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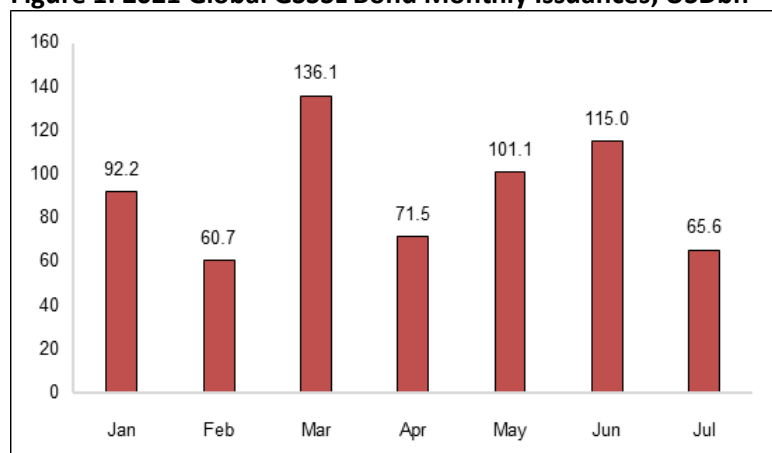
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Monthly ESG Roundup

“There’s one issue that will define the contours of this century more dramatically than any other, and that is the urgent and growing threat of a changing climate.”
 — U.S. President Barack Obama

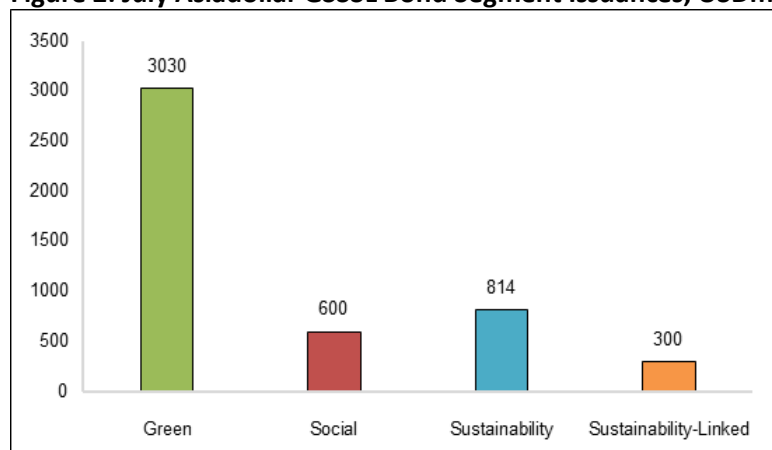
Green¹, social², sustainability³ and sustainability-linked⁴ (GSSSL) bond sales from governments and corporates so far this year total USD642.2bn, 234% higher than the same point last year.

Figure 1: 2021 Global GSSSL Bond Monthly Issuances, USDbn



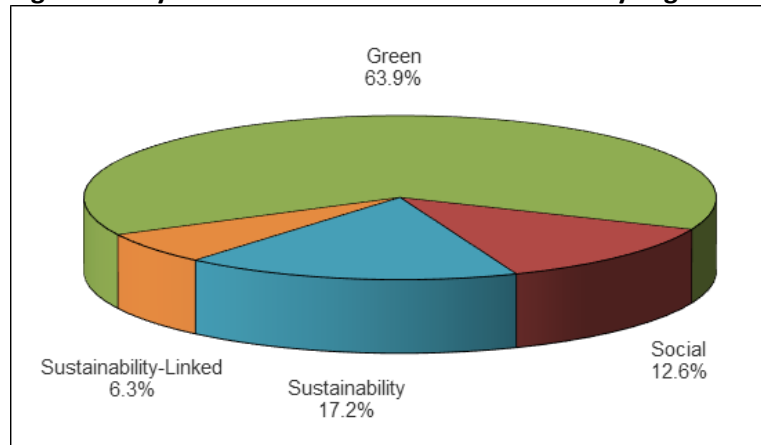
- Total global GSSSL bonds issuance fell 43.0% from USD115.0bn in June to USD65.6bn in July.

Figure 2: July Asiadollar GSSSL Bond Segment Issuances, USDmn



- Total GSSSL bond issuances in the Asiadollar space totalled USD4.7bn for the month of July, falling 28.2% from USD6.6bn in June. In general, this can be attributed to the overall fall in total issuances in the Asiadollar bond market.
- M/m, green bond issuances fell 26.3%, social bond issuances rose 100%, sustainability bond issuances fell 54.8%, and sustainability-linked bond issuances fell 25%.

Figure 3: July Asiadollar GSSSL Bond Breakdown by Segment



- Clearly, green bonds took the lion share of Asiadollar GSSSL issuances at 63.9% for the month of July, followed by sustainability bonds at 17.2%, social bonds at 12.6% and sustainability-linked bonds at 6.3%.
- Proportions of green bonds and sustainability-linked bonds remained somewhat similar to June’s issuances at 62.2% and 6.1% respectively. However, proportions for sustainability bonds fell from 27.2% while social bonds rose from 4.5%.

Key Environmental, Social, and Governance news

Singapore

- The European Union (“EU”) and Singapore reaffirmed their joint commitment and "strong" partnership in global climate action ahead of the 26th United Nations Climate Change Conference of the Parties (COP26). In a meeting that involved European Commission executive vice-president Frans Timmermans, both parties discussed potential collaborations in areas such as circular economy; research, development, and deployment for low-carbon solutions (hydrogen, for example); green finance; and urban greening.
- PwC Singapore is investing SGD50mn over the next five years to launch an ESG Centre of Excellence to build up capabilities in environmental, social and governance (ESG) as part of its global strategy known as “The New Equation”.
- Singapore announced the opening of the Sembcorp Tengeh Floating Solar Farm last week, stated to be one of the world’s largest inland floating PV systems. The solar farm has a capacity of 60 megawatt-peak (MWp), enough to power approximately [16,000 four-room Housing Board flats for a year](#). The launch will contribute to Singapore’s aim to install at least 2 gigawatt-peak of solar PV capacity by 2030.
- Singapore is planning to review the planned increase in its carbon tax as the current planned escalation may not adequately reflect the true cost of greenhouse gas emissions. The industry can expect a revision with details on this unveiled at the next budget in February.
- Singapore-based energy firm Sunseap Group has announced plans to build

the world's largest floating solar farm and power storage system in Batam, Indonesia. The SGD2.73bn project is expected to have a capacity of 2.2 gigawatt-peak and will span 1,600ha, an equivalent to 2,900 football fields. Construction work is slated to begin next year and is expected to be completed by 2024.

- To fulfil its commitment to become carbon neutral by 2050, Temasek has announced that it has set an initial internal carbon price of USD42 per tCO₂e emission to factor in the economic cost of carbon emissions to help inform future investment decisions. (Business Times, CNA, ESG Today, Company, OCBC)

Malaysia

- Malaysia's largest bank by assets, Maybank has announced that it is implementing a USD11.88bn sustainable finance framework by the end of the year. The framework will cover direct lending or investment, and services related to arranging, syndicating, fundraising, or underwriting as well as advisory. Furthermore, the bank will no longer finance new coal projects as well as projects that include deforestation. (Business Times, CNA, Company, OCBC)

China

- China has designated 25% of its onshore territory as "ecological conservation" areas, limiting development and human activities in order to improve the environment and conserve resources.
- China announced the launch of its emissions trading system, which will force numerous Chinese companies to either reduce their greenhouse gas emissions or face financial consequences. The carbon market will be the largest in the world and will initially cover 2,225 power producers, who account for approximately 30 percent of the 13.92bn tonnes of greenhouse gas produced by Chinese factories in 2019. Citigroup estimates USD800mn worth of credits will be bought for this year, rising to USD25bn by the end of the decade.
- Shares in Chinese food delivery company Meituan has fallen ~17% in the past week after the government issued new regulations to protect food delivery drivers, fuelling investor concerns over tighter margins for future operations. Food delivery applications like Meituan and Ele.me have come under scrutiny in recent months over their treatment of workers, with issues ranging from low pay to a lack of basic rights. (Business Times, CNA, ESG Today, Company, OCBC)

Indonesia

- Indonesia's central bank is urging regulatory reform to encourage sustainable financing in the world's top exporter of thermal coal. Bank Indonesia governor Perry Warjiyo commented that it is especially challenging as the economy is heavily reliant on cheap coal for growth, yet it is necessary that

future projects are environmentally friendly moving forward. (Business Times, CNA, OCBC)

Australia

- After years of climate-worsened damage to its vibrant corals, Australia's vast Great Barrier Reef could be added to UNESCO's list of endangered World Heritage sites. Along with six other sites globally that are grappling with issues like ecological damage, overdevelopment, overtourism or security concerns, the reef's fate is being considered at a meeting in China, with a decision on the listing likely to be announced on 23rd July. (CNA, OCBC)

Rest of Asia

- According to new research conducted using advanced satellite imagery technology known as Light Detection and Ranging (LiDAR), more land across Southeast Asia is closer to sea level than previously thought. The study estimates that 157 million people in tropical Asia currently live in areas below 2m above sea level, the range where impacts are predicted to be severe. Large areas might become uninhabitable and unproductive, cascading pressures onto food systems, congested urban developments and economic systems.
- The Bank of Japan (BOJ) released an [outline of its new climate scheme](#) planned for a launch later this year. In the outline, BOJ announced it will finance Japanese financial institutions that extend funding to energy transition projects via green loans and bonds, sustainability-linked loans and bonds with performance targets related to climate change efforts and transition finance. The scheme is planned to last until the end of March 2031
- Findings in a research paper analysing data from 43 countries and 750 cities was published by The Lancet Planetary Health. The paper revealed that more than 5 million deaths every year, including about 2.6 million in Asia, can be attributed to abnormal hot and cold temperatures that are increasingly becoming more frequent due to climate change.
- French electric utility company Engie SA and property manager LOGOS group – which wholly owns the manager of ARA Logos Logistics Trust (“ALOG”), announced the establishment of a partnership to build a regional renewable energy platform to provide solar generation and renewable energy options for LOGOS’ Asia Pacific portfolio. Under the partnership, ENGIE and LOGOS will jointly look to deliver options for the development and financing of renewable energy generation and storage assets throughout Asia Pacific, with an initial focus on rooftop solar PV in Singapore, Australia, and New Zealand.
- Southeast Asia’s technology unicorn Grab has [announced](#) new carbon offset features integrated in their app that can help users reduce their carbon footprint. Furthermore, Grab and Hyundai Motor Group will also launch new Electric Vehicle (EV) pilot programmes to make EV ownership more affordable and accessible, while jointly developing a roadmap to accelerate

EV adoption in Southeast Asia.

- Japan will increase its 2030 target for renewable energy in the country's electricity mix to meet commitments under international agreements on climate change. Renewables should account for 36% to 38% of power supplies in 2030, double the level of 18% in the financial year to March 2020. The earlier target was for renewables to contribute 22% to 24% of electricity in 2030. (Business Times, CNA, ESG Today, Company, OCBC)

Europe and the United Kingdom

- The European Central Bank ("ECB") integrated climate change considerations into its monetary policy strategy, the first major overhaul of its goals and tools in almost two decades. The bank will in future consider companies' environmental credentials when examining whether an asset can qualify as collateral or be purchased by the Frankfurt institution. It will also begin carrying out "climate stress tests" to assess the Eurosystem's risk exposure to climate change, as concerns grow over the accelerating warming of the planet.
- The UK has outlined plans to reduce greenhouse gas emissions in the transport sector as part of its 'Green Industrial Revolution' plan. Key initiatives include phasing out the sale of new diesel and petrol heavy goods vehicles (HGVs) by 2040, creating a net zero rail network by 2050, and launching a "Jet Zero" consultation aimed at achieving net zero aviation emissions by 2050, including net zero domestic aviation emissions by 2040.
- The European Commission introduced a broad set of proposals to ensure the EU reaches its targeted ambition to cut emissions by 55% by 2030, compared to 1990 levels. The proposals span policies across energy, land use, transport, taxation, as well as aiming to ensure a socially fair transition.
- In the UK, the Financial Conduct Authority (FCA), which regulates financial services firms and financial markets in the UK, announced in a letter to authorised fund managers that applications for ESG-focused funds are frequently not meeting expectations. [The letter](#) proposes a series of guiding principles for fund managers to include in their applications.
- The Greenland government announced that all oil exploration in Greenland will be ceased due to the increasing threat of climate change. While this is a setback to Greenland's aim of independence from Denmark by eliminating the annual subsidy, it receives from the country, the government states this is part of their responsibility in combating the global climate crisis.
- The UK's Financial Conduct Authority (FCA) announced a series of proposed changes to its Listing Rules aimed at boosting transparency into gender and ethnic diversity at publicly listed companies. Along with the proposed rules, the FCA established diversity targets for companies to report against, including having women make up at least 40% of the board, with a woman in at least one senior board position, and at least one board member from a Non-White ethnic minority background. These targets need not be met but

companies would need to issue a “comply or explain” statement annually to justify its case. (Business Times, CNA, ESG Today, Company, OCBC)

North America

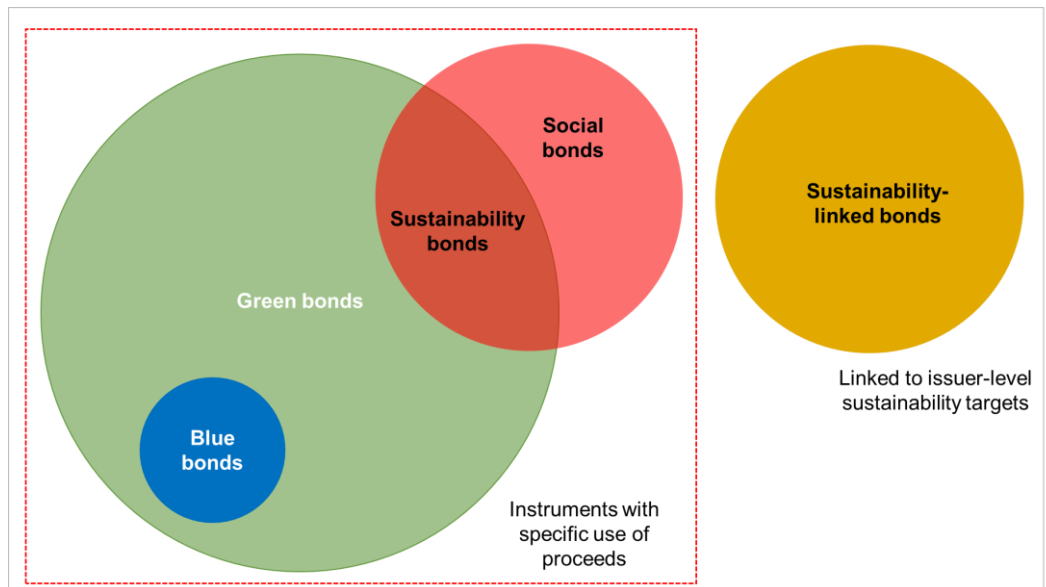
- The U.S Department of Energy (“DOE”) announced today funding of USD52.5mn for a series of projects aiming to advance next-generation clean hydrogen technologies. The announcement adds on to its recently announced Hydrogen Energy Earthshot initiative, which aims to dramatically reduce the cost and increase the accessibility of clean hydrogen, unlocking new markets for hydrogen, including steel manufacturing, clean ammonia, energy storage, and heavy-duty trucks.
- The Government of Canada announced that it has formally submitted its Nationally Determined Contribution (NDC) to the United Nations, committing to cut greenhouse gas (GHG) emissions relative to 2005 levels by 40% – 45% by 2030. In addition, the government has outlined plans such as grants for energy efficiency and climate resiliency-focused home retrofits, funding for green building initiatives, infrastructure planning, public transportation investments, zero emissions vehicle legislation, and renewable energy development.
- The US Securities and Exchange Commission’s (SEC) chairman Gary Gensler said that the target is to have proposed rules in place for mandatory climate risk reporting by companies by the end of the year. He also cited investor demand as the key driver of the move towards revamped reporting rules. (Business Times, CNA, ESG Today, Company, OCBC)

Rest of the world

- A scientific report published by the Science Panel for the Amazon states that more than 10,000 species of plants and animals are at high risk of extinction due to the deforestation of the Amazon rainforest. It is the most comprehensive research paper conducted on the forest to date, involving 200 scientists from across the globe.
- Harsh rainfall has hit several parts of the world in recent weeks, with floods in India, China and Western Europe causing death tolls to rise to at least 338. This number is expected to rise as rescuers search for victims in the respective countries. Increased occurrence of flooding and torrential rain is attributed to the adverse effects of climate change.
- The UN Climate Change Secretariat announced the release of Climate Action Pathway 2021, which provides a roadmap for financial markets to align with global net zero aims by 2050. The report can be downloaded [here](#).
- According to Morningstar, global sustainable funds AUM hit a record USD2.3tn in 2H2021, led by flows into equities. European sustainable funds dominate the net inflows, at USD112.4bn, followed by the US and Asia, with net inflows at USD17.6bn and USD5.3bn respectively. (Business Times, CNA, ESG Today, Company, OCBC)

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.



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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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