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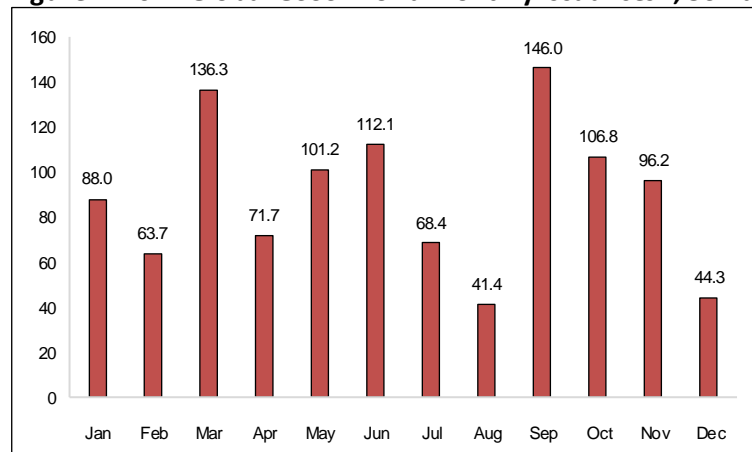
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Monthly ESG Roundup

“Our commitment to ESG mirrors our commitment to the world.” — Evan Harvey, Global Head of Sustainability at Nasdaq

Green¹, social², sustainability³ and sustainability-linked⁴ (GSSSL) bond sales from governments and corporates had a record-breaking year in 2021 with total issuances of USD1.076 trillion globally.

Figure 1: 2021 Global GSSSL Bond Monthly Issuances*, USDbn

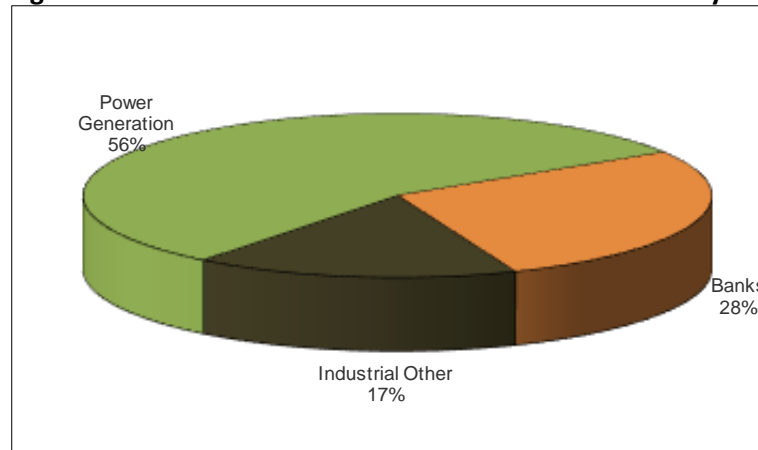


Source: Bloomberg

* Numbers may differ from previous reports as numbers are updated

- Total global GSSSL bonds issuance fell 54% to USD44.3bn in December from USD96.2bn in November.
- With more countries and companies pivoting towards sustainability, the tailwinds for GSSSL market are strong and records can similarly be expected to be broken in 2022.
- Total GSSSL bond issuances in the Asiadollar space totalled USD1.8bn from three issuers for the month of December. The low volume in Asiadollar GSSSL issuances could primarily be due to the year-end holidays.
- M/m, green bond issuances increased slightly by 12.5%, while there were no issuances for social, sustainability and sustainability-linked bonds for the month of December.
- The Asiadollar GSSSL market for the month of December was anchored by Greenko Power II Ltd (“Greenko”). Greenko, which generates renewable energy in India, issued a USD1.0bn 7-year senior unsecured self-reported green bond through a private placement.
- Green bond issuances dominated the primary market last month. Interestingly, this is the first month where we observed only green bonds issuance in the Asiadollar market.

Figure 2: December Asiadollar⁵ GSSSL Bond Breakdown by Industry⁶



Source: Bloomberg

- As seen in Figure 2, issuers in the Power Generation (56%) industry issued the most GSSSL bonds, followed by Banks (28%), and Industrial, Others (17%).

Interesting GSSSL Bond Issuances

- Greenko Power II Ltd (“Greenko”) based in Hyderabad, India, priced a USD1bn 7NC3 senior unsecured self-reported green bond via private placement at par to yield 4.3%, tightening from an IPT of 4.625% area. This is the largest dollar bond deal from an Indian renewable company. The issue was well-received by investors where its order books reached USD2.47bn after peaking around USD2.7bn-2.8bn. Of note, Singapore GIC Holdings Pte Ltd holds 55.5% stake in Greenko. The remaining stake is held by Abu Dhabi Investment Authority, Japan’s ORIX Corp and Greenko founders Kolli and Anil Kumar Chalamalasetty. Per Bloomberg, net proceeds will be used to repay domestic debt issued by a restricted group of subsidiaries and issue expenses.
- Lucid Group Inc., which manufactures electric vehicles (“EV”) and focuses on EV technology as well as energy storage, priced a USD1.75bn 5Y convertible senior unsecured green bond at 1.25% through a private placement. Per the bond’s prospectus, an amount equivalent to the net proceeds raised will be allocated to finance or refinance one or more new or existing “Eligible Green Investments,” including the development, manufacture, or distribution of products, key components, and machinery related to electric vehicles or energy storage systems, as well as investments and expenditures related to renewable energy, energy efficiency, and sustainable water and waste management. The notes are convertible upon the occurrence of certain events and during specified periods. Per Bloomberg, the initial conversion price calculated (USD54.78 per share) represents a premium of approximately 50% over the common stockshare price (USD36.52) on 9 December 2021.

Key Environmental, Social, and Governance news

Singapore

- The People's Action Party (PAP) has announced that residents in areas under the party will be able to participate in a cash-for-recycling program, as well as access more paper recycling machines in a bid to encourage a more sustainable lifestyle. As part of its Action for Green Towns initiative in partnership with SGRecycle, the party has set a target of deploying at least 78 paper recycling machines across its 15 towns by the end of December 2021. More details about the initiative can be found [here](#).
- Singapore Exchange announced its roadmap for issuers to provide climate-related disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") on 15 December 2021. All issuers must provide climate reporting on a 'comply or explain' basis in their sustainability reports from financial year ("FY") commencing 2022. This reporting will subsequently be made mandatory for issuers in the (i) financial, (ii) agriculture, food and forest products, and (iii) energy industries from FY2023. More details on the key changes effective 1 Jan 2022 can be found on the SGX website [here](#).
- Mediacorp Pte. Ltd. ("Mediacorp") is a mass media conglomerate that serves as the national public broadcaster for both radio and television in Singapore. On 16 December 2021, Mediacorp launched an island wide campaign to spread awareness on sustainability issues – the CNA Green Plan. This campaign comprises of a few phases and is centred around the five pillars of the Singapore Green Plan 2030: City in Nature, Resilient Future, Energy Reset, Green Economy and Sustainable Living.

Malaysia

- Bank Negara Malaysia and Securities Commission announced on 09 December 2021 that they have finalized the Reference Guide on Climate Risk Management and Scenario Analysis. This will be issued for public consultation in December. A separate Application Guide on TCFD-aligned disclosures on climate-related risks by financial institutions will also be issued for public consultation in January 2022. Financial institutions are expected to make mandatory disclosure from 2024. More details can be found [here](#).
- RHB Banking Group successfully structured the country's first Green Cross Currency Interest Rate Swap transaction set against environmental, social and governance ("ESG") linked key performance indicators (KPIs) to hedge a USD100m 2-year sustainable loan. The KPI is linked to RHB's Green Financing Commitment of MYR5bn in support of green financing by 2025. More information can be found [here](#).
- Amid the country's deadly flood, Malaysia has reached out to the United Nations Green Climate Fund ("UN GCF") for monetary assistance to develop a national plan to adapt to climate change. Malaysia is seeking USD3mn which

pales in comparison to the projected amount of MYR9.8bn (USD2.33bn) planned for flood mitigation projects.

China

- China's Ministry of Industry and Information Technology has announced a five-year plan to lower the carbon footprint of its industrial sectors, with plans to encourage clean energy usage, sustainable production of materials such as iron ore, and the recycling of existing resources, among other areas. According to the plan, China aims to lower its carbon dioxide emissions by 18 percent and the energy intensity of its major industrial firms by 13.5 percent per unit of value-added industrial output by 2025. The intensity of major pollutant emissions in key sectors will be reduced by 10 percent. More details can be found [here](#).
- In line with the abovementioned five-year plan to lower carbon footprint, People's Bank of China ("PBOC") issued the first 85.5bn yuan (USD13.4bn) batch of low-cost loans to financial institutions under the carbon emission reduction facility ("CERF") on 30 December 2021. This is the first of its kind to be rolled out by PBOC where financial institutions can apply for low-cost funding to back loans issued to companies' emissions reduction efforts. More details can be found in CNA's article [here](#).
- AIA Group has divested almost USD10bn of investments in coal mining and coal-fired power businesses. This action came 7 years ahead of its original plan. According to environmental group, Insure Our Future, 65 insurers with total assets of USD12trillion have thus far divested from coal.
- According to Bloomberg, Chinese issuers recorded USD9.47bn in green debt sales in the onshore and offshore credit markets in December. China Development Bank ("CDB") issued the biggest green bond - a short-dated, 2Y bullet bond with CNY15bn (USD2.36bn) amount outstanding.

Indonesia

- PT Pertamina (Persero) who has been integrating ESG within its business was awarded several gold and green awards by Corporate Performance Rating Program in Environmental Management ("PROPER") organized by the Ministry of Environment and Forestry ("KLHK"). PROPER is one of the Indonesian Government's policies to improve companies' environmental management performance following the laws and regulations. More details can be found on the company's website [here](#) and [here](#).

Australia

- Citibank's ESG analysts predict that the future compensation of banks chief executives could be linked to climate change targets, especially in the face of financiers being targeted over their role in helping the world transit into a net-carbon zero economy. Specifically, this relates to Australian banks as they face

shareholder resolutions regarding their climate transition plan in their respective AGMs this month.

- New South Wales suffered Australia's worst Black Summer bush fires of 2019/2020. This year, many of the same areas that endured those blazes are now hampered with rains and floods. According to Mr Andy Pitman, director of the ARC Centre of Excellence for Climate Extremes at University of New South Wales, Australia tends to be hit harder by El Nino and La Nina pattern as the continent is surrounded by powerful climate-driving oceans, from the tropical South Pacific to the colder Southern Ocean off Antarctica.

Rest of APAC

- Japan's Vice-Minister of Finance for International Affairs Masato Kanda suggested last week that Japan will not rush to issue sustainable debt amidst concerns about how the bonds could overwhelm future generations and how sustainable debt invites pressure from external parties, among other reasons.
- India is planning its first floating solar park which is huge at 600 megawatts, comprising six units of 100 megawatts each, located on the Omkareshwar reservoir in the Madhya Pradesh state, Central India. It is said that this project will draw local and foreign investors. In a Bloomberg report, it is reported that tariffs for such floating plant is approximately a fifth higher than that of ground-mounted solar. A lower tariff would pave way for growth in this renewable energy sector and achieve economies of scale. More information can be found [here](#).

Europe and the United Kingdom

- The European Commission has announced that it will delay the implementation of disclosure requirements under the Sustainable Finance Disclosure Regulation (SFDR) related to sustainable investment products by financial market participant to January 2023, so as to "facilitate the smooth implementation of the delegated act by product manufacturers, financial advisers and supervisors."
- The European Council approved EU Taxonomy Climate Delegated Act on 9 December 2021, with the regulation taking effect on 1 January 2022. This marks a significant milestone in providing companies and investors the transparency required for a smoother transition to a net-zero economy. The EU Taxonomy is established by the EU Technical Expert Group on Sustainable Finance (EU TEG) with six defined climate objectives which are climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The first two climate objectives will be implemented in this first delegated act approved. Although the taxonomy legislated, there are still classifications that remain unclear, specifically nuclear energy as clean energy and fossil-based natural gas as a transition fuel. It is indicated that assessment is still ongoing

for this matter. The EU is likely to unveil its plan on how natural gas and nuclear-energy projects will be classified under green investment rules on 22 December 2021.

North America

- As part of the United States plan to decarbonise its economy, the global superpower has set an ambitious goal to slash the cost of removing CO₂ from the atmosphere to USD100/tonne. Current prices can go up to USD600/tonne.
- A study done by the National Academies of Sciences, Engineering, and Medicine found that in 2016, the U.S. generated 42Mt of plastic waste, the largest mass of any other country. In addition, U.S. plastic production has consistently increased each year since the 1960s. To conclude the report, the institute recommended that the US should create a national strategy by the end of 2022 to reduce its contribution to plastic waste in the ocean, including substantially reducing the amount of solid waste generated in the U.S. More information can be found [here](#).
- Biden's administration imposed extensive human rights related sanctions on dozens of people and entities in connection to China, Myanmar, North Korea and Bangladesh in action to mark Human Rights Day on Friday, 9 December 2021. The sanctions incidentally coincide with a two-day virtual Summit for Democracy. More than 100 world leaders committed to oppose rising autocracy globally, fight corruption and promote human rights.

Rest of the world

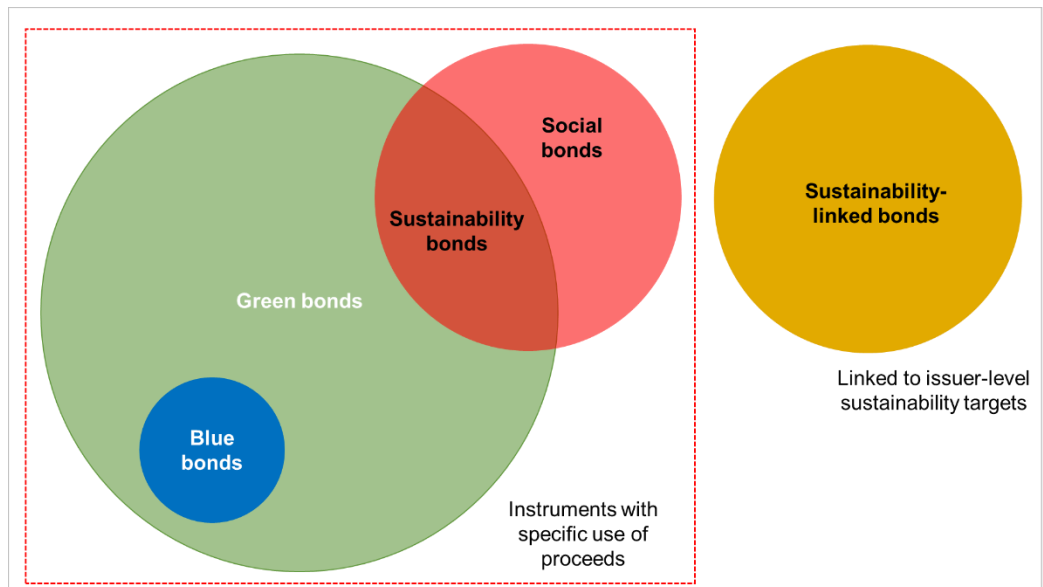
- A record-high winter temperature of 22.5 degrees Celsius has been registered in Penticton, British Columbia. This follows catastrophic flooding in the province since the middle of November and devastating wildfires during the summer season. The increased frequency and severity of these natural disasters have been attributed to human-exacerbated global warming.
- It was reported by Swiss Re, the world's biggest reinsurer that the estimated natural catastrophes and extreme weather events caused around USD250bn in damage this year. This is a 24% increase y/y and the cost to the insurance industry alone was the fourth highest since 1970.
- France enforced the ban on the use of plastic to package a range of fruit and vegetables on 1 Jan 2022. However, the full legislation will not be applied until 2026, allowing firms time to adopt and also to use up existing plastic packaging stocks.
- France's financial regulators, the Autorité des Marchés Financiers (AMF) and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) announced on 29 December 2021, the publication of a new report examining climate commitments made by financial institutions including banks, insurers and

investment management companies. The report focuses in particular on the exposures relating to fossil fuel sector. More details can be found [here](#).

- Similarly, Canada has joined the bandwagon towards mandatory climate disclosures. Prime Minister Justin Trudeau has directed the government's cabinet ministers to move toward mandatory climate-related financial disclosures based on the Task Force on Climate-related Financial Disclosures ("TCFD") and also to require regulated institutions, which include financial institutions, pension funds and government agencies, to issue climate-related disclosures and net zero plans.

Definitions

1. **Green Bond:** Proceeds from these bonds are specifically allocated to financing new and existing projects or activities with positive environmental impacts.
2. **Social Bond:** To qualify as a social bond, the proceeds must be used to finance or refinance social projects or activities that achieve positive social outcomes and/or address a social issue.
3. **Sustainability Bond:** Sustainability bonds are issues where proceeds are used to finance or re-finance a combination of green and social projects or activities.
4. **Sustainability-Linked Bond:** These bonds are structurally linked to the issuer’s achievement of climate or broader SDG targets, such as through a covenant linking the coupon of a bond. KPIs that are not met then results in a decrease or increase in the instrument’s coupon rate.
5. **Asiadollar:** Dollar-denominated bonds, does not include local-currency bonds.
6. **Industry:** As defined in Bloomberg’s BIC Level 2.



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Explanation of Issuer Profile Rating / Issuer Profile Score

Positive (“Pos”) – The issuer’s credit profile is either strong on an absolute basis or expected to improve to a strong position over the next six months.

Neutral (“N”) – The issuer’s credit profile is fair on an absolute basis or expected to improve / deteriorate to a fair level over the next six months.

Negative (“Neg”) – The issuer’s credit profile is either weaker or highly geared on an absolute basis or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7-point Issuer Profile Score scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

Explanation of Bond Recommendation

Overweight (“OW”) – The bond represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Neutral (“N”) – The represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Underweight (“UW”) – The represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Please note that Bond Recommendations are dependent on a bond’s price, underlying risk-free rates and an implied credit spread that reflects the strength of the issuer’s credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.

Other

Suspension – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed. We may also suspend our issuer rating and bond level recommendation in the ordinary course of business if (1) we believe the current issuer profile is incorrect and we have incomplete information to complete a review; or (2) where evolving circumstances and increasingly divergent outcomes for different investors results in less conviction on providing a bond level recommendation.

Withdrawal (“WD”) – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

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