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Monthly ESG Roundup

"The El Nino phenomenon? It's a blip. Latin music's on its way out." – Bridget Jones, Bridget Jones's Diary

Green, social, sustainability and sustainability-linked bond sales from governments and corporates so far this year total USD442.0bn, 244% higher than the same point last year.

Singapore

- **Week of 3 May 2021:** At the Singapore International Energy Week 2021 global launch event, the Energy Market Authority chief executive Ngiam Shih Chun said that Singapore will be quadrupling its solar deployment by 2025, working towards deploying 1.5 gigawatt-peak ("GWp") of solar by 2025 and at least 2GWp by 2030, five times that of today. According to Ngiam, 2GWp of solar could power 350,000 households a year, about 3% of Singapore's total projected energy consumption in 2030. Additionally, excess solar energy will be stored in Energy Storage Systems, which will be deployed with a target of 200MW beyond 2025.

- In a study conducted by SGX RegCo, NUS Business School, and KPMG Singapore which surveyed 14 key financial institutions in Singapore, all respondents called for more structured governance over sustainability, which should come from the board, as well as senior management oversight. Institutions also reportedly want guidance, but not prescription, from regulators in how reported frameworks should be applied. They responded positively to a taxonomy to support the scaling up of sustainable finance that could be aligned to international standards, as well as standardized disclosure methods.

- **Week of 17 May 2021:** Singapore is developing a classification system and guidelines to ensure the quality and credibility of carbon credits while simultaneously working to establish a marketplace to improve transparency in carbon credit transactions.

- Keppel REIT Fin. Company Pte. Ltd, a wholly owned subsidiary of Keppel REIT ("KREIT", Issuer profile: Neutral (4)), which landed a SGD120mn green loan facility on 29 April, will use proceeds to fund the acquisition of Keppel Bay Tower, which is expected to be completed in the second quarter of 2021.

- Olam International Ltd ("Olam", Issuer Profile: Neutral (5)) has been ordered to pay a fine of ~USD263mn for an administration process at its Ivory Coast unit that failed to conform to some standards, while denying allegations of tax fraud.

- **Week of 24 May 2021:** Singapore plans to launch a new platform, Climate Impact X, which will be backed by DBS Group Holdings Ltd ("DBS", Issuer Profile: Positive (2)), Temasek Holdings Pte, Singapore Exchange Ltd., and Standard Chartered PLC ("StanChart", Issuer Profile: Neutral (4)) by the end of the year. This platform will host a marketplace of nature conservancy projects that companies can invest in, as well as an exchange where offset credits can be traded. Climate Impact X will use satellites, artificial intelligence and blockchain technology to verify the integrity of projects. Additionally, it will be guided by an independent international advisory council that will include non-governmental organizations, multinational corporations, business groups and academics. The carbon exchange will initially focus on Natural Climate Solutions.

- The Monetary Authority of Singapore has introduced a new taskforce, the Green Finance Industry Taskforce, which will seek to provide a "principles-based" approach for financial institutions to assess eligible green trade finance transactions, and issue guidance on recommended industry certifications for trade finance activities to qualify as green. The taskforce has also published a White Paper laying out a roadmap to scale green finance in the real estate, infrastructure, fund management and transition sectors.

- Singapore-based Cyberdyne Tech Exchange will introduce a platform in July which will enable trading of green assets, such as solar farms and electric-vehicle infrastructure in tokenized form. On its platform, issuers and investors will be required to disclose their carbon footprint. Blockchain will be utilized to tokenize (the practice of slicing real assets into fractions of ownership) the assets. The exchange will be available only to accredited and institutional investors upon launch.

- Deutsche Bank AG has established a centre for ESG issues in Singapore, which will focus innovation and fintech to develop products which address ESG-related gaps in the market. For example, this will include solutions for impact monitoring, data management and payments to unbanked communities. Its ESG Centre of Excellence will also house a team that will work across all business divisions of the bank.

- Sapphire Star Trust, which is 40%-owned by Frasers Centrepoint Trust ("FCT", Issuer Profile: Neutral (4)), obtained a maiden SGD589mn green loan tied to Singapore's SORA rate. The margin for the 5-year deal will have a step-down clause in the second year if Waterway Point, a residential and retail property owned by the trust, retains its Green Mark GoldPlus certification status issued by Singapore's Building and Construction Authority.

- **Week of 31 May 2021:** The Monetary Authority of Singapore ("MAS") became the first central bank to join the Mojaloop Foundation as a sponsor-level member to build financial inclusion in emerging economies. MAS will provide policy perspectives and technical guidance in a collaboration to advance digital currency-based settlement systems and foundational digital infrastructure. The foundation is a charitable non-profit whose goal is to enhance the economic well-being of the ~1.7bn unbanked adults globally.

- Sembcorp Industries Ltd ("SCI", Issuer Profile: Neutral (4)) announced plans to quadrable its renewable energy capacity to 10GW by 2025 from 2.6GW in 2020. The company will expand its renewables portfolio via organic growth, M&A activity and partnerships, and capital recycling. Additionally, it plans for its sustainable solutions portfolio to account for 70% of profit by 2025, up from ~40% in 2020.

- Singapore Airlines Ltd ("SIA", Issuer Profile: Neutral (5)) pledged to achieve net zero carbon emissions by 2050. The carrier group plans to invest in new-generation aircraft, achieving higher operational efficiency, adopting low-carbon technology and sourcing for high quality carbon offsets to achieve this goal.

- SP Group signed an agreement with BCG Energy, a holding company for renewable energy assets under Bamboo Capital JSC, to invest in renewable energy projects in Vietnam. Additionally, SP Group now has the exclusive right to acquire up to 49% of BCG Energy's subsidiary, Skylar, which specializes in the development and deployment of solar rooftop assets on factories. (Bloomberg, Straits Times, SGX, OCBC)

Malaysia

- **Week of 10 May 2021:** US Customs and Border Protection ("CBP") personnel in Cleveland seized a shipment of disposable gloves made by Top Glove Corp after information indicated that the gloves were made using forced labour. The gloves were produced in Malaysia by a subsidiary of Top Glove Corp. In response, the Malaysian rubber glove manufacturer said that it had recently resolved the 11 International Labour Organization's forced labour indicators, which was verified by an independent international UK consultant in a report dated 22 April 2021 and is working with the CBP to resolve the issue.

- **Week of 17 May 2021:** Following a previous seizure of a shipment of disposable gloves made by Top Glove Corp Bhd, U.S. officials seized a second shipment at the Port of Kansas City, Missouri last week. The estimated value of the shipment was ~USD690,000. In responses, the company reiterated that it had resolved the 11 International Labour Organization's forced labour indicators.

- **Week of 24 May 2021:** The Malaysia Petroleum Resources Corp, a government agency tasked to develop the oil and gas services and equipment ("OGSE") industry, is taking steps to build sustainability initiatives in the industry as part of its 10-year blueprint launched in April. The agency aims to have at least 70 OGSE companies, out of 2,800 active companies in Malaysia, adopting and reporting their sustainable business operations by the end of this decade. (Bloomberg, OCBC)

China

- **Week of 3 May 2021:** The People's Bank of China is devising structural monetary policy tools which will provide eligible financial institutions with low-cost funds and encourage them to offer financing at preferential interest rates for key projects with significant effects in carbon emissions reduction. The tools will operate under the principles of market-oriented, transparency and international alignment.

- Ningxia Baofeng Energy Group Co Ltd commenced the operation of a hydrogen production facility in Northwest China which is powered by a 200MW solar photovoltaic. The new plant could reduce coal consumption by 254,000 tonnes per year, leading to 445,000-tonne carbon dioxide emissions cut. According to local broadcasters, this is now the world's largest solar-powered hydrogen plant.

- **Week of 10 May 2021:** China's five biggest state-backed power firms announced plans to develop ~305GW of new wind and solar capacity in the next five years, almost twice the amount the US is estimated to install over the same period. While State Power Investment Corp, China Energy Investment Corp, China Huaneng Group, China Datang Corp, and China Huadian Corp plan to expand their renewable energy capacity, they will also add new domestic coal power projects, and pursue fossil fuels developments overseas.

- US-based think tank Rhodium Group [published a report stating] that China's greenhouse gas emissions in 2019 exceeded those of all development countries combined for the first time. China's carbon emissions reached 14.09 gigatons of carbon dioxide equivalent while emissions from all members of the OECD and all 27 European Union member states reached 14.06 gigatons. However, China's per capita emissions totalled 10.1 tons, lower than the OECD's 10.5 tons per capita emissions.

- **Week of 17 May 2021:** Sinopec has started operating its first movable solar power plant, which has an annual power generation capacity of 116,800 kWh and can reduce carbon emissions by 91 tons. Once the plant's expansion in completed in September this year, its total solar capacity will reach 28 million kWh and have an emissions reduction of 2,600 tons.

- **Week of 31 May 2021:** The Beijing 2022 Winter Olympics will use vehicles powered by clean energy, which will reduce 11,000 tons of carbon emissions. Carbon refrigerant will be used, which will reduce energy use by over 30% while Olympic venues will be powered by green electricity. (Bloomberg, Rhodium Group, Yicai Global, OCBC)

Indonesia

- **Week of 10 May 2021:** Indonesia plans to cut greenhouse gas emissions by 26.8% to 27.1% by 2022 from its 2010 baseline, which would put the country on track to reach the Paris Agreement target for a 29% reduction by 2030.

- **Week of 31 May 2021:** Indonesia will no longer approve any new coal-fired power plants and will only allow the completion of plants that are already under construction or have reached their financial close. State-owned PT Perusahaan Listrik Negara will exit from all coal-fired powered plants by 2056 in a bid to turn to renewable energy.

- Separately, Indonesia is considering implementing a carbon tax on emissions from the use of fossil fuels. Revenue from the tax would be used to invest in environmentally friendly sectors and welfare programs. (Bloomberg, OCBC)

Australia

- **Week of 3 May 2021:** According to an ESG report by Natixis Investment Management, just 16% of financial advisors in Australia had been asked by their clients for ESG investments, the lowest rate globally, despite 83% of individual investors claiming they wanted investments which aligned with their assets and values. Advisors also disclosed that better ESG reporting would assist with establishing which of the many ESG vehicles available would offer good performances.

- Burwood Brickworks, a mixed-used project in Melbourne developed by Frasers Property ("FPL", Issuer Profile: Neutral (5)), achieved the Living Building Challenge Petal Certification from the International Living Future Institute. The certification requires developments to have a net positive impact "by challenging them to operate as cleanly, beautifully and efficiently as nature's architecture." The development has several sustainability measures, such as a solar photovoltaic system, an embedded thermal and electricity network and wastewater treatment.

- **Week of 10 May 2021:** Macquarie Group Ltd ("MQG", Issuer Profile: Neutral (3)) confirmed its plans to end coal leaning and investment, with its remaining exposure to the sector to end by 2024.

- National Australia Bank Ltd ("NAB", Issuer Profile: Positive (2)) led the development of a first-of-its-kind sustainability-linked loan for Port of Newcastle, Australia's largest east coast seaport. The loan, part of a broader AUD666mn refinancing facility, includes AUD515mn in sustainability-linked loans that offers a lower margin on debt if the seaport hits targets across a range of social and environmental metrics. This is the first sustainability-linked financing by an Australian seaport and the first such loan in Australia to include a modern slavery assessment metric addressing the borrower's suppliers.

- **Week of 24 May 2021:** One of the world's biggest gold miners, Australia's Newcrest Mining Ltd, set a new goal to reach net-zero carbon emissions by 2050, after initially targeting a 30% reduction in emissions by 2030, in line with its commitment to responsible mining. (Bloomberg, OCBC)

Rest of Asia

- **Week of 3 May 2021:** Kia Motors Corp and SK Innovation Co Ltd have jointly developed technology to recycle used EV batteries into energy storage systems, and plan on using the technology in various business models.

- Tata Power Co., controlled by India's largest conglomerate Tata Group, is weighing an IPO for its renewable energy business that could raise ~USD473mn. This development comes as India's renewables sector is forecast to expand rapidly, driven by increasing power demand and decarbonization efforts. If approved by the board, the proposed listing in Mumbai could take place as soon as later this year.

- **Week of 10 May 2021:** On 4th May, the Hong Kong Monetary Authority released details of its Green and Sustainable Finance Grant Scheme, which will consolidate Hong Kong's Pilot Bond Grant Scheme and Green Bond Grant Scheme into one program. Of note, the new scheme will subsidize up to HKD2.5mn in expenses incurred by rated first-time green and sustainable bond issuers and up to HKD1.5mn for unrated issuers. It will also subsidize transaction-related external review fees for green and sustainable issuers and loan borrowers, up to HKD800,000 per issuance or loan. The scheme commenced on 10th May and will last for three years.

- **Week of 17 May 2021:** South Korea announced plans to set up the world's largest semiconductor supply chain by 2030, with assistance from the private sector. Firms will be provided with tax credits pf between 40-50% for investments into research and development projects in new chip technologies and up to 20% for spending on new factories. Additionally, the government will create a "K-Semiconductor Belt" which will encompass every scope of the semiconductor business.

- Hyundai Motor Group will look to invest ~USD7.4bn in the U.S. by 2025 to produce electric vehicles, upgrade production facilities and further investment in smart mobility solutions. The group will begin electric vehicle production at its U.S. facility in 2022.

- The Asian Financial Bank will look to cease financing for coal mining, oil, and natural gas exploration, drilling or extraction activities. However, the bank may finance natural gas projects such as gas transmission, LNG terminals and gas-fired power plants if certain conditions are met.

- According to a report by research firm Verisk Maplecroft, 99 of the top 100 cities most vulnerable to climate change are in Asia. Of those, 37 are in China and 43 are in India, the world's first and third biggest emitters of greenhouse gases respectively. Jakarta was deemed the city most at risk from climate change based on nine factors, including air pollution, water shortages and extreme heat.

- **Week of 24 May 2021:** According to the International Renewable Energy Agency, Southeast Asia must invest ~USD27.0bn a year to reach its target of a 23% share of renewable energy in its primary energy supply and 35% in ASEAN-installed power capacity by 2025. Coal is currently the largest contributor to power generation, accounting for 43% of the total mix. Solar and wind energy, which contribute less than 1% each, have the largest potential for expansion.

- Cathay Pacific Airways Ltd announced plans to reach net-zero carbon emissions by 2050. The carrier will commit to purchasing 1.1mn tons of sustainable aviation fuel over 10 years, which will cover ~2% of total fuel requirements from 2023, as well as to build a carbon offset program, among others.

- A debut green bond amounting to USD500mn may emerge out of Pakistan, where the Pakistan Water and Power Development Authority is looking to sell a 10-year note which will lead to an increase in renewable and hydroelectric generation to 60% of the nation's total electricity by 2030. Subsequently on the 27th of May, a 10-year USD500mn bond was priced at 7.5%.

- **Week of 31 May 2021:** South Korea's state pension fund will cease funding new coal power projects and will exclude investments that fall short of ESG principles. (Bloomberg, Verisk Maplecroft, OCBC)

Europe and the United Kingdom

- **Week of 3 May 2021:** The world's biggest owner of listed equities, Norway's USD1.3tr wealth fund, publicized plans to focus on effective governance, diversity, and climate risk when it votes at shareholder meetings this year. The fund votes on over 120,000 proposals annually. Furthermore, the fund will place special emphasis on board independence and will vote against proposals by company nomination committees where there are not at least two women on the board.

- **Week of 17 May 2021:** A report from the Centre for Research on Energy and Clean Air brought to light a loophole in HSBC Holdings PLC ("HSBC", Issuer Profile: Neutral (3))'s pledge to phase out financing for coal by 2040. The pledge does not extend to HSBC's ~USD612bn asset management arm, which holds ownership stakes in companies that plan to build 73 coal power plants, which is almost enough to supply fossil fuel electricity to all the United Kingdom's homes three times over.

- **Week of 24 May 2021:** BNP Paribas SA ("BNP", Issuer Profile: Neutral (3)) was charged in France earlier in May over accusations of money laundering. The charges are part of an investigation that BNP is suspected to have failed in its due diligence obligations as it neglected to report a suspicious bank account where tens of millions of euros were allegedly used by the family of the late Gabonese president, Omar Bongo, to acquire real estate in France. (Bloomberg, Centre for Research on Energy and Clean Air, OCBC)

US

- **Week of 10 May 2021:** The Securities and Exchange Commission's Chairman Gary Gensler remarked that the agency is aiming to propose rules on ESG reporting by public companies, as well as a possible ESG standard setter to bring consistency to companies' reporting. (Bloomberg, OCBC)

Rest of the world

- **Week of 10 May 2021:** Citigroup, Trafigura Group and Resource Capital Funds have been pitching a new coal-mining investment vehicle, "Coal to Zero", to investors to limit the unintended consequences from large producers exiting the business. The vehicle will purchase the best mines in safe mining jurisdictions and run them for profit while committing to close operations before 2045. The vehicle will not grow during that time and investors will received annual dividends representing almost all the company's profit.

- According to a survey among institutional investors carried out by NN Investment Partners, a Netherlands-based asset manager, 44% of respondents believe that perceived inferior returns are the largest barrier to green bond investing. 63% of those surveyed said that they would use green bonds as an "impact bucket" separate from their traditional bond allocation, while 20% would use them to replace corporate bonds and 17% to replace government bonds. Additionally, 45% believed that green bonds make the most positive impact, followed by sustainability-linked bonds (37%), social bonds (11%) and lastly, transition bonds (7%).

- Global sales of sustainability-linked loans grew by 157% to ~USD108.0bn in the first four months of the year, largely driven by a rise in leveraged deals and stronger interest from US borrowers. ESG loan issuance in the US jumped to ~USD36.0bn between January and April, tripling 2020's full-year sales.

- **Week of 17 May 2021:** The world's three biggest iron ore producers, BHP Group, Rio Tinto Group and Vale Sa, will look for proposals to help deliver electrified haulage truck systems to fast-track the replacement of diesel vehicles at the global Charge On Innovation Challenge. Miners are increasingly under pressure to reduce the carbon footprint of their operations; earlier this year Rio Tinto set a target to reduce the carbon intensity of its steel customers by at least 30%.

- **Week of 31 May 2021:** Several shipping companies including Maersk and Trafigura were among various signatories to a post on the World Economic Forum's website petitioning the shipping industry to reach zero emissions by 2050. The post calls for the International Maritime Organization to address three concerns: (1) to align international shipping with the Paris Agreement temperature goal, (2) to make progress this year at the Marine Environment Protection Committee's 76th and 77th session on meaningful measures to bridge the competitiveness gap between carbon-based fuels and zero-carbon energy sources, and (3) to ensure a globally effective and equitable transition to zero-emission shipping.

- The Asia Pacific Loan Market Association, Europe's Loan Market Association and the U.S.' Loan Syndications & Trading Association published a revised version of the Sustainability Linked Loan Principles. The key changes include (1) stricter restrictions regarding the selection of KPIs and the scope of sustainability performance targets ("SPT"), (2) the requirement for independent and external verification of a borrower's performance level against each KPI and SPT is now mandatory, and (3) the principles have been adjusted to align with the International Capital Market Association's Sustainability Linked Bond Principles. (Bloomberg, NN Investment Partners, World Economic Forum, OCBC)

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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.

Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons held financial interests in the following above-mentioned issuers or companies as at the time of the publication of this report: Singapore Airlines Ltd, GuocoLand Ltd, Oxley Holdings Ltd, Suntec Real Estate Investment, Mapletree Commercial Trust, Frasers Hospitality Trust, United Overseas Bank Ltd, CapitaLand Integrated Commercial Trust, Aims APAC REIT and Ascott Residence Trust.

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