisions.

At the current nascent stage of ESG integration by the professional investment community, long-term opportunities likely exist due to mispricing of various ESG factors.

2. **Consideration of ESG factors focuses attention on long-term, risk-adjusted investment returns.**

Focusing on long-term, risk-adjusted investment returns is a key tenet of wealth management.

As stewards of capital for clients who are investing to meet long-term financial goals (such as their children's education and a secure future for their family), we aim to position our clients' portfolios to benefit from persistent, long-term trends, prioritising these over short term headline returns that may be at risk as the costs of poor practices manifest themselves over time. Businesses that manage for the long-term consider how they affect the environment and how they treat their stakeholders, including regulators, employees, contractors and suppliers. Such firms are better positioned to generate sustainable returns to shareholders and bondholders over time.

3. **ESG investing is not a simple, "yes or no" decision; investors should choose the approach that aligns best with their goals and preferences.**

It is critical to understand at the outset that there are a multitude of approaches to sustainable investing. The investment approach ultimately needs to be aligned with investors' goals and preferences – in the same way that investors' risk appetite and long-term financial goals should guide their optimal portfolio asset mix. Put simply, there is no one-size ESG approach that fits all investors and selecting the correct approach depends on proper identification of individual goals and preferences.

Importantly, investors who have little interest in investing directly in social enterprises where ESG goals are explicitly prioritised above profits would still benefit from thoughtful integration of ESG factors into their investment decisions.

ESG data captures factors important for valuations (such as business reputation) that are not usually reported and provide insights that are not readily observable using conventional financial metrics. Incorporating these considerations into investment analysis supports better investment decision-making by identifying additional sources of risk and return from key non-financial factors.

As higher-quality ESG metrics and industry standards are developed and more ESG-focused products are introduced, we see increasingly greater opportunities for investors to align their portfolios more closely with their own sustainability preferences and goals.

Group’s approach to sustainability

Our approach to sustainability is based on our Sustainability Framework which comprises of five Sustainability pillars that reflect our sustainability commitments and embody our eight material Environmental, Social and Governance (ESG) factors to support the delivery of our five selected United Nations Sustainable Development Goals[1]* (“SDGs”).

Five sustainability pillars:

1. **Putting clients first**

   Our clients are at the heart of our business. By listening to them, understanding their needs and delivering the best products and solutions, we aim to deliver a superior client experience. This is fundamental to deepening our engagement and forging enduring relationships with them.

2. **Acting with integrity**

   Embedding responsible business practices to safeguard trust and protect value for our stakeholders over the long-term.

3. **Valuing our people**

   Creating a nurturing and engaging work environment that welcomes diversity and enables our people to realise their full potential.

4. **Engaging communities**

   Contributing to healthy, thriving, and inclusive communities through our core business, corporate giving, employee volunteering and partnerships.

5. **Being environmentally responsible**

   Contributing to responsible economic growth and sustainable development through our financing solutions, as well as managing the environmental footprint of our own operations.

Group’s eight material ESG factors

Our approach to sustainability risks are also reflected through our eight material ESG factors which are:

1. Customer Experience,
2. Strong Governance,
3. Inclusive workforce,
4. Community development,
5. Environmental footprint,
6. Digitalisation,
7. Fair Dealing,
8. Combating financial crimes and cyber threats

This framework provides a clear vision for what sustainability means at Bank of Singapore and its subsidiaries. As such, it guides our approach to embedding responsible and sustainable business practices into the core of our business.

[1] being the following SDGs 3. Good Health and Well-being - 7. Affordable and Clean Energy - 8. Decent Work and Economic Growth - 9. Industry, Innovation and Infrastructure - 13. Climate Action

We will be relying on our internal and Group policies to ensure that the investment services provided to our customers consider any adverse impacts when relevant.

Sustainability Risk Approach goes also beyond our investment services, where possible, we introduce standards which will make a tangible difference to the type of business we support. We engage with customers, where appropriate, and support them in moving towards good practice, which is the most significant contribution we can make to sustainable development.

We are part of an organization that is constantly showing its commitment toward sustainability. For further information on our Group sustainability initiatives kindly visit https://www.bankofsingapore.com/ESG.html

https://www.ocbc.com/group/sustainability/index

This framework provides a clear vision on what sustainability means for us. As such, it guides our approach to embedding responsible and sustainable business practices into the core of our business.

Our Group approach to sustainability is driven by various initiatives and policies such as:

- BOS ESG Forum
- OCBC Responsible Financing Policy
- OCBC Policy: Responsible Financing Policy for Agriculture and Forestry
- "Philanthropic Investor" initiatives such as Charity Organizations
- Other ongoing initiatives and policies

The BOS ESG Forum encompasses senior members of OCBC, BOS and BOSWME, and oversees the development and implementation of sustainability initiatives policies including regulatory requirements and risk policies.

Remuneration Policy in relation to sustainability risks

BOSWME remuneration policy aims to protect BOSWME's clients and BOSWME's sustainability in line with our Group's values.

Our "Group LIFRR" values:

Lasting Value
We focus on long-term value creation for our customers, shareholders, people and the communities we serve. We adopt prudent risk-taking in all our dealings and investments. Only then can we achieve growth and sustainability for our business.

Integrity
We hold ourselves to the highest ethical standards and assume that everything we do is in full public view. Fair dealing is the foundation of our business. That way, the trust in us that was built by our predecessors and us will never be eroded.

Forward-looking
We embrace technological advances, economic conditions, and social institutions, progressing with time and the market. Together, we break new grounds through our thinking, actions, and decisions.

Respect
We treat all our stakeholders with respect and humility. We care by listening to, understanding, and supporting one another, working as one team regardless of differences to achieve our common Purpose.

Responsibility
We are committed to being reliable and fulfilling our promises. Each of us individually takes ownership of doing the right things, giving the right advice and developing the right solutions.

Group LIFRR Core Values are part of our remuneration framework, are strongly embedded in our corporate culture and anchor the way employees conduct ourselves. The adhesion to the Group LIFRR Core Values is a metric embedded into the BOSWME remuneration policy which integrates sustainability risks, as an example, Fair Dealing has always featured prominently in our core values. Specifically, our value of 'Integrity' underscores Fair Dealing as the basis of our business.

Our ESG investment approach by services

BOSWME aims to partner with like-minded clients that contribute to sustainable development in society, by offering sustainable financing solutions.

We have seen a significant increase in the demand for sustainable financing in recent years due to better awareness and heightened efforts to combat climate change.

We adopt a consistent approach to ESG integration that allows our investment specialists, research analysts and portfolio managers to blend the sustainability insights drawn from quantitative ESG data with qualitative analysis and to use their professional judgement to assign suitable weights to this information as they do with conventional financial metrics.

Our approach to sustainable investing is forward-looking and transition-based. When evaluating investment opportunities, we take into account not just the current and past ESG profile of a business or government, but our assessment of its future trajectory.

This means that we look at both current ESG leaders and ESG laggards based on their adoption of clear sustainability-linked goals and meaningful progress towards those goals.

In short, we do not automatically exclude investment opportunities in businesses that are current laggards from an ESG perspective – as long as we assess that these enterprises are likely to adapt successfully to evolving consumer preferences and regulations associated with sustainable economic development paths.

Our approach aligns closely with a well-established concept in conventional investing –that the beaten-down stock or bond of a company that has started on the path to recovery often presents an excellent investment opportunity for patient capital.

This nuanced approach is particularly relevant for investors seeking opportunities in large parts of Asia and other global emerging markets – our Bank's core areas of expertise – where ESG-focused regulation, data collection and disclosures remain in the early stages.

Looking ahead, we expect more diversification in industries and countries as our clients embark on their sustainability journey. As the concept of sustainable financing evolves, BOSWME will continue to develop a comprehensive and innovative range of solutions targeted to meet the changing needs and opportunities in the markets where our customers are active in.

Advisory services & Adverse Sustainability Impact statement

BOSWME considers the principle adverse impacts of sustainability factors when providing its clients with advisory services. For this purpose, our investment counsellor will rely on BOS research views to take into account ESG risk factors by asset classes.

ESG is an important long-term investment theme and BOS research regularly publishes research pieces on the latest sustainable investment trends and its implications.

As of 2020, BOS has also adopted MSCI ESG Ratings, with the aim of providing clients with greater transparency on the ESG characteristics of their equities, bonds and fund holdings. MSCI ESG Ratings are designed to measure companies and funds on their ESG risk exposure and risk management abilities relative to industry peers.

BOSWME would be relying on, among other things, such ratings when providing investment advice to its clients on financial products, as defined by SFDR, such as alternative investment funds (AIFs) and undertakings for collective investment in transferable securities (UCITS)[2].

By adopting MSCI ESG ratings, BOSWME seeks to ensure that Advisory services provided to support economic development do not result in an unacceptable impact on people or the environment.

The high customizability of our service thereby enables us to better match the ESG characteristics of our clients' investment portfolios with their ESG preferences.

ESG client's preferences, if any, will be captured in the BOSWME Investment Guidelines when entering into the investment Advisory Agreement.

Discretionary managed portfolios & Adverse Sustainability Impact statement

Sustainability risks are not systematically integrated when providing our clients with discretionary portfolio management services. Indeed, these risks are not systematically integrated due to the nature of the investment objectives within the investment strategies available at BOSWME. No consideration of sustainable adverse impacts is taken into account in the context of this services.

Additionally, the discretionary portfolio management investment strategies do not promote Environmental, Social and Governance (ESG) characteristics or pursue a specific sustainability or impact objective.

[2] However, the investments underlying these financial products may not take into account the EU criteria for environmentally sustainable economic activities.