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Expanding the Green Conversation

Taking stock of how the market has developed

- **As we enter our second year of incorporating environmental, social and governance considerations into our credit analyses, certain companies have taken further steps in their sustainability journey.**
- **Beyond setting out sustainability goals, steps taken include (1) Setting up green financing frameworks and (2) Putting sustainability at the core of their business models. Along with a discussion on the broader top-down changes, companies and financial institutions are focusing on climate resiliency and transition finance.**
- **We present a non-exhaustive list of SGD corporate bond issuers, who in our view, are demonstrating an intent in maintaining commendable environmental, social and governance standards and illustrate the actions taken by Singapore corporates.**
- **We continue to hold the view that companies practicing these standards in itself is insufficient to cause market outperformance, though high performance companies are increasingly focused on integrating environmental, social and governance standards into their business practices.**
- **These companies tend to be aware of changing market dynamics and stakeholder demands and are taking actions to prepare for such shifts.**
- **Beyond the need for additional disclosures, the severity of the impact of climate change (and hence the appropriate response to this) is in our view highly dependent on a bond issuer's industry sector and business model.**

Background

This special interest commentary focuses on "Environmental" factors as this is a core area of focus in Singapore at this stage of development of the sustainable finance sector. Unveiled in February 2021, the Singapore Green Plan 2030 is the most notable and wide-ranging initiative so far. Spearheaded by multi-ministries, the plan maps Singapore's green targets over the next ten years. Areas covered include developing Jurong Island to be a sustainable energy and chemicals park, requiring all newly registered cars to be of cleaner-energy models, expanding green energy and infrastructure and raising sustainability standards of buildings. Aside from new business opportunities and challenges arising from the Singapore Green Plan 2030, the Monetary Authority of Singapore ("MAS") and the Singapore Stock Exchange ("SGX") have also announced a slew of plans and proposed regulatory changes. In our view, this should catalyse further changes to financial institutions, capital markets and Singapore corporates with regards to the "Environmental" considerations.

While we do not dive into the "Social" and "Governance" factors in this publication, we summarise some of our thoughts in other recent publications. "Social" considerations may pose an outsized influence on investment risk and returns. Beyond adherence to legal and regulatory requirements, investors are better served if "Social" considerations are analysed on a case-by-case basis. "Social" considerations tend to tie-in with specific investor requirements, industry norms, socio-cultural, ethical context and other idiosyncratic reasons. Meanwhile, the links between "Corporate Governance" considerations and investment risk and returns are well established in the Singapore capital markets.

Regulatory support in building Singapore as a green finance hub

Convened by the MAS in January 2021, the Green Finance Industry Taskforce ("GFIT") issued a consultation paper to seek feedback from the market on a proposed taxonomy (or classification system) for financial institutions to identify activities that can be considered green or in the process of transitioning to green. Having a taxonomy is important to mitigate greenwashing[1] in the green finance sector. This proposed taxonomy, while expected to be aligned with the European Union ("EU")'s taxonomy, aims to ensure relevancy in the context of the Association of Southeast Asian Nations ("ASEAN")[2]. Other recent announcements include the establishment of a new global carbon exchange and marketplace, the Climate Impact X ("CIX"), in line with Singapore's aim to be a carbon services and trading hub. In June 2021, the MAS published an inaugural sustainability report, setting out the MAS' strategy on climate resilience and environment sustainability.

Towards disclosure standardization

Importantly, the MAS is taking steps to address the longstanding issue of inconsistent climate disclosure that has hindered the mainstream development of green finance. Currently, SGX-listed companies are subject to annual sustainability reporting though frameworks differ, resulting in differences in quality and quantity of information provided by bond issuers under our coverage. This though is set to change, especially for larger entities or those that are more exposed to climate risks. In Singapore, banks, insurers, and asset managers are expected to make climate-related disclosures in accordance with well-regarded international reporting frameworks from June 2022 onwards. In June 2021, the MAS and SGX stated intentions to consult the industry on mandatory climate-related financial disclosures, including on non-financial corporates. As of writing, the proposed consultation paper has not been released and we will continue to monitor developments on this front. In our view, collation and comparison of information will be easier when disclosures are standardized. This also gives regulators a better handle on information over systemwide climate risks.

……while deployment of capital is happening

USD1.8bn (~SGD2.4bn) will be deployed by the MAS to five asset managers for climate-related investments, as part of building climate resiliency on its official foreign reserve's portfolio, seize investment opportunities and support the transition of portfolio companies. This is likely to help spearhead developments in the public markets (eg: public equities and bonds) for sustainability investing. While this amount is small relative to the total official foreign reserves managed by the MAS, the amounts mandated should be sufficient for these asset managers to establish their sustainability hub for the Asia-Pacific region in Singapore. Separately, the Singapore government is looking to fund infrastructure projects through green bonds, with up to SGD19bn of identifiable public sector green projects such as Tuas Nexus, an integrated waste and water treatment facility.

Meanwhile, activity is already underway in the Singapore bond market. As of writing, green bonds and green perpetuals (for simplicity, we refer to "green instruments" for this piece) amounting to SGD1.9bn are outstanding in the SGD corporate bond market (excluding statutory boards and development banks). The issuers are Ascendas REIT, Manulife Financial Corp, National University of Singapore and Sembcorp Industries Ltd. The first sustainability bond was priced in July 2021 by Frasers Logistics and Commercial Trust, raising SGD150mn, while the first sustainability-linked bond ("SLB") was priced in February 2021 by Surbana Jurong Pte Ltd, issued raising SGD250mn.

Some terminology to note

There are four key types of bond instruments that makes up the global sustainable bond market: green bonds, sustainability bonds, social bonds and sustainability-linked bonds. Blue bonds are a subset of green bonds, and for now more of a marketing label that brings attention to proceeds that are used for marine and ocean related projects. As of writing, no social bonds nor blue bonds have been issued in the SGD corporate bond market. While well-established standards and guidelines exist for the sustainable bond market, new instruments, terminologies and standards may still emerge at this stage of market development.

[1] Greenwashing is about presenting an inaccurate or exaggerated claim that a company is environmentally sound
[2] According to Allen & Overy, an international law firm

Green instruments, sustainability bonds and SLBs differ in their objectives. While green instruments fund only green projects, sustainability bonds fund green and/or social projects, and hence the use of proceeds for sustainability bonds are broader versus green instruments. On the other hand, SLBs are structured to be linked to the issuer's achievement in meeting a goal or target, of which the result will be either a stick and/or a carrot. For example, an SLB linked to a reduction in carbon emissions by 25%. If the target is unfulfilled, the issuer would need to incur a higher interest cost. Use of proceeds for SLBs tend to be flexible and not linked to specified projects.

Expect SGD sustainable bond market to grow

We expect the sustainable bond market to continue growing, albeit from a low base. It is worth noting that prior to 2017, the sustainable bond market (also known in some quarters as the "ESG bond market") in SGD was non-existent. The total amounts raised in the form of sustainable bonds (green instruments, sustainability bonds and SLB combined) between 1 January 2020 to 16 July 2021 is small at SGD1.8bn relative to the conventional SGD corporate bond market, where SGD22.1bn was raised during the same time. However, a number of SGD bond issuers have set out green financing frameworks and are likely to become future sustainable bond issuers. While companies are undertaking more green or sustainability-linked projects, we expect new issuance of green instruments, sustainability bonds and SLBs to be driven more by substitution from conventional bonds. We think green instruments, sustainability bonds and SLBs will likely be in greater demand as investors increasingly tilt portfolios into sustainable investments while issuers buildout their sustainability credentials and sustainability-centred business models as the sustainable bond market as a whole have become a viable funding source.

How does climate change and mitigating actions impact companies and financial institutions?

The risk of climate change and actions taken to build climate resiliency are becoming increasingly mainstream. We expect to see increased policies in tackling climate change given wider acceptance that "business as usual" measures are insufficient for the world to sufficiently limit temperature increase within 2 degrees Celsius in comparison to pre-industrial level. According to a draft report by the United Nations' Intergovernmental Panel on Climate Change ("IPCC"), dangerous climate change thresholds are closer than first thought and the consequences of present global warming are unavoidable in the short term.

Beyond risks of physical asset damage from climate change (e.g. due to floods or heat), companies may also face asset obsolescence (e.g. phasing out of coal power plants). Such assets that are impacted are termed as stranded assets. While Singapore bond issuers under our coverage have yet to publicly discuss risks of stranded assets, impairments which have been taken at a number of Singapore companies is interlinked with stranded asset risk, in our view. Investors and lenders are expected to pay increased attention on such stranded assets, as impairment or revaluation losses could erode the equity buffer of the company. As a result, we would not be surprised if financial markets begin to price in the risk of stranded assets even before meeting the threshold for accounting impairments. Overall, changes in the financial market and the regulatory environment may mean the change in nature of income, cash flow streams and asset base of companies as they adapt.

While we expect all bond issuers under our coverage to step-up on climate related disclosures, the severity of the impact of climate change (and hence the appropriate response to this) is in our view, highly dependent on a bond issuer's industry sector and business model. The speed with which bond issuers would need to adapt is dependent on the type of industry, the geography of its operations and product markets, the progress already made in limiting water consumption as well as emission and waste generation. In addition, the stronger the policy intent to limit temperature increase, the more changes are required. Already, the Energy sector, being one of the largest emitters, faces policies including carbon pricing, carbon taxes and restricting fossil fuel subsidies. Meanwhile, policies have been swung to encourage renewable energy, new technologies and innovation to achieve further decarbonization. Since 2020, three SGD bond issuers have announced transformation plans and are diversifying away from business segments linked to high carbon intensive industries.

Away from the Energy sector, we observe market leaders in the real estate sector focusing on investing and developing higher standards of green buildings. With Singapore's non-financial corporate bond market dominated by real estate developers and real estate investment trusts ("REITs"), the thrust towards green financing is increasing as green financing is used to fund such investments and developments. Financial institutions are also prominent issuers in the Singapore bond market. While they are not the primary emitters of carbon, financial institutions are instrumental in tackling climate change as they lend and facilitate investments to sectors and companies that may be at-risk. Many financial institutions have already announced plans to limit or ban the amount of financing for carbon intensive industries such as coal and ambitions for financing portfolios to be net zero emissions by 2050.

Transition finance to effect change

While much interest has been paid on green finance, with the market and assessment frameworks for green loans and green bonds well established (particularly in Europe), it is worth mentioning that "brown companies" or companies in "dirty" industries that still have some form of brown activities are still dominant, especially within the region and figures to remain so. Brown companies rely "heavily on fossil fuels and does not consider the negative side effects that economic production and consumption have on the environment", according to Senior Environmental Specialist at the World Bank Uwe Deichmann. The cost to transform from brown to green can be high or impractical, especially for those industries where there is a current lack of economically or technically feasible option (e.g. cement, steel, fertilizer). In addition, brown industries are often major employers. For example, the International Labour Organization ("ILO") estimates that the petroleum industry directly employ nearly six million people globally and indirectly creates more than sixty million jobs. We also note that although renewable energy is progressively rolled out, renewables are insufficient to replace fossil fuels yet. According to the Center for Climate and Energy Solutions, renewables made up 26.2% of global electricity generation in 2018 and while renewable energy is the fastest-growing energy source in the United States and the only energy source which grew through the 2020 pandemic, renewable energy is only expected to rise to 45% of global electricity generation by 2040 with most growth from solar, wind and hydropower. As eliminating such industries is impractical, it can be more impactful to fund transitions for sectors and companies to turn less brown.

We see sustainability-linked loans and SLBs as a subset of sustainability finance and are the key investment instrument for transition finance. These are different from green loans, green instruments and sustainability bonds that tie the use of proceeds to specific green and social uses. Sustainability-linked loans and SLBs can be issued at the entity level (e.g. Surbana Jurong Pte Ltd) and not tied to specific projects. This provides some flexibility for issuers and capital providers. An added advantage is to encourage borrowers or issuers to focus on sustainability across its entire business operations rather than solely through any specific investment.

Traditionally, certain green finance investors viewed SLBs with suspect, perhaps for good reasons given that some structures are somewhat lenient with sustainability linked targets only measured towards the end of the bond or near its maturity. In our view though, SLBs are a practical way for brown companies to transition. These targets include funding cost adjustments should the borrower or issuer achieve certain Sustainability Linked Targets ("SLTs"). They are forward looking and provide an economic incentive for brown companies to transition in the short term for their longer-term sustainability goals. It also helps capital providers to fulfil their own sustainability efforts through the provision of green or sustainability-linked financing as part of their net zero carbon plans. We expect that sustainability-linked loans and SLB structures will evolve over time and as acceptance increases and sustainability plans progress, the bar should become higher.

What are some corporates in Singapore doing? In the following, we highlight the framework and progress made by a number of leading Singapore companies.

Ascendas Real Estate Investment Trust ("AREIT", Issuer Profile: Neutral (3))

- **Key industry sector:** Real estate investment trust (industrial properties)

- **Green finance framework:** AREIT issued its first time 10-year green bond amounting to SGD100mn in August 2020 and a first time green perpetual amounting to SGD300mn in September 2020. Both issuances were issued pursuant to AREIT's Green Finance Framework, which is line with the International Capital Market Association ("ICMA")'s Green Bond Principles and the Loan Market Association ("LMA")'s Green Loan Principles. Net proceeds raised will be used to finance or refinance in whole or in part new or existing eligible projects including green buildings, renewable energy, energy efficiency, waste management, sustainable water management and clean transportation.

- **Green highlights:** AREIT has been an early mover in Electric Vehicle ("EV") adoption. While the Singapore Green Plan 2030 emphasizes the importance of this sector, the REIT already has the largest number of public EV charging stations offered by a Singapore REIT, with 40 charging points across its properties in Singapore and 98 points in the US. AREIT has 39 properties with green building certifications as at end-2020 while its LogisTech property became the first industrial building in Singapore to be awarded the Green Mark Platinum Super Low Energy ("SLE") status by the Building and Construction Authority. As at 31 December 2020, AREIT's solar installations (eg: solar panels on rooftops of properties) generated 10,385MWh of power in 2020.

CapitaLand Ltd ("CAPL", Issuer Profile: Neutral (3))

- **Key industry sector:** Property development, property investment and asset management

- **2030 Sustainability Master Plan:** In 2020, CAPL unveiled its 2030 Sustainability Master Plan to deepen its commitment to global sustainability. The plan focuses on three key pillars: (1) build portfolio resilience and resource efficiency, (2) enable thriving and future-adaptive communities (3) accelerate sustainability innovation and collaboration. CAPL intends on transiting to a low carbon business and had its carbon emissions reduction targets approved in November 2020 by the Science Based Targets initiative ("SBTi") for a "well-below 2°C" scenario.

- **Green highlights:** CAPL is developing a new metric, Return on Sustainability, in addition to the regular financial return to measure the Group's ESG impact. CAPL also launched the CapitaLand Sustainability X Challenge, the first sustainability-focused innovation challenge by a Singapore-headquartered real estate company that sources for emerging sustainability technologies and solutions in the built environment. In the race to be a leader in sustainable finance, CAPL aims to secure SGD6.0bn through sustainable finance by 2030. In 2020, CAPL raised a total of SGD1.2bn of loans through sustainable financing (not including sustainable finance figures raised by CAPL's REITs and business trusts). Like AREIT, CAPL achieved 36 green building ratings for its new development projects and existing buildings.

CapitaLand Integrated Commercial Trust ("CICT", Issuer Profile: Neutral (3))

- **Key industry sector:** Real estate investment trust (retail and commercial)

- **2030 Sustainability Master Plan:** As part of the CAPL group, CICT is aligned with CAPL's 2030 Sustainability Master Plan.

- **Environmental commitments:** CICT targets by 2030 (using 2008 as base year) to reduce: (1) energy intensity by 35%, (2) carbon emissions intensity by 78%, (3) water intensity by 45%.

Frasers Property Ltd ("FPL", Issuer Profile: Neutral (5))

- **Key industry sector:** Property development, property investment and asset management

- **Sustainability framework:** FPL formed its sustainability framework which sets out its sustainability priorities through to 2030. The framework has three pillars that recognize 13 ESG focus areas. The three pillars are: (1) acting progressively, (2) consuming responsibly, (3) focusing on people.

- **Sustainability goals:** FPL established five new sustainability goals to guide the Group till 2050: (1) to be a net-zero carbon corporation by 2050, (2) to be climate-resilient and establish adaptation and mitigation plans by 2024, (3) to green-certify 80% of its owned and managed assets by 2024, (4) to finance the majority of its sustainable asset portfolios with green and sustainable financing by 2024, (5) to train all employees on sustainability by 2021.

- **Latest sustainability-linked loan:** On 19th April 2021, a AUD300mn syndicated sustainability-linked loan with an accordion option of AUD25mn was secured. The loan prices in an interest cost reduction from the second year onwards if FPL's subsidiaries Frasers Property Australia Pty Ltd and Frasers Property Industrial Australia

Pty Ltd maintain four-star rating or above in each of their Global Real Estate Sustainability Benchmark Development ("GRESB") reports and GRESB Standing Investments reports.

- **Green highlights:** FPL has over 200 buildings across its portfolio that are green-certified/ This includes 35 properties in Singapore that obtained Green Mark certification and 137 in Australia that are Green Star certified. FPL's Frasers Towers was the second runner-up in the energy-efficient building category in the ASEAN Energy Awards 2020. This was the only building in Singapore to achieve a top three standing in that category. The Group's Australian operations are certified as carbon neutral under the Australian government's Climate Active Carbon Neutral Standard. As at 19 April 2021, FPL has secured 15 green and sustainability-linked loans amounting to ~SGD4bn since 2018 (seven loans totaling ~SGD1.0bn in FY2020). FPL's total electricity consumption fell by 9.7% in FY2020 while its Scope 2 GHG emissions intensity decreased by 15.3%.

Keppel Corp Ltd ("KEP", Issuer Profile: Neutral (5))

- **Key industry sector:** Property development, urban development, infrastructure, data centres, telecommunications, asset management

- **Vision 2030:** KEP launched its Vision 2030 roadmap in May 2020 which aims to converge its business activities together in an operationally integrated manner, providing sustainable solutions across KEP's four key business segments: Energy & Environment, Urban Development, Connectivity and Asset Management. Since the launching of Vision 2030, various plans had been announced, including investments in a solar farm development in Australia, expanding sustainable data centre solutions and transforming its offshore & marine ("KOM") business, which historically focused on building rigs for clients in the oil industry. Subsequently in June 2021, KEP announced a possible combination of the bulk of its KOM business with Sembcorp Marine Ltd ("SMM"), where the new enlarged entity will focused on businesses that are linked to the global energy transition (eg: liquified natural gas and offshore wind).

- **Sustainability Framework:** KEP has three focus areas that fall under its sustainability framework: (1) Environmental stewardship (2) Responsible business and (3) People and community which aligns with ten United Nations Sustainability Development Goals ("UN SGDs"). To this end, some highlights include the setting of targets to invest in sustainability-linked innovation, the support of Singapore's environmental initiatives and the commitment of over SGD5mn to provide support to communities affected by the COVID-19 pandemic.

Mapletree Logistics Trust ("MLT", Issuer Profile: Neutral (3))

- **Key industry sector:** Real estate investment trust (industrial properties)

- **Sustainability goals:** MLT's sustainability goals are guided by its sponsor, Mapletree Investments Pte Ltd ("MAPL", Issuer Profile: Neutral (4)). Some of its long-term green targets include achieving energy intensity reduction of 20% in Singapore and HKSAR by 2030 from a FY2019 (financial year end 31 March) baseline and doubling MLT's solar energy capacity by 2030 from a FY2021 baseline. In the medium term, MLT intends to install at least eight rooftop solar systems over the next three years. Additionally, MLT has committed to launch the "Plant a Tree with Mapletree Logistics" program with a goal of planting 1,000 trees across its operating markets over a two-year period.

- **Sustainable finance:** In November 2019, MLT obtained a SGD200mn sustainability-linked loan from a bank to finance its rooftop solar installation program in the Asia-Pacific region. MLT also introduced a Green Bond Framework in line with the ICMA's Green Bond Principles and the LMA's Green Loan Principles. MLT reported that some projects that fall under this category include green buildings, solar installations, air-conditioning system upgrades and light emitting diode installations.

- **Green highlights:** MLT's solar portfolio has a total generating capacity of 10.5MWp across Japan, Singapore, and Australia, (a 22.9% increase from a FY2020 baseline) with a generating capacity of 5.4MWp in Singapore alone. Three of MLT's buildings have been awarded green building credentials, with the Mapletree Benoi

Logistics Hub been awarded the SLE Building Status. The building is also MLT's first warehouse facility in Singapore to be recognized as an SLE building. Furthermore, in FY2021, MLT achieved a 12.1% decrease in absolute emissions and emissions intensity from FY2020.

Olam International Ltd ("Olam", Issuer Profile: Neutral (5))

- **Key industry sector:** Agriculture farming, agriculture trading and commodity finance

- **Sustainability framework:** Olam's sustainability framework consists of ten focus areas mapped under three purpose outcomes: (1) Prosperous farmers and food systems (2) Thriving communities and (3) Re-generation of the living world. These three outcomes are linked to the relevant UN SGDs. Olam has transition some of its sustainability programmes to AtSource. AtSource is Olam's proprietary sustainability insights digital platform which provides customers direct access to track their supply chain sustainability parameters and has over 350 environmental and social indicators. Olam has also created a Finance for Sustainability team so its various businesses can see the value created or eroded based on the decisions they take.

- **Sustainability goals:** In terms of climate goals, Olam has set a target to reduce greenhouse gas emissions by 50% by 2030 in its own operations and in Olam-managed farmer programs. Olam also set targets for waste reduction and is targeting to have 100% utilization of by-products and to have zero waste to landfill in its own operations by 2024, among others.

- **Sustainable finance:** Within the region, Olam is an established sustainable finance borrower. The company announced Asia's first sustainability-linked club loan of USD500mn in 2018 and obtained a USD525mn sustainability key performance indicator ("KPI")-linked revolving credit facility in 2019. Most recently, Olam obtained a AtSource-linked financing facility aggregating USD1.45bn, which will be used to procure various agriculture raw materials under the platform.

Sembcorp Industries Ltd ("SCI", Issuer Profile: Neutral (4))

- **Key industry sector:** Power generation and integrated urban solutions

- **Transforming from brown to green:** In September 2020, SMM was demerged from SCI, allowing SCI to focus on its core businesses. SCI unveiled a strategic plan to transform its current portfolio from focusing on conventional energy to renewable energy in May 2021. The company is targeting for Sustainable Solutions to make up 70% of net profits by 2025 (from 40% in 2020, excluding corporate costs and exceptional items). Sustainability Solutions at SCI comprise of (1) Renewable business (wind and solar power generation and energy storage) and (2) Urban Solutions (urban, water, waste and waste-to-resource. SCI's capex spending is projected at SGD5.5bn over a five-year period between 2021 and 2025 where 80% is catered for renewables. Prior to the May 2021 announcement, SCI already has a sizeable presence in renewable power across India, Singapore and China.

- **Sustainability framework:** SCI aims to (1) Enable a low-carbon and circular economy (2) Empower its people and communities and (3) Embed responsible business practices throughout the organization. In line with its focus as a provider of Sustainable Solutions, the company prioritizes two United Nations Sustainability Development Goals ("UN SGDs") on affordable and clean energy and climate action.

- **Green finance framework:** SCI issued its first time 10-year green bond amounting to SGD400mn in June 2021. The issue was issued pursuant to SCI's Green Finance Framework, which is in line with The Climate Bonds Initiative ("CBI") Climate Bonds Standard Version 3.0, the ICMA's Green Bond Principles and the LMA's Green Loan Principles. Net proceeds raised can be used for the financing and/or refinancing of eligible green projects including generation and supply chain facilities, transmission and supporting infrastructure of renewable energy assets as well as energy storage assets and facilities.

Singapore Telecommunications Ltd ("SINGTEL", Issuer Profile: Positive (2))

- **Key industry sector:** Telecommunications

- **Sustainability framework:** Singtel's sustainability strategy focuses on four ESG pillars: (1) Climate Change and Environment (2) People and Future of Work (3) Community Impact (4) Sustainable Value Creation. The Group has been setting five-year targets. By 2025, the target include reducing carbon emissions for Scope 1 and 2 by 25% using 2015 as a baseline

- **Olives program:** In April 2021, Singtel launched Olives, its sustainable finance programme, which is linked to broader sustainability goals. The launch coincided with the company's first sustainability-linked revolving credit facility of SGD750mn, the largest Singapore-dollar denominated sustainability-linked loan in Singapore to date. The three-year loan features interest rate discounts pegged to pre-determined ESG targets and will be used for general corporate purposes.

- **Green highlights:** Singtel supports reducing greenhouse gas emissions to reach net zero emissions by 2050. In the journey thus far, Singtel has signed the first solar Power Purchase Agreement in Singapore which resulted in the installation of a 1.65MWp solar power system on the rooftop of its Bedok Data Centre. The system was commissioned in March 2020 and generates 2,059MWh of clean energy annually. In Australia, the Group consolidated its Sustainable Packaging Strategy with goals aligned with the National Packaging Waste targets to make all packaging 100% reusable, recyclable or compostable by 2025.

Sustainability bond issues in SGD

Bond	Maturity / Call date	Ask YTW/YTC	Spread	Recommendation
AREIT 2.65% '30s^	26/08/2030	2.12%	82bps	UW*
AREIT 3.0%-PERP^	17/09/2025	2.79%	193bps	OW*
SCISP 2.45% '31s^	09/06/2031	2.45%	110bps	UW*
MFCCN 3.0% '29s^	21/11/2024	1.62%	89bps	Unrated
NUSSP 1.565% '30s^	03/06/2030	1.85%	57bps	Unrated
SRBJNG 2.48% '31s^^	10/02/2031	2.47%	115bps	Unrated
FLTSP 2.18% '28s^^	26/07/2028	2.18%	102bps	Unrated

Indicative prices as at 16 July 2021 Source: Bloomberg
**Based on Monthly Credit View (1 July 2021)*
^ Denotes green bonds and green perpetuals
^^ The SRBJNG 2.48% '31s is a SLB while FLTSP 2.18% '28s is a sustainability bond
We exclude the NUSSP 1.62% '31s as this green bond is likely privately placed and trades minimally

Conventional bonds issued by selected SGD issuers

Bond	Maturity / Call date	Ask YTW/YTC	Spread	Recommendation
AREIT 4.0% '22s	03/02/2022	0.42%	21bps	N*
AREIT 3.2% '22s	03/06/2022	0.66%	43bps	N*
AREIT 2.47% '23s	10/08/2023	0.87%	44bps	OW*
AREIT 3.14% '25s	02/03/2025	1.30%	51bps	UW*
CAPLSP 3.8% '24	28/08/2024	1.37%	67bps	UW*
CAPLSP 3.08% '27	19/10/2027	2.10%	101bps	UW*
CAPLSP 3.15% '29	29/08/2029	2.40%	116bps	UW*
CAPLSP 2.9% '32	21/09/2032	2.76%	136bps	UW*
CAPLSP 3.65% PERP	17/10/2024	2.82%	210bps	UW*
CAPITA 2.8% '23	13/03/2023	0.90%	53bps	N*
CAPITA 3.2115% '23	09/11/2023	0.95%	45bps	N*
CAPITA 3.48% '24	06/08/2024	1.12%	43bps	N*
CAPITA 3.2% '25	21/08/2025	1.34%	48bps	N*
CAPITA 3.15% '26	11/02/2026	1.48%	56bps	N*
CAPITA 3.5% '26	25/02/2026	1.49%	57bps	N*
CAPITA 2.88% '27	10/11/2027	1.76%	66bps	N*
CAPITA 2.1% '28	08/03/2028	1.88%	75bps	N*
CAPITA 2.15% '32	07/12/2032	2.23%	81bps	N*
FPLSP 4.25% '26	21/04/2026	2.79%	185bps	N*

FPLSP 4.15% ‘27	23/02/2027	3.05%	203bps	N*
FPLSP 3.95% PERP	05/10/2022	3.75%	222bps	UW*
FPLSP 4.38% PERP	17/01/2023	4.37%	403bps	N*
FPLSP 4.98% PERP	11/04/2024	3.90%	329bps	N*
KEPSP 3.145% ‘22s	14/02/2022	0.88%	67bps	N*
KEPSP 3.725% ‘23s	30/11/2023	1.26%	74bps	OW*
KEPSP 3.0% ‘24s	07/05/2024	1.46%	83bps	OW*
KEPSP 3.0% ‘26s	01/10/2026	2.09%	111bps	OW*
KEPSP 3.8% ‘27c22s	23/04/2022	0.93%	70bps	UW*
KEPSP 3.66% ‘29s	07/05/2029	2.46%	123bps	OW*
KEPSP 4.0% ‘42c32s	07/09/2032	3.40%	199bps	OW*
MLTSP 3.65%-PERP	28/03/2023	3.09%	272bps	OW*
OLAMSP 5.5%-PERP	11/07/2022	3.20%	296bps	UW*
OLAMSP 5.375%-PERP	18/07/2026	5.13%	417bps	N*
OLAMSP 6.0% ‘22s	25/10/2022	2.26%	197bps	N*
OLAMSP 4.0% ‘26s	24/02/2026	3.98%	305bps	OW*
SCISP 3.64% ‘24s	27/05/2024	1.43%	79bps	UW*
SCISP 4.25% '25s	30/08/2025	1.70%	83bps	N*
SCISP 3.593% ‘26s	26/11/2026	1.91%	91bps	N*
STSP 2.895% ‘23	07/03/2023	0.85%	49bps	N*
STSP 3.3% PERP	14/07/2031	2.99%	163bps	UW*

Indicative prices as at 16 July 2021 Source: Bloomberg
**Based on Monthly Credit View (1 July 2021)*

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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