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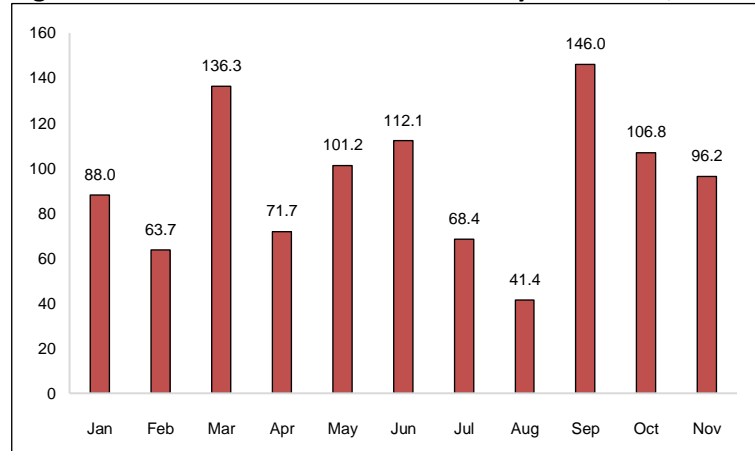
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Monthly ESG Roundup

“Humanity has long since run down the clock on climate change. It’s one minute to midnight on that Doomsday clock and we need to act now.” — British Prime Minister Boris Johnson

Green¹, social², sustainability³ and sustainability-linked⁴ (GSSSL) bond sales from governments and corporates so far this year total USD1.0 trillion globally.

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

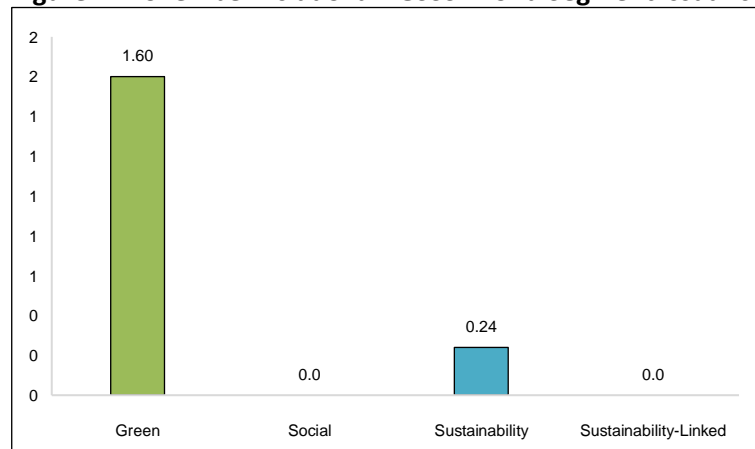


Source: Bloomberg

* Numbers may differ from previous reports as Bloomberg updates its numbers

- Total global GSSSL bonds issuance fell 9.9% to USD96.2bn in November from USD106.8bn in October.
- For the first time in the GSSSL market, total issuances for the year surpassed the USD1.0tr mark, smashing last year’s record of USD514.1bn.

Figure 2: November Asiadollar⁵ GSSSL Bond Segment Issuances, USDbn



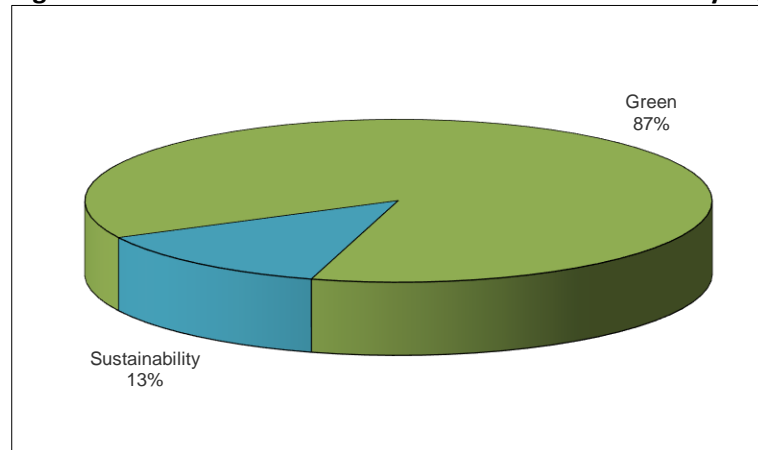
Source: Bloomberg

- Total GSSSL bond issuances in the Asiadollar space totalled USD1.84bn from three issuers for the month of November, falling 68.3% from USD5.8bn in October. The

fall in Asiadollar GSSSL issuances could primarily be attributed to the fall in the overall Asiadollar market which shrank 31.9% m/m.

- M/m, green bond and sustainability bond issuances fell 64.4% and 76.0% respectively, while there were no issuances for social bonds and sustainability-linked bonds for the month of November. This is the fourth straight month that no social bonds were issued in the Asiadollar market.
- The Asiadollar GSSSL market for the month of November was anchored by the issuance of the Hong Kong government’s USD1.0bn 10-year senior unsecured green bond, representing 54.3% of total GSSSL issuances.

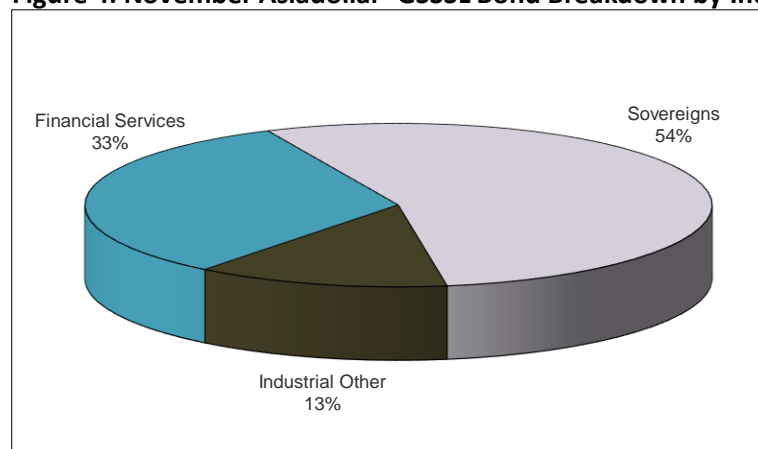
Figure 3: November Asiadollar⁵ GSSSL Bond Breakdown by Segment



Source: Bloomberg

- As seen in Figure 3, green bond issuances dominated the primary market last month, accounting for 87% of issuances, while sustainability bond issuances took up the remaining 13% November’s GSSSL issuances respectively.

Figure 4: November Asiadollar⁵ GSSSL Bond Breakdown by Industry⁶



Source: Bloomberg

- As seen in Figure 4, Sovereigns (54%) were the largest issuers of GSSSL bonds, followed by Financial Services (33%), and Industrial, Others (13%).

Interesting GSSSL Bond Issuances

- Bruce Power L.P, which represents a consortium of Canadian companies and the country's only private-sector nuclear generator, priced a CAD500mn 7-year senior unsecured green bond at T+113bps. Despite the controversy over its green status, the issue was well-received by investors with its books ~5.7x covered. The inclusion of nuclear technology is contentious because of waste disposal worries, the potential for weapons proliferation as well as the potentially catastrophic consequences of a radiation leak. Per the bond prospectus, net proceeds will be used to finance, or re-finance eligible investments associated with the life extension and increasing the output of existing units both of which contribute to Canada's clean energy future and advance its climate change objectives. Specifically, this refers to its nuclear energy assets.
- Starwood Property Trust Inc. priced a USD400mn 3NCL senior unsecured sustainability bond at 3.75%, tightening from an IPT of 3.75-4.0%. Per the company's disclosure, net proceeds from the sustainability bond itself may not be used for green and social purposes, but an amount equivalent to the proceeds raised will be allocated to finance or refinance recently completed or future eligible green/social projects. According to the bond prospectus, net proceeds from this deal will be used to fund the repayment at par of its 5.00% senior notes due December 2021 and for general corporate purposes, including the repayment of outstanding indebtedness under the Company's repurchase facilities.

Key Environmental, Social, and Governance news

Singapore

- Olam International Ltd ("Olam") has announced the launch of a new venture called Greenpass, a greenhouse gas digital information and smart carbon management system which will enable companies to measure, monitor, manage/abate and verify the impact of their climate action strategies. More details can be found [here](#).
- After COP26 concluded in Glasgow, Minister for Sustainability and Environment Grace Fu has stated that the Singapore Government will go back and review its climate change target to keep in line with limiting global warming to 1.5 degrees. Specifically, a potential area to review will be Singapore's Nationally Determined Contribution, which currently states an aim of "achieving net zero emissions as soon as viable in the second half of the century". Climate Action Tracker, a collaboration of two research organisations tracking climate action, has opined this target to be "critically insufficient" and "not at all consistent with the Paris Agreement".
- The Energy Market Authority (EMA) has issued the first request for the import of up to 1.2 GW of electricity to begin by 2027. According to EMA, potential importers will have to demonstrate their supply reliability, credibility and track record, cost-competitiveness, and ability to supply and manage the carbon output of generation supply. Additionally, proposals for electricity imported from coal-fired

generation will not be accepted, reflecting Singapore's commitment to using low-carbon energy sources.

- The Civil Aviation Authority of Singapore (CAAS), in partnership with Singapore Airlines ("SIA", Issuer Profile: Neutral (5)), and Temasek, has announced the pilot of Sustainable Aviation Fuel (SAF) in Singapore, which will commence in 2022 and is expected to run for a year. More details about the pilot can be found in CAAS press release [here](#).
- A new Singapore-based non-profit society called Women in Sustainability and Environment ("WISE") has been launched to promote "greener participation, inclusiveness, and visibility of women involved in the sustainability space". Additionally, WISE has signed a memorandum of understanding with SMU to build programmes surrounding sustainability. More information can be found [here](#).
- The Economic Development Board of Singapore ("EDB") has released the "Sustainable Jurong Island" report detailing Singapore's plans to transform Jurong Island into a "sustainable energy and chemicals park" that operates sustainably and exports sustainable products globally. As part of Singapore's plan to reduce its carbon emissions, it has set ambitious targets for its energy and chemicals sector to increase its output of sustainable products by four times from 2019 levels and achieve more than 6Mt of carbon abatement annually from low-carbon solutions by 2050. The [report](#) was produced in partnership with JTC, A*STAR, EMA, and the NEA.

Malaysia

- The Malaysian Rubber Council (MRC) has announced the launch of a new initiative aimed to educate the public about sustainable Malaysian rubber products. The company has commenced a public service announcement initiative with railway company Keretapi Tanah Melayu to strengthen the brand awareness of Made-in-Malaysia rubber products.
- The Malaysian government has announced the Green Electricity Tariff ("GET") initiative which will allow homeowners and businesses to buy electricity produced by renewable energy sources. Through the program, the government will offer 4,500 GWh of power annually and users will be charged an additional MYR0.37 (~SGD0.12) per kWh of renewable energy bought. More information can be found [here](#).
- Shares in ATA IMS Berhad took a nosedive after Dyson announced that it had terminated contracts with the Malaysian supplier following an audit of the company's labour practices and allegations by a whistleblower.

China

- On the issue of governance, numerous independent directors of companies listed on the Shanghai and Shenzhen stock exchanges have tendered their resignation

after a Guangzhou court ruled that Kangmei's five independent directors are liable for the fraud case in the Chinese pharmaceutical company. These independent directors are each liable for between 5-10 percent of RMB2.5bn (~SGD533mn).

- In a bid to become carbon neutral by 2060, China's environment ministry announced that the country will analyse methane emissions in key industries such as coal mining, agriculture, and petroleum, as well as publish a nationwide methane emissions control action plan. This follows its pledge during COP26 to cooperate with the US in reducing its emissions profile.
- The Centre for Research on Energy and Clean Air ("CREA") has found that China had lowered their carbon emissions in the third quarter of 2021 (July to September) for the first time since the economic giant bounced back from the pandemic. CREA attributed this decrease to China's clampdown on its property development sector and widespread coal shortages. The Helsinki-based research organisation added that if construction stimulus were to be introduced to boost the sector, emissions would likely rise moving forward. The study can be found [here](#).

Indonesia

- Indonesia has announced new rules on carbon trading in a bid to help the country progress to a net-zero economy. The regulation titled "the Economic Value of Carbon" establishes result-based payments as an instrument in the carbon trading mechanism. Indonesian officials have mentioned that the fully operating carbon market will begin in 2025, but the carbon tax will kick in next April for above-cap pollution level at a rate of 30,000 rupiah (USD2.09) per tonne of CO₂e for coal-fired power plants. More details can be found in the CNA article [here](#).

Australia

- Protests have been held in Sydney and Melbourne to demonstrate against the government's policies on climate change. Australia has been a reluctant participant at COP26 thus far, unwilling to accept the global methane pledge as well as stating that it will continue to use coal for decades ahead.
- Westpac Banking Corp ("WSTP", Issuer Profile: Positive (2)) announced that after financing three solar farms in New South Wales, its electricity generation loans portfolio in Australia is now 80 percent renewable energy. Westpac has been tracking its electricity generation portfolio since 2013 and lending to the renewable energy sector was 48 percent in that year.
- Scientists from the Commonwealth Scientific and Industrial Research Organisation ("CSIRO"), an Australian government agency responsible for scientific research, has found in a study that climate change was the "overwhelming" element in the country's devastating bushfires. This is in direct conflict with the government's stance that the bushfires were a normal part of Australian life and the main issue to tackle was improper forest management. More details about the study can be found [here](#).

Rest of APAC

- India's supreme court has mandated New Delhi authorities to allow employees to work from home as air pollution in the city turns toxic, with an air quality index at 343 out of 500. Reported contributors to the haze include the burning of crop waste, coal-fired plants, as well as the burning of garbage.

Europe and the United Kingdom

- Per Financial Times, Deutsche Umwelthilfe, a climate activism group, has sued BMW and Daimler for not doing enough to cut greenhouse gas emissions from their vehicles. In the same report, FT reported that the cumulative number of climate change-related cases has more than doubled since 2015, highlighting the increasing willingness and acceptance of organisations using litigation to reduce carbon emissions.
- Under a new legislation, new buildings in the United Kingdom are required to have charging points for electric vehicles in the state's bid to become carbon neutral by 2050. Specifically, the legislation will apply to new homes, non-residential buildings such as offices and supermarkets, as well as buildings undergoing renovations that have ten or more carpark spaces.
- The European Commission has proposed a new regulation which will require firms to prove their imports of commodities are not linked to deforestation. These rules will guarantee that the products that EU citizens buy does not contribute to deforestation. More details can be found [here](#).
- As part of a coalition deal, Germany's Social Democrats, Greens, and Free Democrats, have agreed to commit to a coal phase-out by 2030. According to the same sources, the three parties have also agreed to end power generation from gas by 2040, the ban of gas heating systems in new buildings and replaced in existing buildings, and an end to sales of new combustion engine cars by 2035.

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.

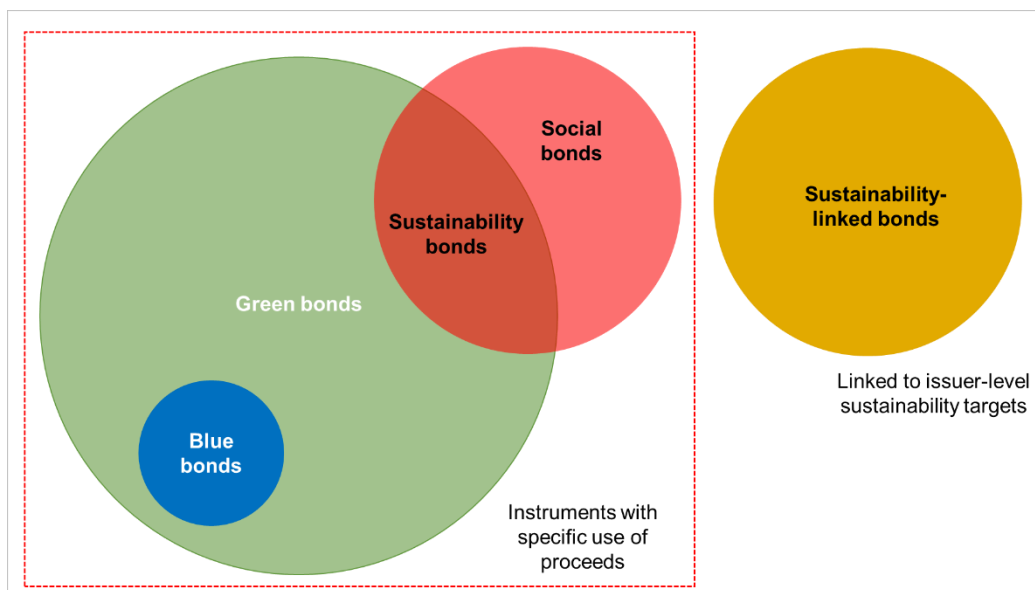
Rest of the world

- Important announcements from COP26.
 - The first of COP26's major climate deals, more than 100 countries have pledged to end and reverse deforestation by 2030. Notable countries to commit include Canada, Brazil, Russia, China, Indonesia, the Democratic Republic of the Congo, the US and the UK - cover around 85% of the world's forests. Additionally, the pledge includes ~USD19.2bn commitment from countries to fund plans to stop deforestation.

- Almost 100 countries have pledged to cut its methane emissions by 30 percent by 2030, compared to 2020 levels. Notable absences include China, Russia, and India, which are amongst the top five emitters of methane.
- More than 40 countries have committed to using significantly less coal for their energy-consumption needs. Signatories include coal-dependent countries such as Poland, Vietnam, and Chile. Separately, 20 countries have committed to end public financing for "unabated" fossil fuel projects abroad by the end of 2022. Unabated projects refer to burning fossil fuels, like coal, oil, and natural gas, without using technology to capture the CO2 emissions.
- Financial institutions accounting for ~40 percent of the world's total capital, ~USD130tr, have committed to meet the net-zero carbon emissions goals set in the COP15 Paris climate agreement.
- The IFRS Foundation Trustees, responsible for the governance of the International Financial Reporting Standards Foundation ("IFRS") and the International Accounting Standards Board ("IASB"), has announced the launch of the International Sustainability Standards Board ("ISSB"). The ISSB will be responsible for setting sustainability-related disclosure standards for investors and companies to adhere to. More information can be found [here](#).
- COP26 officially concluded on 13 November 2021. Here are the summaries of important deals closed during the climate talks.
 - Approximately 200 countries have agreed to implement Article 6 of the 2015 Paris Agreement, which allows countries to meet their climate goals by tapping the carbon markets and purchasing offset credits representing emission cuts by others. OCBC economist Howie Lee's recent writeup about Article 6 can be found [here](#).
 - In a last-minute reversion to the COP26 coal deal, India and China forced a compromise which revised the wording of the agreement to be changed from "phase out" to "phase down", weakening targets to eradicate the use of coal in the long-term.
 - OCBC economist Howie Lee has published a [COP26 summary piece](#) elaborating the overall outcome of the climate talks.
 - More details about other deals (deforestation, funding for LDCs, methane) can be found in [last week's report](#).
- Brazil's space research agency, INPE, has released a report detailing how the Amazon Forest has shrunk by 13,235 sqkm from August 2020 to July 2021 due to deforestation. This is approximately 18.2 times the size of Singapore and is the highest rate of increase in deforestation since 2006. Numerous critics have accused Brazil of intentionally hiding the data until COP26 has concluded.
- According to Bloomberg, the 20 largest banks globally have recorded their largest increase of female board members in the prior two years. These additions are part of an overall trend to improve gender diversity in the boardroom. Specifically, Europe has the highest average proportion of women on boards, while Japan has the lowest average proportion.

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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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

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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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