Live more, Bank less

OUR PATH TO

NET ZERO

SUPPORTING ASIA'S TRANSITION TO A LOW-CARBON ECONOMY

OIL & GAS

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List of abbreviations

Abbreviations (alphabetical order)	
AER	Annual efficiency ratio
AR6	IPCC's Sixth Assessment Report
BF-BOF	Blast furnaces-basic oxygen furnace(s)
CCUS	Carbon capture, utilisation and storage
CIX	Climate Impact X
CO_2	Carbon dioxide
CRREM	Carbon Risk Real Estate Monitor
DCM	Debt capital markets
DRI-EAF	Direct reduced iron-electric arc furnace(s)
EAF	Electric arc furnaces
EAF-Scrap	Scrap-based electric arc furnace(s)
ECM	Equity capital markets
EU	European Union
EV	Electric vehicle(s)
GDP	Gross domestic product
GHG	Greenhouse gas(es)
IATA	International Air Transport Association
IBG	Institutional Banking Group
ICE	Internal combustion engine
IEA	International Energy Agency
IEA NZE	International Energy Agency's Net Zero Emissions by 2050 Scenario
IMO	International Maritime Organization
IPCC	Intergovernmental Panel on Climate Change
$kgCO_2/MWh$	Kilograms of CO_2 emissions per megawatt hour of power produced
$kgCO_2/p\text{-}km$	Kilograms of CO_2 emissions per passenger kilometre travelled
$kgCO_2/vehicle\text{-}km$	Kilograms of CO_2 from tailpipe emissions per vehicle kilometre travelled
$kgCO_2e/kg$	Kilogram of CO_2 equivalent per kilogram of crude steel produced
LLE	Loans and loan equivalent(s)
MPP	Mission Possible Partnership
$MtCO_2e$	Million tons of CO_2 equivalent
N/A	Not applicable
NGFS	Network for Greening the Financial System
NZBA	Net-Zero Banking Alliance
O&G	Oil & Gas
OEM	Original equipment manufacturer(s)

List of abbreviations

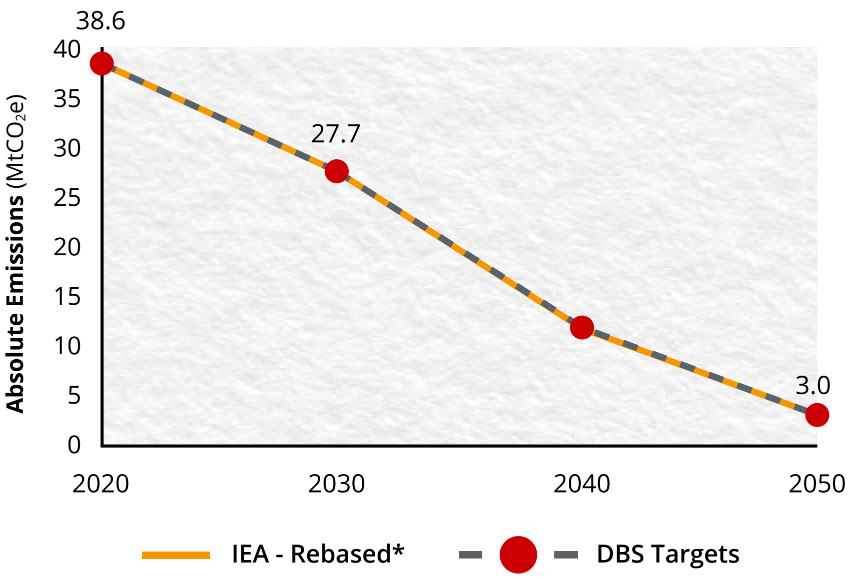
PCAF	Partnership for Carbon Accounting Financials
REIT	Real estate investment trust(s)
SAF	Sustainable aviation fuel
SGX	Singapore Exchange
SPV	Special purpose vehicle(s)
TCFD	Task Force on Climate-Related Financial Disclosures

2.3. Oil & Gas (O&G)

While energy security continues to grow in priority amidst overarching global uncertainties, the importance of extractive hydrocarbons to many countries remains apparent. However, it is also clear that in the longer term there is a collective need to work towards a net zero economy. Today DBS is signalling a clear intent to support that pathway to net zero for the Asian economies and beyond, and this is underpinned by our lending targets for the Oil & Gas sector.

Lim Wee Seng
Group Head of Energy, Renewables and Infrastructure

Oil & Gas Targets



Year	DBS targets ($MtCO_2e$)	% Reduction vs. 2020
2020	38.6	-
2030	27.7	28%
2050	3.0	92%

What's included?

- All Scopes of emissions: 1, 2 and 3 (downstream)
- Upstream O&G
- Downstream refiners and distributors
- Integrated Oil Companies (including National Oil Companies)

Reference scenario

- IEA Net Zero Emissions 2021 – global reference pathway

How we will achieve our targets

- Supporting our clients to meet their transition targets by financing their decarbonisation efforts
- Reducing exposure, especially to high-emitting parts of the O&G value chain
- Directing our financing to companies that are diversifying away from pure O&G production

* IEA reference pathway starting point is rebased to DBS' portfolio starting point, values not directly comparable

2.3.1. Net zero in O&G

O&G is a significant source of GHG emissions globally, largely through combustion of O&G for energy, though also through other chemical processes such as production of hydrogen gas from methane. Reducing GHG emissions from the sector is pivotal to achieving net zero by 2050. O&G companies contribute GHG emissions through all three GHG emission scopes. The processes of extraction, transportation and refining generate Scope 1 emissions. These processes require electricity and generate Scope 2 emissions. End-products are typically burned or used as a feedstock for the petrochemicals industry and therefore generate Scope 3 emissions. In our target setting exercise, we have chosen to include all three emission scopes in our targets.

In the context of the NZE IEA scenario, and unlike the power sector, economic development and inclusive growth and prosperity towards net zero does not rely on expansion or continued use of current levels of O&G products altogether. In line with our net zero commitment, our decarbonisation targets for 2030 and 2050 for the O&G sector are not to produce the same O&G products with lower emissions but to produce fewer O&G products in total. Therefore, we expect the transition in other sectors to reduce demand gradually but significantly for O&G products over time. Meanwhile, we expect many O&G companies will increase their focus and investments on alternatives to O&G products to serve societal need for energy with new technologies. Our emissions reduction targets for the O&G sector capture both sides of this equation. Outside the O&G sector, we are committed to support transition efforts in the industries that currently rely on O&G to reduce their O&G demand. Simultaneously, we will also motivate our clients in the O&G sector to transition and grow their alternative energy activities and, over time, restrict financing to clients that are not transitioning away from production of O&G products. As a result, our targets for the O&G sector are set as an absolute financed emissions target, rather than an emissions intensity metric. To calculate our Scope 3 financed emissions, we have followed the industry methodology set out by the PCAF as described in Section 1.3.2.

That does not mean that there is no role for O&G companies in the transition. In fact, such companies can play a critical role in transition, and many are already making moves supporting transition. This includes:

- Focusing on reducing Scope 1 GHG emissions from their own operations. While this may represent a small portion of the total GHG emissions from the O&G sector, this can bring about a noticeable and short-term reduction in the overall sector emissions.
- Focusing on sustainable fuels – particularly, SAF, low-emission biofuels, hydrogen and ammonia. These play a critical role in the decarbonisation of hard-to-abate sectors, such as aviation and shipping. Supporting net zero requires these fuels to be produced commercially and used in low-carbon processes. In the short-term, even incremental gains over fossil fuels can be positive.
- Diversifying away from O&G and increasing the provision of renewable energy.

It is also important to address demand for fossil fuels and the supply of them in parallel. It is neither realistic nor desirable to abruptly cut off fossil fuel supply without offering commercially-viable alternatives, while demand remains high. Using the Aviation sector as an example, it is unrealistic at this point in time for the sector to achieve net zero as a significant increase in quantity and quality of SAF has yet to be achieved while the demand for air travel is expected to increase.

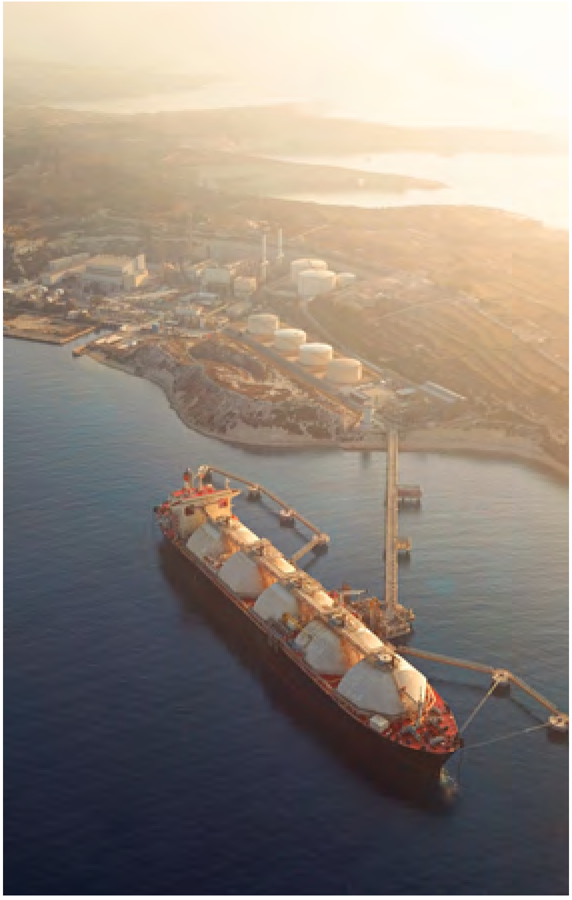
2.3.2. DBS' targets for the O&G sector

Our absolute emissions targets for the O&G sector cover upstream, downstream and integrated companies, making it one of the most extensive targets set to date by any financial institution.

The O&G sector has a complex value chain. Companies can specialise in upstream (exploration and production); midstream (transportation and storage); servicing (such as oil rig maintenance); downstream (refining and distribution); and trading, or they can be integrated across the value chain. DBS' O&G portfolio includes a mix of specialist companies and integrated companies.

As mentioned above, we have set a target to reduce absolute GHG emissions measured in million tons of CO_2 equivalent ($MtCO_2e$) from our drawn facilities to the O&G sector, for which the path to net zero simply requires a lower usage of fossil fuels in total. **Our absolute emissions targets for the O&G sector cover upstream, downstream and integrated companies, making it one of the most extensive targets set to date by any financial institution.** Our guiding principle has been to include companies that can be considered responsible for those emissions and where data is available. This includes companies involved in the extraction of O&G, and so includes our pure upstream, as well as integrated oil companies that are involved in upstream extraction. We have also included pure downstream refining companies. Such companies are responsible for providing O&G products and thus responsible for material Scope 1 emissions, and so can also be included. As our targets are measured in absolute GHG emissions, this creates some double counting: the same O&G products extracted by upstream or integrated companies may be refined by downstream companies, and thus Scope 3 GHG emissions may be included twice. We acknowledge this double count and make no attempt to eliminate it in our targets. Including the double count motivates us to take actions with both sets of companies rather than surmising that some companies have diminished responsibility for emissions as they are allocated elsewhere.

We will achieve this interim target through a range of measures, including:



- Supporting our clients in meeting their existing net zero targets. We have estimated that if the 2030 commitments of our existing clients are fully met, this will result in just under a 10% reduction in our absolute GHG emissions.
- Working with our clients to support them in making and strengthening existing commitments to decarbonise, and then financing these transitionary efforts.
- Providing ring-fenced financing to support transition fuel and renewable energy businesses of O&G companies.
- Directing our financing to clients that produce lower emissions through more efficient processes.
- Applying a critical risk management lens to any financing (especially longer term) that we provide to the O&G sector. As demand is anticipated to drop and carbon taxes are introduced, high-cost extraction and refining are expected to become increasingly uneconomic over time. Assessing this risk will result in differentiated financing costs and availability.

2.3.3. Future development and dependencies

The O&G sector is one side of a supply-demand equation. Without concerted efforts to reduce O&G demand (through the transition of the power, transportation and industrial sectors in particular), reducing the supply of O&G products will be neither possible nor desirable. DBS is playing its part on both sides of this supply-demand equation. However, this also hinges upon the continued application and strengthening of government policies and corporate efforts. We also rely on the success of our O&G clients in pivoting their businesses towards lower-emitting fuels, renewable energy and other activities. We are fully committed to supporting our clients in these efforts, which are key to net zero not only in O&G but in many of the hard-to-abate sectors.

"Committing to net zero by 2050 and setting our 2030 interim targets mark an important milestone of DBS. Navigating this transition will be a long-term endeavour. Much needs to be done in order to fulfil our commitments set out in this report. It will entail a fundamental change in how we do business – both internally and externally. We will enhance the monitoring and reporting of our targets, review our targets and methodologies at regular intervals, and most importantly, support our clients on their transition to adapt to a net zero world."

Yulanda Chung
Head of Sustainability,
Institutional Banking Group

"As we continue on our journey to supporting a just transition, we are working hard to integrate sustainability into everything we do. To achieve this, our employees are our greatest asset and we are enabling them to deliver new solutions to our clients. We will be very focussed on creating a robust ESG data architecture, develop new analytics tools, and above all, invest in our people by offering the relevant learning and development tools so that they can effect a fair and just transition with confidence."

Helge Muenkel
Group Chief Sustainability Officer

The way forward

1. **Monitoring and reporting annually our progress against our targets** – As an early adopter of the TCFD, we have been reporting under the recommendations since 2018. Now as a signatory to NZBA, we remain committed to being transparent about our efforts and will report annually our progress against both our 2030 interim targets and 2050 net zero targets within our sustainability reports. For the seven sectors of which we have set emissions reduction targets, this will entail updating the annual financed emissions for the sectors and analysing the progress against previous years and the respective targets.

2. **Reviewing periodically and, if appropriate, updating our targets and methodologies** – We expect the reference scenarios against which we have calibrated our emissions reduction targets to continually evolve. Precedent suggests that organisations that own these reference scenarios typically update them periodically. However, we do not intend to update our interim targets for 2030 each time these reference scenarios are revised or updated. Doing so would potentially create business uncertainty, both internally for our business planning and externally in our client engagements. However, we intend to review and, if necessary, revise our targets at least once every five years hereafter. Building on the foundation of this round of target setting, we look forward to the next round with more confidence of our approach.

3 **Supporting our clients on their transition journey** – Our ability to achieve our net zero ambition relies heavily upon the success of our clients in delivering their own transition plans. Hence, we are committed to engaging with our clients and supporting them to transition their businesses through sustainable and transition finance. In the past few years, we have seen a significant increase in the demand for sustainable finance solutions, such as sustainability-linked and green loans. To accelerate the transition and meet the vast investment needs in the next few decades, we will proactively partner our customers, providing them with financial advisory and transition finance solutions, as we collectively work towards a low-carbon future.

- **To our clients:** we applaud your efforts to transition to net zero, and we stand shoulder-to-shoulder with you in those journeys.
- **To our investors:** we hear your demand for us to support the transition to net zero and we want to lead the way.
- **And to the wider community:** we are ready to support you in your decarbonisation efforts and realise a fair and just transition by 2050 in a world where no one is left behind.