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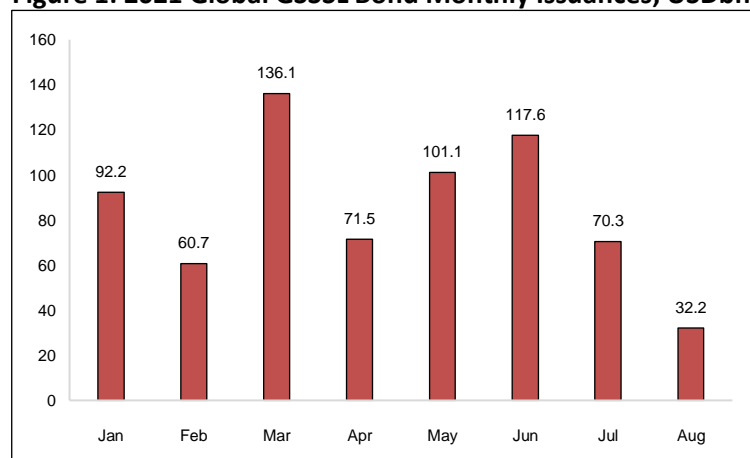
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Monthly ESG Roundup

“Business has a responsibility beyond its basic responsibility to its shareholders; a responsibility to a broader constituency that includes its key stakeholders, employees, NGOs, government – the people of the communities in which it operates.”
— Courtney Pratt

Green¹, social², sustainability³ and sustainability-linked⁴ (GSSSL) bond sales from governments and corporates so far this year total USD682.7bn globally.

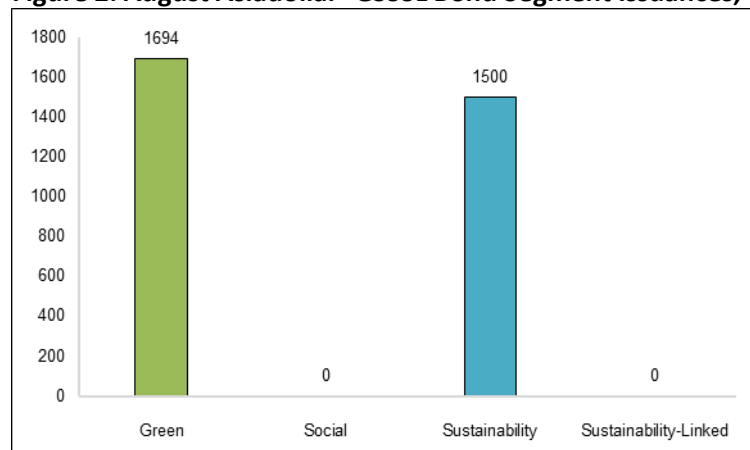
Figure 1: 2021 Global GSSSL Bond Monthly Issuances, USDbn



Source: Bloomberg

- Total global GSSSL bonds issuance fell 54.3% to USD32.2bn in August from USD70.3bn in July. According to Bloomberg, total YTD GSSSL bond issuances have already exceeded last year’s total of USD480bn. Additionally, S&P has raised its 2021 total GSSSL bond issuances forecast to USD1.0tn from USD700bn, no surprise given that companies are quickly refinancing its plain bonds with GSSSL bonds.

Figure 2: August Asiadollar⁵ GSSSL Bond Segment Issuances, USDmn

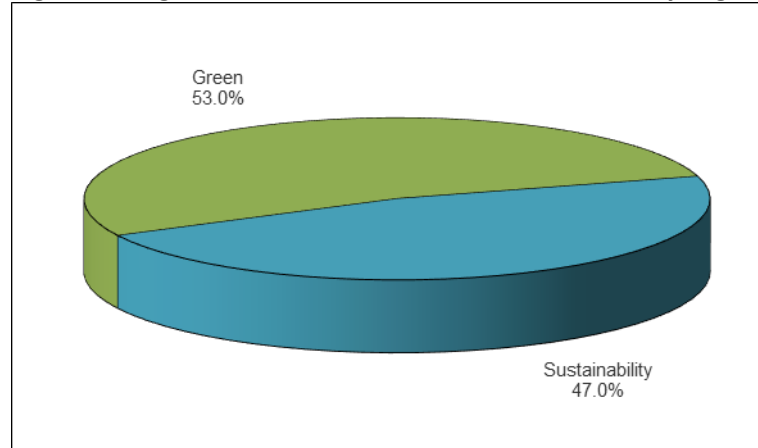


Source: Bloomberg

- Total GSSSL bond issuances in the Asiadollar space totalled USD3.19bn for the month of August, falling 34.1% from USD4.8bn in July. In general, this can be attributed to the overall fall in total issuances in the Asiadollar bond market.

- M/m, green bond issuances fell 45.9%, sustainability bond issuances rose 84.3%, while there were no issuances for social and sustainability-linked bonds.

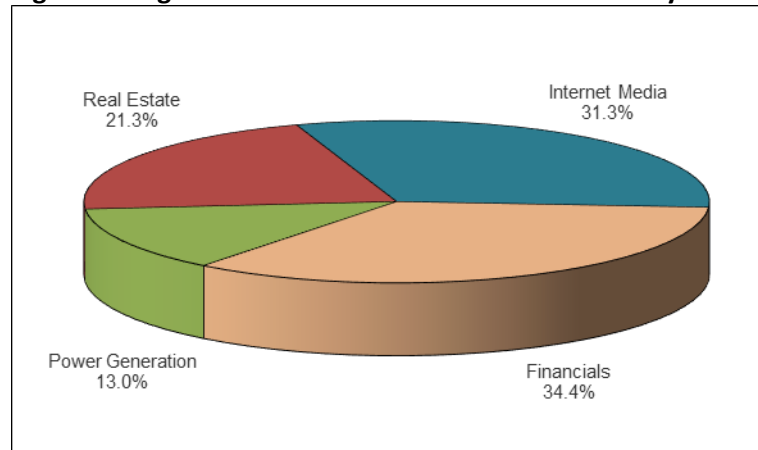
Figure 3: August Asiadollar⁵ GSSSL Bond Breakdown by Segment



Source: Bloomberg

- As seen in Figure 3, the split between green and sustainability bond issuances for the month of August was almost equal, accounting for 53% and 47% respectively.
- It should be noted that Baidu Inc accounted for two-thirds of Asiadollar sustainability bond issuances, and one-third of total Asiadollar GSSSL bond issuances for the month of August.

Figure 4: August Asiadollar⁵ GSSSL Bond Breakdown by Industry⁶



Source: Bloomberg

- As seen in Figure 4, the financial industry was the largest issuing sector for Asiadollar GSSSL bonds at 34.4%, internet media coming in second at 31.3%, and real estate and power generation filling the remainder at 21.3% and 13.0% respectively.

Interesting Bond Issuances

- As part of its goal to become carbon neutral by 2030, Baidu Inc priced a USD300mn 5.5-year senior unsecured sustainability bond at T+83bps, tightening from an IPT of T+115bps area, and a USD700mn 10-year senior unsecured sustainability bond at T+113bps, tightening from an IPT of T+150bps area. Both bonds were priced at tighter spreads than the initial price guidance given to investors and were ~5x oversubscribed, indicating strong demand for the debt offering. This issuance came after Baidu Inc announced a prototype “robocar” that had been eight years in the making at the Baidu World 2021 Conference.
- China Merchants Bank Co Ltd/Luxembourg Branch priced a USD300mn 2-year floating-rate sustainability bond at SOFR+50bps, tightening from an IPT of SOFR+85bps area, and a USD300mn 5-year fixed rate green bond at T+55bps, tightening from an IPT of T+95bps area. The debt offering is the first-ever dual-tranche sustainability and green bond from a Chinese issuer to be listed on the Luxembourg stock exchange. Proceeds will be used to fund eligible green and social projects in areas such as clean transportation, sustainable water and waste management, and employment generation through loans to micro and small enterprises in China. More information can be found [here](#).

Key Environmental, Social, and Governance news

Singapore

- A study conducted on the feasibility of using sustainable fuels by the Singapore Government and industry players is currently undergoing review. Initial findings show that sustainable fuels can reduce carbon emissions by up to 80 per cent, compared with conventional jet fuel on a lifecycle basis, but it is two to five times more expensive.
- Together for Sustainability (TfS), a global sustainability initiative aimed to create a global standard for ESG performance of chemical supply chains, has launched its Singapore team to advocate a global industry standard for best practices in Southeast Asia. TfS has grown to 31 member companies with a combined ~SGD580bn in global turnover and ~SGD420bn in global spending.
- Statutory board National Environment Agency has established a SGD3bn multi-currency MTN programme and a green bond framework for a potential inaugural green bond offering. Proceeds will be used to fund sustainable infrastructure development projects, including NEA’s flagship Tuas Nexus integrated waste management facility which, when completed, will be the first integrated facility in Singapore to treat incinerable waste, source-segregated food waste and dewatered sludge.
- OCBC Bank together with partner Eco-Business launched the inaugural OCBC Climate Index which measures the current levels of environmental sustainability awareness and climate action among Singaporeans. The approach and framework for the OCBC Climate Index is based on an individual’s climate action conversion journey across three pillars – knowledge of environmental issues,

how much and how often someone adopts green practices, and how often they encourage others to adopt green practices.

- The Plastics Recycling Association of Singapore (“PRAS”) has been launched to increase the rate of plastic waste recycling in Singapore. According to the Minister for Sustainability and the Environment Grace Fu, PRAS will develop and expand Singapore’s capabilities for plastic waste, explore new solutions in plastic waste recycling, and create opportunities to bring about a circular economy beyond Singapore.
- The two-year [Jurong Island Circular Economy](#) (JICE) study which aimed to identify potential synergies that can reduce resource use at the system level was recently concluded. The findings have shown opportunities for more collaborations in view of Jurong Island’s goal to transform into a sustainable energy and chemicals park, in line with the Singapore Green Plan 2030. In the same press release, JTC announced two innovation calls to help accelerate Jurong Island’s transition to less carbon intensive environment.
- The Energy Market Authority (“EMA”) and Ministry of Trade and Industry (“MTI”) has launched a three-week-long public consultation to seek inputs for amendments to Singapore’s energy legislation. Proposed changes include imposing green standards for power generating companies, authorising EMA to acquire, build, own as well as operate critical infrastructure, and enhancing the protection of critical electricity and gas infrastructure.
- Singapore Exchange Regulation (SGX RegCo) is proposing a roadmap for climate-related disclosures to be made mandatory in issuers’ sustainability reports, where issuers must make disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). Based on a phased approach, issuers must adopt climate reporting on a comply or explain model from financial year FY2022. From FY2023, climate reporting will be mandatory for some sectors, while comply or explain will remain the approach for the others, with more sectors included from FY2024, according to the proposal, which is open for public consultation until 27 September 2021.
- The Singapore and United States governments have agreed to a partnership to tackle the climate crisis and increase the climate ambition of both countries. The partnership will focus on four broad areas: sustainable finance, energy transition, quality carbon credit markets, and green standards. More information can be found [here](#).
- Moody’s ESG Solutions announced a new partnership with the Singapore Exchange (SGX) which will see ESG and climate scores for Singapore listed companies made available on SGX’s website. The announcement marks the latest step in Moody’s increasing focus on growing its ESG presence in the APAC region.

Malaysia

- Samling Group, a multinational Malaysian conglomerate, has filed a USD1.18mn defamation lawsuit against Sarawak-based civil society group SAVE Rivers over claims that the company's reputation has been maliciously damaged by the green group's online posts. In response, SAVE Rivers announced that it plans to contest the lawsuit.

China

- PetroChina has announced that it aims to have an equal split for its oil, gas, and green energy segments by 2035 in its bid to be carbon-neutral by 2050. Natural gas and oil currently account for ~47 percent and 53 percent of total output. It is at the early stages of developing renewables.

Indonesia

- Indonesia will start construction on the largest floating solar power project in Southeast Asia after state power utility Perusahaan Listrik Negara (PLN) and Masdar agreed financing for the 145 megawatt (MW) joint venture. Indonesia aims to have 23 percent of its energy from renewable sources by 2025 and the country has committed to reach net zero emissions by 2060.
- In an initiative led by the Singapore Chamber of Commerce Indonesia, more than 12 companies have come together to deliver oxygen cylinders from Singapore to Indonesia to help the country combat an oxygen supply crunch. The first batch of shipments containing 150 cylinders of oxygen and 100 jumper pulse oximeters have arrived in Jakarta.
- Also in Indonesia, coal miner PT Bumi Resources Tbk has pledged to cut its greenhouse gas emissions through its subsidiaries, PT Kaltim Prima Coal ("KPC") and PT Arutmin Indonesia. In 1H2021, KPC reduced GHG by 9.8% y/y as part of the group's commitment to Indonesia's carbon-neutral movement. PT Bumi Resources Tbk published its 2020 Sustainability Report on 18th August 2021.

Australia

- The Nature Conservancy (TNC), Government of South Australia and COMON Foundation have announced a landmark AUD1.2mn partnership to restore coastal wetlands across South Australia's emerald coastline through a 'blue carbon' finance project. The aim is to reduce climate emissions through the prevention of methane emissions and storage of carbon in coastal wetlands.
- BHP Group Ltd has announced that it is in talks to sell its petroleum business to Australia's top independent gas producer Woodside Petroleum Ltd in exchange for shares. This comes as BHP has been facing investor calls to elaborate how and when it will exit the fossil fuel business.
- 3M released its annual [State of Science Index](#) – an index which tracks attitudes to science through multi-country original research. For the first time in 2021, respondents from Australia were included in the project. Key findings showed

91% of Australians agree that science gives them hope for the future and 90% believe that science should help drive policy decision making (vs. 85% globally). More details can be found in the link above.

Rest of Asia

- Thailand has banned the usage of sunscreens containing chemicals that could potentially damage coral reefs from its national marine parks. The ban concerns lotions that contain oxybenzone, octinoxate, 4-methylbenzylidene camphor or butylparaben.
- Nikkei Business Daily has announced that the Japanese government will create an indicator that will reflect the country's progress in reducing greenhouse gas emissions in relation to its gross domestic product (GDP). In April, Japan announced a much more ambitious goal for reducing carbon emissions, doubling its 2030 target for cutting carbon emissions to 46% from 26% on 2013 levels.
- Heavy rainfall and floods in Japan have caused thousands of citizens to evacuate due to unprecedented levels of torrential rain in Western Japan. The downpours are forecast to continue for several days over a large portion of the country. Climate scientists have reported that increased rainfall in numerous countries have been attributed to global warming.

Europe and the United Kingdom

- The United Kingdom government announced the [launch of its Hydrogen Strategy](#), which outlines the country's strategy in developing a low carbon hydrogen sector to meet the target of 5GW of low carbon hydrogen production capacity by 2030. The new strategy is estimated to create over 9,000 jobs and unlock GBP4 billion investment by 2030.
- Starting 2024, large Swiss companies with over CHF20 million in annual turnover and with over 500 employees or with over CHF40 million in annual turnover are obliged to report on their climate-related risks using TCFD recommendations.
- A speed limit of 30kmh has been enacted in the city of Paris as of 30 August 2021 in a drive to improve the air quality. Deputy mayor David Belliard has stated this will help to reduce pollution, noise and the number of serious accidents in the city, adding that this is not an "anti-car" measure.
- Philip Morris International Inc ("PMI") has published its business transformation-linked financing framework in a bid to issue sustainable debt. The tobacco company has recently announced its plans to acquire UK-based respiratory drug developer Vectura as it seeks to transition away from cigarettes. However, the proposed acquisition has come under scrutiny from numerous parties due to the cancer-causing nature of PMI's products.

North America

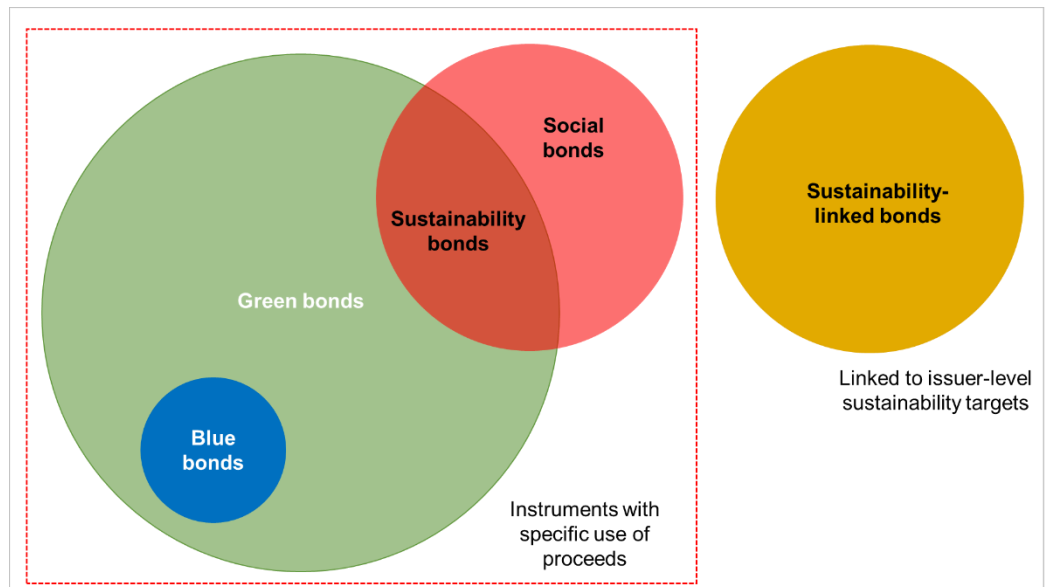
- US President Biden is expected to sign an executive order mandating the initiation of the development of long-term fuel efficiency and emissions standards and setting a new target for zero emissions vehicles – including battery electric, plug-in hybrid electric, and fuel cell electric – to make up half of new vehicle sales in the US by 2030.
- The US Senate has approved a USD1tn infrastructure bill to improve and modernize the nation’s legacy infrastructures. There are several key components of the bill that relates to funding climate resilience projects such as buffering flood control measures, removing flammable vegetation from dry lands, and technology that maps and forecasts inland and coastal flooding. The examples given are non-exhaustive.

Rest of the world

- The Intergovernmental Panel on Climate Change (IPCC) released a scalding [report](#) assessing the current state of global efforts to tackle climate change, warning of the irreversible effects of global warming, and how rapid action could still limit the increase of temperatures to 1.5°C. Key takeaways include:
 - The past decade was warmer than any period in the last 125,000 years.
 - Specific weather events such as heat waves and extreme floods can now be linked to human-made climate change.
 - New climate models have allowed scientists to narrow the estimated range for how temperatures respond to greenhouse gas emissions.
 - A stronger focus on significantly reducing methane emissions is needed on top of net-zero carbon emissions aims.

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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