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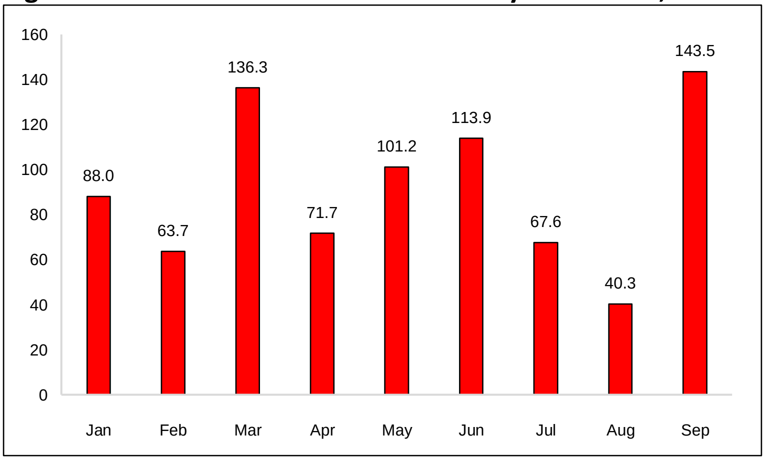
# Monthly ESG Roundup

*"Sustainability is no longer about doing less harm. It's about doing more good."*
*— Jochen Zeitz, President and CEO of Harley-Davidson*

**Green[1], social[2], sustainability[3] and sustainability-linked[4] (GSSSL) bond sales from governments and corporates so far this year total USD826.3bn globally.**

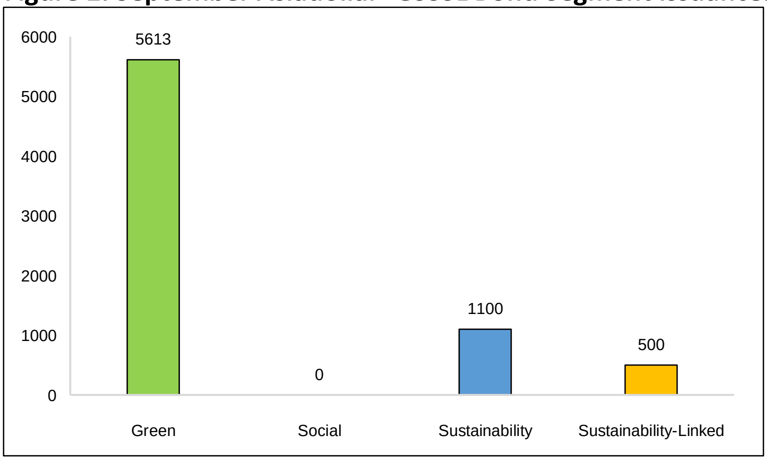
**Figure 1: 2021 Global GSSSL Bond Monthly Issuances*, USDbn**




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

- Total global GSSSL bonds issuance rose 256.0% to USD143.5bn in September from USD40.3bn in August. Furthermore, as seen in Figure 1, September saw a historical high for monthly GSSSL issuances. This record is likely to be broken over the next couple of years due to companies refinancing their plain vanilla bonds with GSSSL bonds.

**Figure 2: September Asiadollar[5] GSSSL Bond Segment Issuances, USDmn**

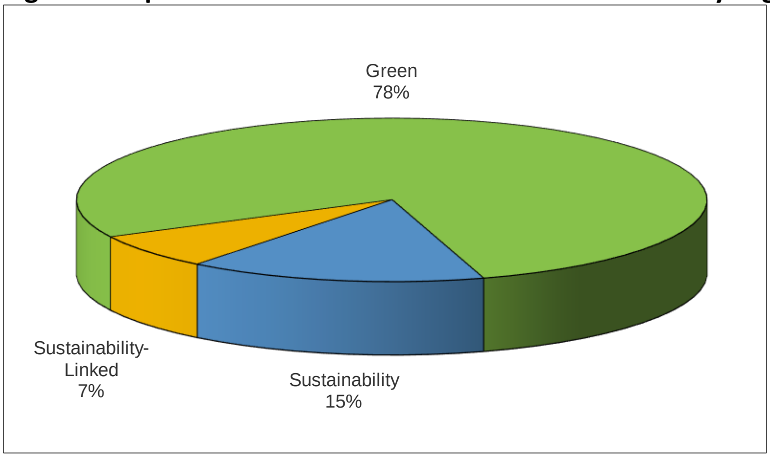



*Source: Bloomberg*

- Total GSSSL bond issuances in the Asiadollar space totalled USD7.21bn for the month of September, rising 125.8% from USD3.19bn in August. In general, this can be attributed to the overall rise in issuances in the primary market, as companies take advantage of tight credit spreads and low yields to issue new debt or refinance existing debt.

- M/m, green bond issuances rose 219.5%, sustainability bond issuances fell 26.7%, while there were no issuances for social bonds. Sustainability-linked bonds rose by USD500mn m/m (there were no issuances in the prior month).

**Figure 3: September Asiadollar[5] GSSSL Bond Breakdown by Segment**

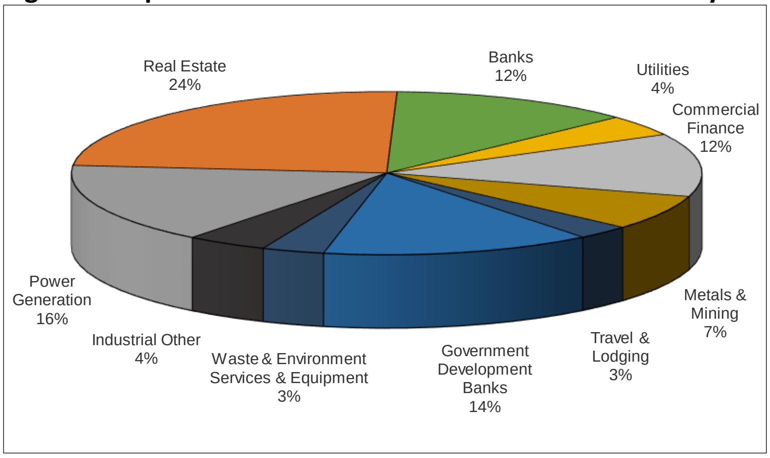



*Source: Bloomberg*

- As seen in Figure 3, green bond issuances dominated the primary market last month, accounting for 78% of issuances, while sustainability and sustainability-linked issuances took up 15% and 7% of September's GSSSL issuances respectively.

- In the month of September, the vast majority of companies chose to issue green bonds instead sustainability bonds, continuing the norm in the Asiadollar GSSSL market and perhaps indicating that July's split (green bond: 57%, sustainability bond: 43%) was an outlier in the overall trend. Additionally, this is the second month in a row that no social bonds were issued in the Asiadollar market.

**Figure 4: September Asiadollar[5] GSSSL Bond Breakdown by Industry[6]**




*Source: Bloomberg*

- As seen in Figure 4, the real estate industry (24%), specifically China-based companies, were the largest issuers of GSSSL bonds, followed by power generation

(16%), government development banks (14%), banks (12%), commercial finance (12%), and others (~22%).

**Interesting Bond Issuances**

- The largest GSSSL issuance this month came from China-based CMB International Leasing Management Ltd (Keepwell and APUP: CMB Financial Leasing), which priced a USD900mn dual-tranche (3-years and 5-years) green debt offering at T+88bps and T+105bps. In the company's sustainable financing framework, it states that the use of proceeds will be used for clean transportation, renewable energy, pollution prevent and control, and sustainable water and wastewater management. Additionally, the company has previously supported over 100 renewable energy projects with ~RMB14 billion worth of investments and supported the development of the green transport industry.

- Adani Green Energy priced its maiden USD750mn 3-year senior secured green bond at 4.375%, tightening from an IPT of 4.7% area. According to Bloomberg, the company will use the net proceeds to fund the development of utility scale renewable energy projects. The Indian company intends to have a 25 gigawatts renewable energy portfolio by 2025.

## Key Environmental, Social, and Governance news

**Singapore**

- PropertyGuru Group announced the launch of its proprietary Green Score metric, created to inform buyers of the sustainability ratings of condominiums and HDBs. Since its soft launch in February 2021, nearly 2 million property seekers have viewed the Green Score.

- Sembcorp Industries ("SCI") announced that it has set up a sustainable financing framework which would allow SCI to issue sustainability-linked bonds and other sustainability-linked instruments. Earlier in May 2021, SCI launched a green financing framework and raised green bonds in June 2021.

- The Monetary Authority of Singapore (MAS) has announced the formation of a new Sustainability Group and the appointment of Dr Darian McBain as Chief Sustainability Officer. The new group will coordinate MAS' green finance and sustainability agenda, namely to: (1) Strengthen the financial sector's resilience against environmental risks (2) Develop a vibrant green finance ecosystem to support Asia's transition to a low-carbon future (3) Identify strategic green finance collaborations with regional and international counterparts and (4) Reduce MAS' own carbon and environmental footprint. Dr McBain was most recently chief sustainability officer in Thai Union Group, a leading seafood supplier conglomerate.

- In several amendments to the Environmental Protection and Management Act that were passed on 13th September 2021, the supply of refrigeration and air-conditioning equipment with high HFC emissions will be barred from 1st October next year, and construction contractors may need to install and maintain video surveillance systems at their work sites at their own cost. These measures were passed in a bid to reduce Singapore's overall greenhouse gas emissions and noise pollution around construction sites.

- United Overseas Bank Ltd ("UOB", Issuer Profile: Positive (2)) has launched a green financing solution for electric vehicles businesses and car owners. The new initiative called U-Drive, aims to provide banking facilities such as trade financing, dealer stock financing, as well as UOB's Green Hire Purchase Loan and Go Green Car Loan products. The Singapore bank hopes to accelerate the growth of the electric vehicle industry and ease the transition to green vehicles.

- In a response to an independent scientific report criticising Singapore's climate targets, the National Climate Change Secretariat stated ("NCCS") that the report does not factor in the unique challenges the country faces in pivoting to a carbon-neutral economy. The NCCS will conduct a further review on the methodology that the two German-based research institutes used for its report.

- Impossible Foods is set to launch its meatless pork selection in various Singapore, Hong Kong, and US restaurants as it attempts to expand its market share in the rapidly growing plant-based meat industry. This is the company's third commercial launch after its plant-based beef and chicken nuggets substitute.

**Malaysia**

- Malaysian oil and gas giant Petronas, through its subsidiary Petronas Gas and New Energy Sdn Bhd, has signed a Memorandum of Understanding (MoU) with ENEOS Corporation to explore new opportunities in hydrogen technology. Both parties will work together to develop a competitive and clean hydrogen supply chain between Malaysia and Japan.

**China**

- China has pledged to stop funding new coal energy plants overseas in its bid to help reduce global carbon emissions. In its Belt and Road initiative, China has been previously funding coal projects in developing countries such as Indonesia and Vietnam. China is currently the world's largest greenhouse gas emitter and is reliant on coal for domestic energy needs.

**Indonesia**

- Government officials and environmental activists in Indonesia are calling for the extension of a ban on new license issuances for oil palm plantations as the current moratorium is scheduled to expire in September 2021. Indonesia is the world's biggest producer of palm oil, accounting for ~57 percent of palm oil production in 2018.

- In an effort to achieve net-zero by 2020, Indonesia carried out its first geothermal drilling as part of its efforts to rely more on renewable sources of energy and attract more investments from global funds who are increasingly avoiding fossil fuel-related investments. The Ministry for Energy and Mineral Resources' ("MEMR") goal is to have new and renewable sources contribute 23% to its energy use in 2025 with geothermal to contribute 9,300 megawatts in 2035, up from 2,175.7 megawatts currently. This is less than 10% of the country's potential geothermal generation capacity according to the MEMR.

- In a landmark ruling, the Central Jakarta district court has ordered President Joko Widodo and his administration to strengthen regulations and implement greater surveillance on the air quality in the capital city. The court found that the president, the Ministry of Environment and Forestry, the Ministry of Health, the Ministry of Home Affairs as well as the governors of Jakarta and its two neighbouring provinces, Banten and West Java had violated the law by allowing Jakarta's air quality to deteriorate.

**Australia**

- The United Nations has urged the Australian government to reduce its reliance on coal as the aftereffects of climate change will place a heavier burden on the country's economy. The UN has called for phasing out coal by 2030 in Organisation for Economic Co-operation and Development countries, which include Australia. In a separate report, Australia's Resource Minister Keith Pitt responded by stating that "the reports of coal's impending death are greatly exaggerated, and its future is assured well beyond 2030", clearly indicating that Australia will continue to rely on coal as a resource.

- IFM Investors, one of Australia's biggest infrastructure investors, has set a 2030 interim emissions reduction target of more than 1Mt carbon dioxide equivalent for its infrastructure asset class in its bid to be carbon-neutral by 2050. This represents a reduction in carbon emissions of IFM's existing infrastructure portfolio by 40% from 2019 levels. The investment management company will also seek to exit thermal coal, targeting for zero coal exposure to its existing portfolio by 2030.

- Australia has passed a legislation that would make past owners responsible for the disassembly of old oil and gas fields if current owners fail to. According to Wood Mackenzie, the cost of decommissioning offshore facilities in Australia is expected to run to USD40bn, with half of that in the next 10 years. For Asia-Pacific, the clean-up bill is estimated at USD100bn out to 2050.

- Australia has announced that it will step up funding for hydrogen projects in its bid to boost its overall clean energy output by 2030. With an additional investment of AUD150mn (~SGD147mn), this brings the total pledged amount to AUD1.35bn (~SGD1.32bn). Additionally, the extra cash will go towards the government's Clean Hydrogen Industrial Hubs programme, helping provide funding for hydrogen hubs at two additional locations.

**Rest of Asia**

- In a report on the increasing spate of attacks on environmental activists released by international non-profit Global Witness, it stated that 227 land and environmental defenders were killed in 2020 — an average of more than four a week. In Asia, the Philippines is the most dangerous country for environmental activists. More information can be found here.

**Europe and the United Kingdom**

- The Spanish government has announced the launch of its inaugural green bond offering, raising EUR5bn to finance projects supporting Spain's climate and environmental objectives, including climate change mitigation and adaptation, protection of water resources, circular economy transition, and biodiversity recovery, among others. There was strong investor demand for the bond as its orderbooks were ~12x oversubscribed.

- The European Commission announced the launch of its Green Bond Framework as it gears up to begin the launch of its EUR250bn green bond program with an initial issuance anticipated in October. The green bond program is a part of NextGenerationEU (NGEU), the EU's EUR800bn recovery program, where 30% of the NextGenerationEU budget will be raised through green bonds.

- Ireland has proposed to add climate change to the mandate of the UN Security Council as the impact of climate change worsens and puts the world's "collective security at risk". Russia, China, and India have expressed opposition to the proposal, stating that the Security Council is not an appropriate place to discuss climate change actions.

- The United Kingdom has announced the completion of its inaugural GBP10bn green bond offering, with strong demand from investors as seen from orders books being ~10x oversubscribed. HM Treasury has also indicated that this offering will be followed by another later in the year, with goals to hit at least GDP15bn in total green bond issuances for the year.

- The Financial Times has reported that PwC was advising DWS on sustainability issues while the Big Four firm was concurrently investigating whistle-blower allegations of large-scale greenwashing at the asset manager, raising questions over the independence of the probe. People close to the firm has commented that the investigation had been meticulous and had not been affected by the firm's advisory mandate.

**North America**

- Harvard University has announced that its endowment fund will no longer invest in fossil fuels and will instead use its funds to support the green economy. Harvard has legacy investments in private equity funds with fossil fuel exposure, but these are less than 2% of the endowment and "are in runoff mode".

**Rest of the world**

- In an editorial piece written by more than 230 medical journals, it warns governments that they should not wait for the pandemic to tide over before embarking on drastic climate action. The piece highlights numerous health consequences of global warming and pointed out that many governments dealt with COVID-19 with "unprecedented funding" and called for "a similar emergency response" to the environmental crisis.

- In a report released by the World Wildlife Fund (WWF), it is estimated that the cost of pollution, emissions and clean-up of plastic manufactured in 2019 amounted to USD3.7tn, more than the gross domestic product of India. It is forecasted that unless there is coordinated effort to reduce plastic production, this cost will rise further to USD7.1tn by 2040 as plastic production doubles.

- An update of the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species stated that ~28 percent of the 138,000 species assessed by the IUNC were in danger of extinction. However, not all is gloom as the report also showed how concerted regulation efforts by governments has allowed several species of fished tunas to repopulate.

- Investors representing USD2.3tn of assets including Neuberger Berman, M&G, and Nuveen has requested more than 1,000 private companies to provide environmental data through the non-profit environmental disclosure platform CDP. This aims to address the gap in transparency between the public and private market as high-carbon assets are increasingly being privatised. The initiative is named the Private Market Pilot and seeks to represent private investors.

- In a study conducted by Carbon Tracker and the Climate Accounting Project (CAP) on climate risk disclosures by top emitters, it was found that these companies were not disclosing the full risks associated with climate change. Particularly, 8 out of 10 audits showed no evidence of assessing climate risks such as testing the assumptions and estimates made about impairments on long-lived assets. This report comes ahead of global climate talks set to be held in Glasgow.

- A report jointly published by the Food and Agriculture Organisation, the UN Development Programme and the UN Environment Programme found that ~87 percent of the USD540 billion in total annual government support given worldwide to agricultural producers includes measures that are price distorting and that can be harmful to nature and health. The UN has called for countries to reimagine incentives to ensure more 2030 UNSDG goals can be met.

- The World Health Organisation has increased guidelines for air quality standards as evidence points to the adverse effects of air pollutants on the human body. The global health agency has stated that at least seven million premature deaths are attributable to air pollutants such as ozone, nitrogen dioxide, sulphur dioxide and carbon monoxide (non-exhaustive).

**Definitions**

1. **Green Bond:** Proceeds from these bonds are specifically allocated to financing new and existing projects or activities with positive environmental impacts.

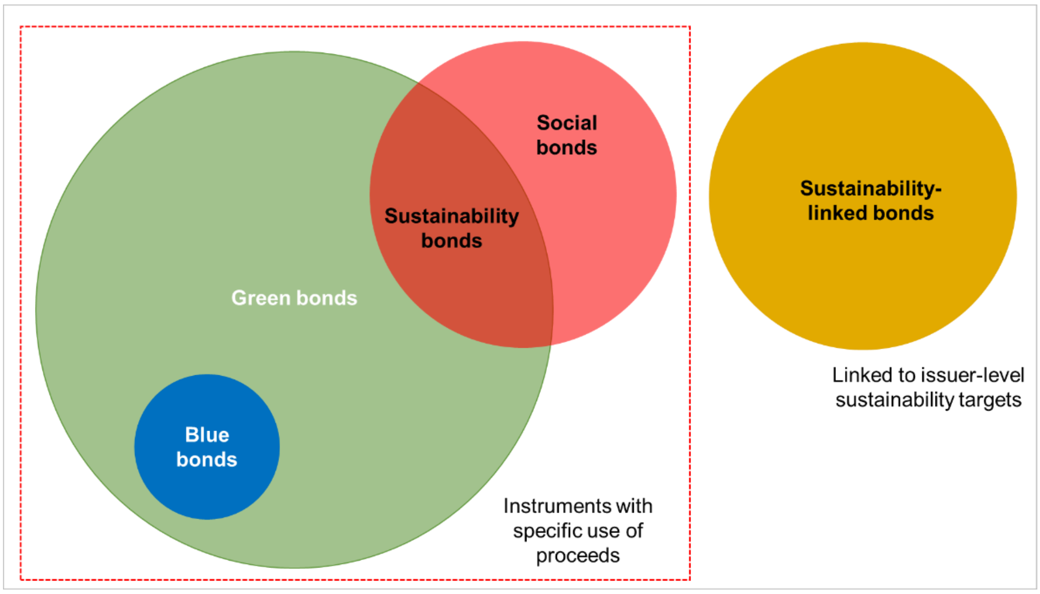
2. **Social Bond:** To qualify as a social bond, the proceeds must be used to finance or refinance social projects or activities that achieve positive social outcomes and/or address a social issue.

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.



# Treasury Research & Strategy

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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, Lendlease Global Commercial REIT, and Ascott Residence Trust.



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