Singapore ESG Compendium
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Maybank Kim Eng

Island in the Sun

Big Problems. Big Opportunities.

THIS REPORT HAS BEEN PREPARED BY MAYBANK KIM ENG RESEARCH

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Singapore ESG Compendium

Island in the sun

Big Problems. Big Opportunities. Buy Transition

Singapore faces wide-ranging ESG challenges. Climate change threatens its physical security as a low-lying, resource scarce island, while there are social & governance risks from its role as a regional financial centre. The country is seeking to address these issues through a comprehensive 'Green Plan' that is set to enhance its physical defences as well as reposition itself as a regional sustainability hub. This opens opportunities: (a) from corporates seeking to reform their strategies to become greener, and (b) from global capital flows looking to minimize risk in the post-Pandemic recovery, whilst increasing weightings in sustainable assets. MKE's ESG picks offer strategic advantages in this phase of transition: **AEM, AREIT, CD, DBS, MCT, MLT, SGX, THBEV, UOB, VMS**.

Singapore: Small island, big challenges…

As a small low-lying island with an open, trade-dependent economy, Singapore faces multiple ESG risks. These include physical threats from rising temperatures such as higher sea levels, food and water security & public health risks. Concurrently, it faces challenges from high energy intensity, and - by virtue of being an international finance and wealth hub - risks from money laundering & corporate governance. Social issues from high dependence on foreign labour as well as gender gaps and income inequality, also affect Singapore.

…with ambitious initiatives for transformation

The 'Green Plan', launched in 1Q21, is targeted at achieving net zero emissions and positioning the economy to face ESG challenges. The plan's five pillars address carbon sequestering, decarbonizing energy, sustainable living standards, green economy and defending against climate change. This is complimented by regulatory initiatives by MAS and SGX to promote and widen the green capital markets ecosystem, while enhancing governance and risk mitigation. We think these could play an important role in buttressing Singapore's competitive advantage regionally.

Look for transition winners

COVID-19 has accelerated the transition to sustainable assets as investors look for transparency and quality in a time of uncertainty. Since early 2020 alone, nine blue chips in Singapore have announced restructuring strategies that prioritize sustainability. Green, social and sustainable debt issuances have grown at a 94% CAGR 2017-20. Indeed, the top five performers in the SGX iEdge ESG Leaders index have outperformed their counterparts in the STI by 616% and 124% in 2020 and 2021YTD respectively. Overall, our Singapore coverage universe displays lower ESG risks (based on *Sustainalytics* data) compared to ASEAN peers. This may provide a strategic advantage in attracting a higher share of sustainability capital flows going forward, in our view. Our top 10 SG ESG portfolio picks show improving ESG ratings momentum, gearing towards rising ESG themes and have strategies that participate or facilitate transition to a low-carbon economy. They also offer attractive medium term valuations and growth: AEM, AREIT, CD, DBS, MCT, MLT, SGX, THBEV, UOB, VMS.

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ESG top picks

Bberg code	Rec.	Price (LCY)	TP (LCY)	Upside (%)	-------- Sustainalytics -------- Rating	Score	Momentum
AEM SP	Buy	3.91	5.56	42%	Medium	23.1	0.0
AREIT SP	Buy	2.94	3.65	24%	Low	11.8	-2.6
CD SP	Buy	1.64	1.88	15%	Low	17.5	1.7
DBS SP	Buy	30.08	33.71	12%	Medium	20.0	-5.1
MCT SP	Buy	2.15	2.35	9%	Low	11.3	0.2
MLT SP	Buy	2.04	2.25	10%	Low	15.6	-4.4
SGX SP	Buy	11.08	11.48	4%	Low	17.5	-1.2
THBEV SP	Buy	0.67	0.99	48%	Medium	20.4	-0.1
UOB SP	Buy	25.85	29.34	14%	Medium	26.0	-0.2
VMS SP	Buy	19.03	22.00	16%	Low	10.0	-0.7

Source: Bloomberg, Sustainalytics, Maybank Kim Eng

ESG@MKE

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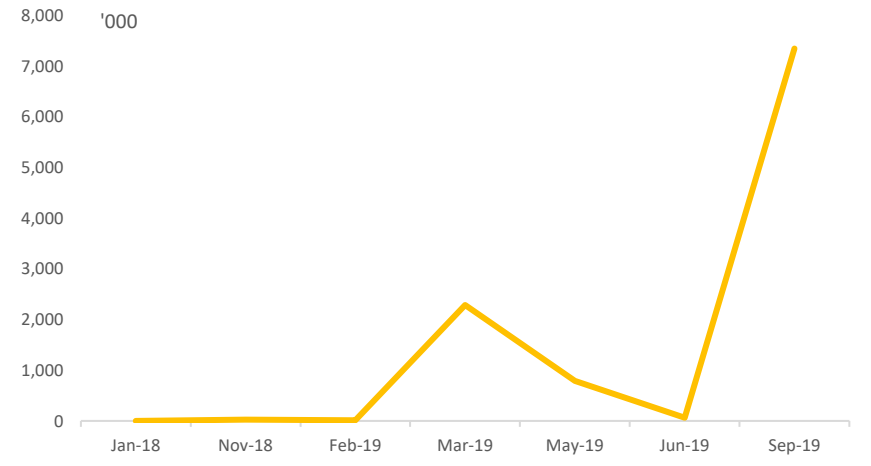
1. Small island, big challenges

"We've never made a transition like we're talking about doing in the next 30 years. There is no precedent for this." – Bill Gates

The race to Net Zero is increasingly becoming mainstream. The science behind the consequences of continued Greenhouse gas emissions and not living within planetary boundaries is well established. However, the scale of response required to mitigating these risks, while ensuring equitable social conditions and strengthening governance is massive, particularly taking in to consideration the available timescale. The quote by Bill Gates above succinctly captures the size of the problem and where humankind stands in solving it.

The mainstreaming of climate risks is the result of increasing global cooperation. The signing of the Paris Agreement in 2015 was a critical turning point with defined targets to keep global temperatures rising well below 2°C above pre-industrial levels. While the Agreement itself is not legally binding under international law, it is encouraging governments and corporations to take action. The drivers for this propensity for action is partly facilitated by rising climate activism, better informed electorates and an accelerating shift in capital flows.

Fig 1: Individuals participating in 'Climate Strikes' globally



Source: Fridays for Future

Singapore ratified the Paris Agreement in September 2016. It has submitted its enhanced climate pledge – the Nationally Determined Contribution (NDC) – and its Long Term Low Emissions Development Strategy (LEDS) to the UN Framework Convention on Climate Change (UNFCCC) in 1Q20. Despite only contributing 0.11% of global emissions, Singapore faces significant climate challenges. From an overall sustainability lens, Singapore is also exposed to critical social and governance risks, in our view.

We identify 5 key areas of environmental, social and governance (ESG) risks in Singapore:

1. High energy intensity and emissions per capita
2. Limited access renewable resources
3. Territorial and security threats from climate change
4. Social imbalances from migrant labour and income gaps
5. Governance and diversity issues as a financial centre

1.1 ESG: A turning point

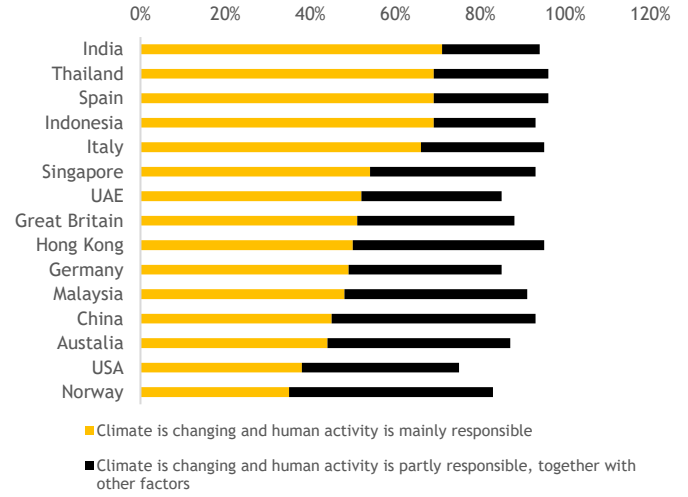
The Intergovernmental Panel on Climate Change (IPCC) has made significant progress in making the case against climate change. The science is clear. From 1880 to 2012, the average global temperature has risen by 0.85°C, while global average sea levels have increased 19cm between 1901 to 2010. The Group predicts that average sea levels could rise 24-30cm by 2065 and 40-63cm by 2100, Even if emissions are stopped now, many aspects of climate change are likely to remain for centuries.

These major shifts in climate could cause significant disruptions to all ecosystems globally leading to multiple threats including natural disasters, food and water scarcity and increase changes of global conflict.

Now, the cost of doing nothing is exceeding the cost of taking actions to manage and reverse these adverse trends. The solutions cannot be just environmental. Whatever action that needs to be taken is likely to disrupt the resource-hungry industrialization model that supported multiple countries and communities rise out of poverty. Hence, a more holistic approach is required where social, governance aspects are given equal weightage to ensure human progress within planetary boundaries.

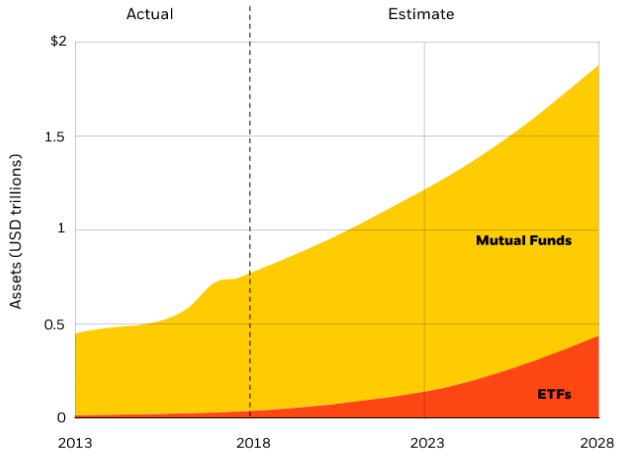
Importantly, this is taking place at a period of rising awareness by governments, corporates and the public.

Fig 2: View on the causes of Climate Change (2019)



Source: YouGov

Fig 3: Assets of sustainable mutual funds and ETFs



Source: Blackrock

A 2019 survey by YouGov globally show that a majority of respondents in both developed and developing countries agree that climate change is caused by all-or-partial human activities. This is important as it is catalysing governments to act. Rising climate activism in the form of protests etc., are adding to the pressure.

It is not only governments that are receiving pressure. Capital allocation is also being directed towards sustainable assets driven by rising demands for responsible investing coming from customers, regulators and other stakeholders. This is partly driven by the recognition that investing in companies that are best prepared to deal with the challenges of ESG are likely to be better positioned to deliver growth vs. those that continue static business strategies. Blackrock estimates that assets under management for funds dedicated to sustainable investment strategies could double by 2023E compared to levels in 2018. Interestingly, a large chunk of

this growth may likely come from mutual funds that would need to actively pick ESG winners – which should drive increasing calls for corporate transparency and disclosure, we believe.

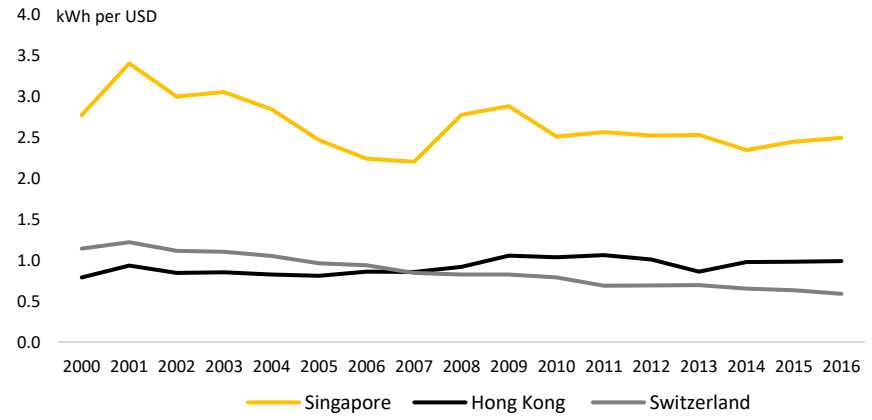
1.2 Singapore faces critical ESG risks

Despite Singapore's small size geographically, its regional positioning, urban density and role as an international financial centre opens it up to critical risks.

1.2.1 High energy intensity and emissions per capita

Singapore ranks ninth in energy intensity for producing a unit of GDP. The country uses 2.49kWh per unit of GDP, according to Our World in Data. This compares to 99th for Hong Kong and 145th for Switzerland, where a unit of economic output costs significantly less energy. Energy consumption drives emissions.

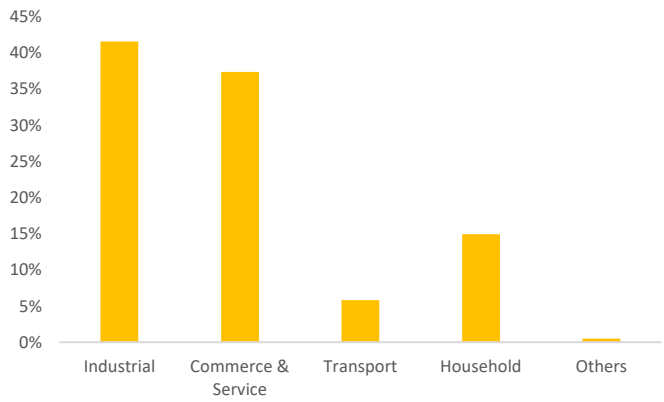
Fig 4: Energy intensity by country (Energy consumption per USD of GDP)



Source: Our World in Data

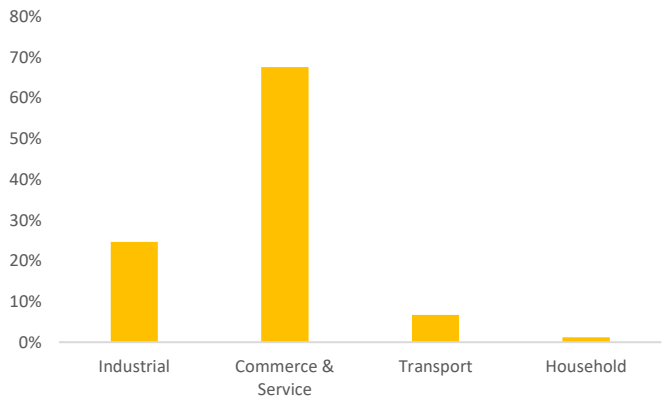
Even though there has been a steady decrease in energy intensity from 2000 to 2016, Singapore energy intensity is still 2x more than Switzerland and Hong Kong.

Fig 5: Energy consumption by Sector (2019)



Source: Energy Market Authority

Fig 6: GDP contribution by Sector (2019)



Source: Statista

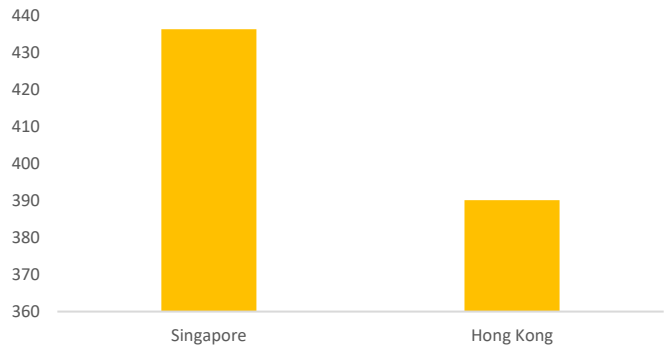
Nearly 80% of Singapore's energy consumption is for industrial and commercial applications. The most intense is the industrial segment, which consumes around 3x of energy to produce a unit of output compared to

commerce and services. Singapore's industrial sector comprises of electronics, chemicals, biomedical sciences, logistics and transport engineering.

Singapore's Energy Conservation Act (ECA) enhanced in 2017, sets out to foster energy efficiency and reduce wastage. The Act requires companies to establish structured energy management systems and sets minimum energy performance standards. These should support better energy utilization over the longer term, we believe.

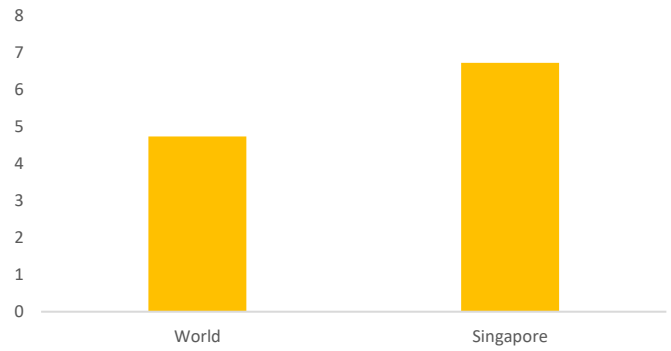
Of course, Singapore's use of natural gas as the primary feedstock for electricity generation (95.6% of total fuel mix) lowers its carbon intensity. Singapore produced around 0.05kg/kWh of carbon dioxide in 2016 compared to 0.15kg/kWh for Hong Kong. Nevertheless, its high energy intensity for producing economic output remains a key concern.

Fig 7: Household electricity usage per month (kWh) 2019



Source: Energy Market Authority, EMSD (HK)

Fig 8: Per capita CO2 emissions (Tons) 2019



Source: Our World in Data

While Singapore's overall carbon dioxide emissions have decreased by 31% between 2010-2019, on a per capita basis emissions are 42% higher than the world average. This is partly driven by Singapore's high living standards. Nevertheless, compared to Hong Kong – another city-state with similar standards of living – Singapore's household electricity usage is still around 12% higher.

Moreover, the above emissions do not take in to consideration Singapore's consumption-based carbon dioxide emissions. These are emissions created elsewhere as a result of imports (net of export emissions). Here, the country's consumption emissions are nearly 3x higher per capita than domestic emissions.

1.2.2 Limited access to renewable resources

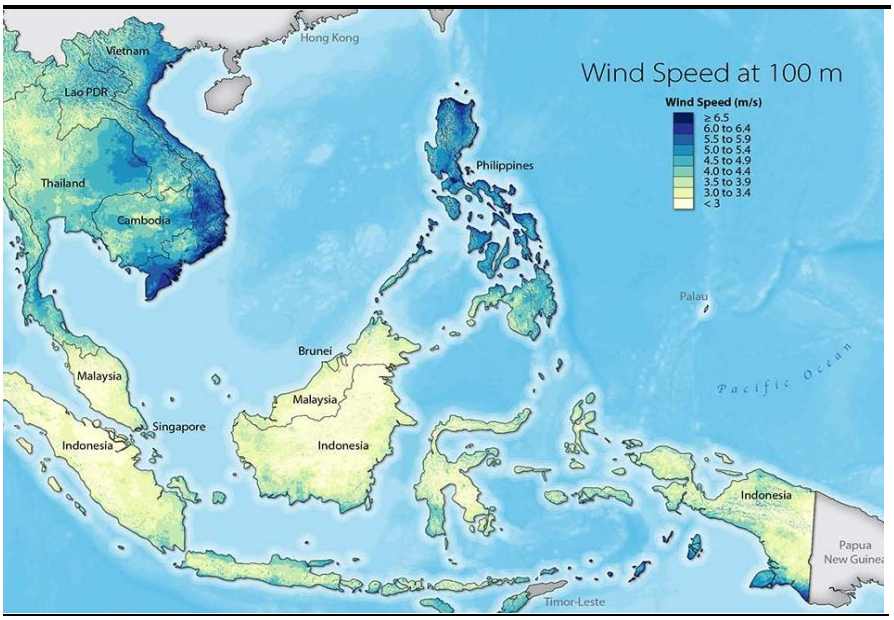
Singapore imports almost all its energy needs given its small landmass and limited resources. Furthermore, its geographic location limits its access to commercial levels of renewable energy.

For example,

- Commercial wind turbines require wind speeds of around 4.5m per second, whereas the average wind speed in Singapore is just 2m per second
- Singapore's narrow tidal range and calm seas (which is a critical advantage as a global port) limits its ability to tap tidal energy
- Lack of river systems with fast flowing water precludes hydro-electric generation

- Its high population density and small geographic foot print (728 sqkm) limits access to bio-mass or makes the safe placement of nuclear power generators

Fig 9: Wind speed map of SE Asia



Source: National Renewable Energy Laboratory, REexplorer

Solar power holds the most promise as a renewable energy source in Singapore given average annual solar irradiation of around 1,580 kWh/m^2. Here again Singapore's small size limiting the ability to deploy solar panels at scale prevents large commercial adoption.

Nevertheless, the government has set a goal of deploying 2GWh of solar energy by 2030 partly by integrating solar energy system to its urban environment. The Housing and Development Board's (HDB) and EDB's SolarNova project is integrating solar power generation in Singapore's public housing is one such programme.

Fig 10: Solar panels deployed on HDB blocks under the SolarNova program

Source: HDB

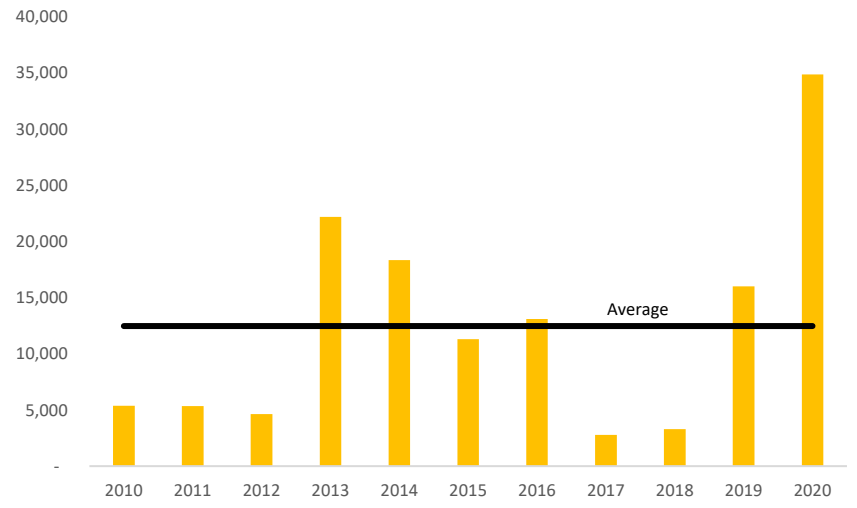
1.2.3 Territorial and security threats from climate change

According to the National Climate Change Secretariat (NCCS), the annual mean temperature in Singapore has risen from 26.9°C in 1980 to 28.0°C in 2009. According to the National Climate Change Study undertaken by the Singapore Centre for Climate Research (CCRS) and the UK Met Office, daily mean temperatures are expected to increase between 1.4°C to 4.6°C going forward. Similarly, annual rainfall rose at an average rate of 101mm per decade between 1980 – 2016 and the intensity and frequency of heavy rainfall events are expected increase going forward.

These changes could create significant territorial and security threats to Singapore. Key amongst these includes:

1. **Rising sea levels.** As a low-lying island this creates a significant threat in terms of land area erosion as well as property and infrastructure damage risks in coastal areas.
2. **Pressure on water resources.** Variable weather could have an impact in efficiently managing the country's water supply. During droughts, there may be limited access to supply, while periods of intense rainfall may affect the country's drainage system and cause flash flood damage.
3. **Biodiversity risks**. Higher temperatures could impact Singapore's flora and fauna by disrupting ecosystems as well as natural pollution absorption systems.
4. **Public health risks**. Singapore's tropical location is endemic for vector-borne diseases such as dengue. Rising temperatures may encourage more vector breeding. Indeed, in 2020, Singapore's dengue infections soared to nearly 3x its past 10-year average. Separately, higher temperatures may cause heat stress and discomfort amongst vulnerable and elderly segments of the population.
5. **Food security**. Changes to the climate can have significant adverse impacts on food production as well as transportation and storage. Singapore is particularly vulnerable given 90% of food is imported.

Fig 11: Singapore dengue infections (number of cases)



Source: NEA, Statista

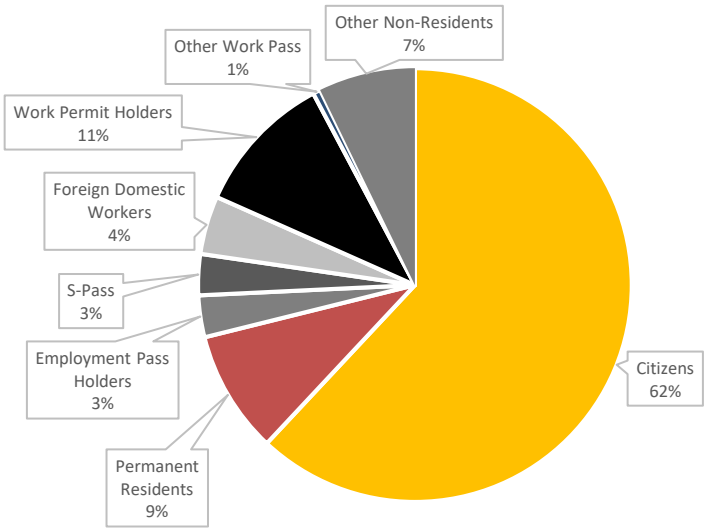
1.2.4 Social imbalances from migrant labour and income gaps

Singapore faces critical social impacts from its dependence on migrant labour to fill gaps in critical industries as well as rising wealth inequality.

Migrant Labour Impact

Around 38% of the population in Singapore are non-citizens. This is a significant growth from just 14% in 1990. Amongst them, about 15% of the total population is work permit holders and foreign domestic workers. Work-permit holders work in a wide range of sectors, but with a heavier concentration in construction, manufacturing and marine segments. These workers typically execute lower skilled and manual labour jobs, where the domestic labour supply is limited. These workers originate largely from Malaysia, India, Bangladesh, China as well as a number of other South and Southeast Asian countries.

Fig 12: Singapore population distribution 2020



Source: Singapore Department of Statistics, Ministry of Manpower

Housing and living conditions for these workers have been a critical issue. Many workers are housed in densely populated dormitories. Close quarters living and lack of proper hygienic facilities was a primary driver of the rapid spread of COVID-19 amongst Singapore's foreign worker community. Indeed, these conditions have resulted in nearly 90% of Singapore's COVID-19 tally coming from foreign workers, according to CNA.

There is increasing recognition for the need for improved living conditions. According to the government, by the end of 2020, the government has added additional temporary spaces to house 60,000 workers, while purpose built facilities will house up to 100,000 workers in the next few years. Concurrently, improved standards are being piloted in the new temporary spaces including larger living spaces per resident (6 sqm vs. 4.5 sqm earlier), maximum 10 beds per room and toilet facilities for every 5 beds.

Separately, there are significant challenges to the living conditions of foreign domestic workers, particularly in terms of abuse, health and safety as well as economic illiteracy. While increased awareness and action is being taken by government agencies, NGOs and civil society, significant issues persist, according to CNA.

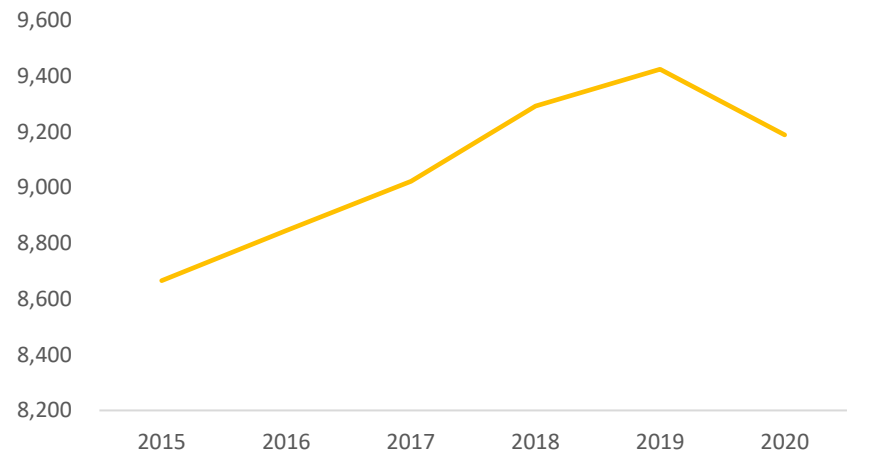
Rising Wealth Inequality

According to World Population Review, Singapore has a Gini coefficient of 45.9 compared to a global average of 38.4. Singapore's Gini coefficient, which measures wealth distribution amongst a population (where 0 indicates perfect equality and 100 equals perfect inequality), is the 25th highest the world.

Separately, in a 2018 report Singapore ranked 149 in an Oxfam index of 157 countries based on efforts to tackle the gap between the rich and poor.

While overall household income has been growing around 1% per annum in the past 5-years, social stratification from skills, technology, access to capital are creating imbalances.

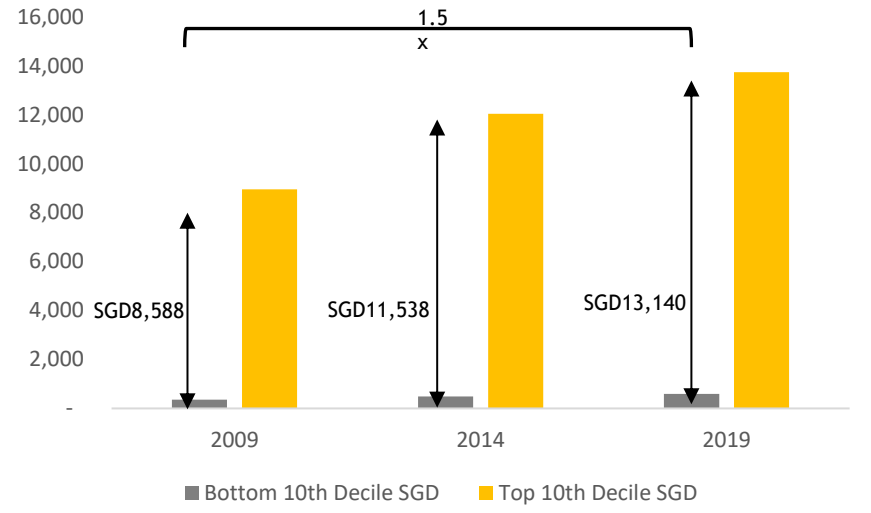
Fig 13: Median household income (SGD/month)



Source: Singapore Department of Statistics

These imbalances are getting wider despite efforts of direct government transfers for the lower income households.

Fig 14: Income differential between Top 10% and Bottom 10% household members (SGD/month?)



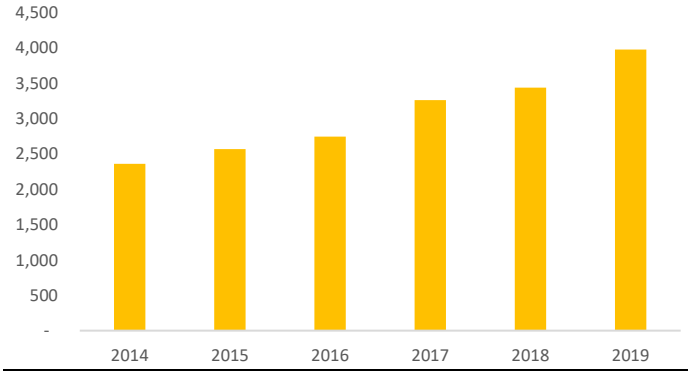
Source: Singapore Department of Statistics

Indeed, the income differential between the bottom 10% of members of resident employed households and the top 10% have grown by 1.5x in the 10-years from the Global Financial Crisis.

1.2.5 Governance and diversity issues as a financial centre

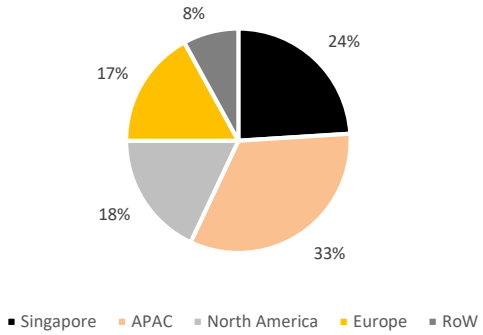
According to Transparency International, Singapore ranks 3/180 in terms of corruption perception. Despite the country's strong ranking, its status as an international financial and private banking centre does expose Singapore to money laundering and terrorism financing risks.

Fig 15: Singapore assets under management (SGDb)



Source: MAS

Fig 16: Singapore sources of funds (%)

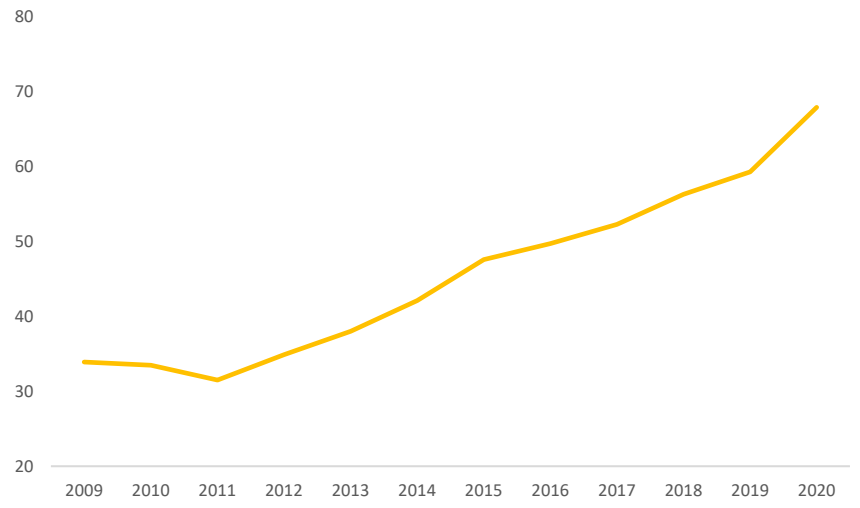


Source: MAS

Singapore's assets under management have grown at an 11% CAGR between 2014 and 2019. 76% of its sources of funds are from overseas, according to MAS. The Financial Action Task Force (FATF) in its 2016 evaluation report, highlighted that while Singapore risk, policy and coordination as well as international corporation effectiveness was 'Substantial', its ratings on areas such as supervision, preventive measures, investigation and prosecution of money laundering as "Moderate".

Separately as one of the largest equity markets in the region, its publicly listed corporates face corporate governance risks. Over the past 10 years, corporates have seen substantial improvements in corporate governance according to the Singapore Governance and Transparency Index. Nevertheless, segments such as accountability & audit and disclosure and transparency have seen some declines in the past few years.

Fig 17: SG Governance and Transparency Index - General Category



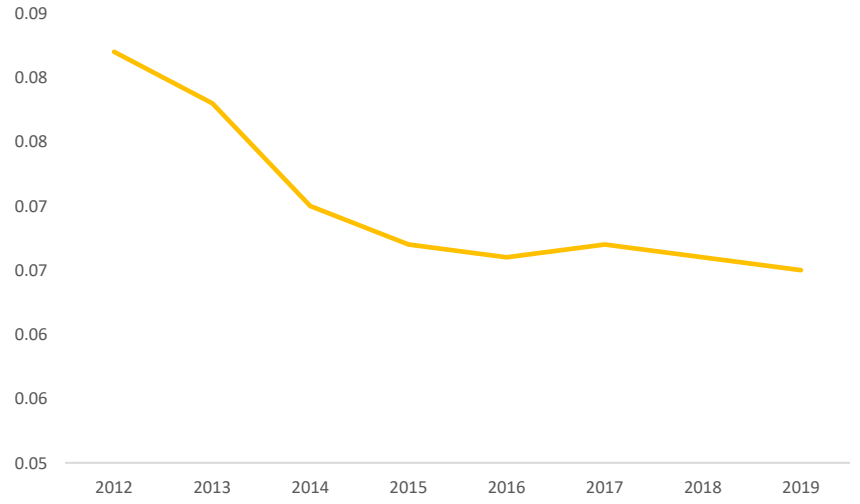
Source: NUS Centre for Governance and Sustainability

We believe as Singapore's corporates continue to diversify regionally, governance and transparency risks could remain critical.

Gender equality

Singapore has maintained a strong leadership position in gender equality based in the UN Gender Development Index. It is ranked #12 out of 162 countries.

Fig 18: Gender Inequality Index - Singapore

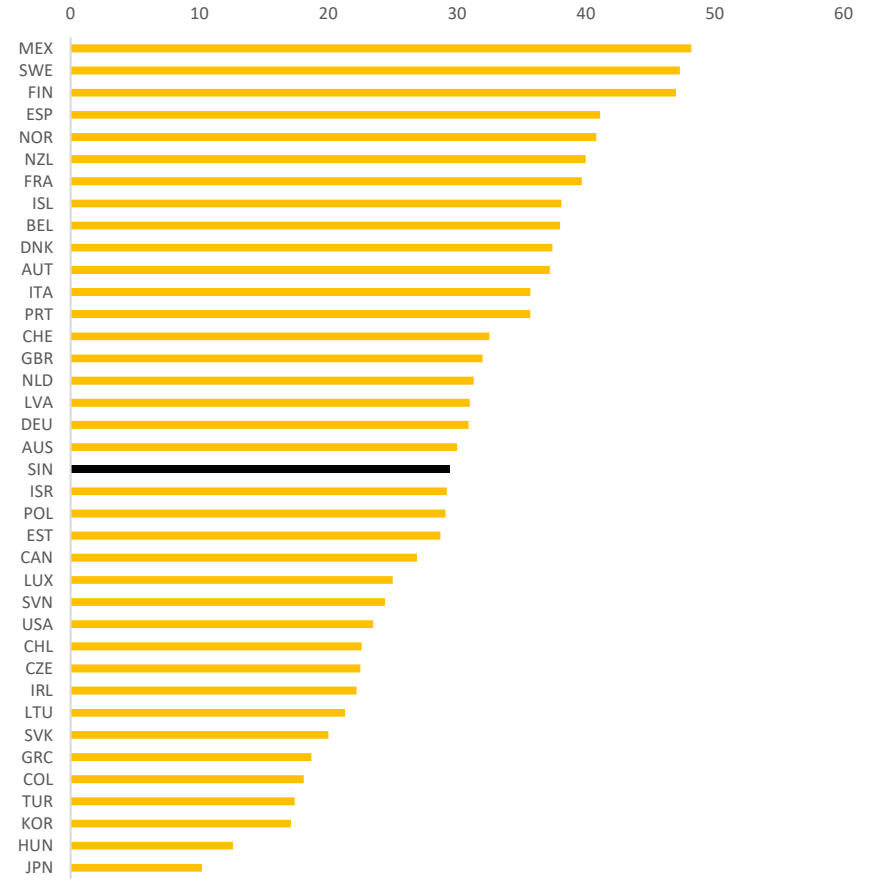


** Defined as a composite measure reflecting inequality in achievement between women and men in three dimensions: reproductive health, empowerment and the labour market.*

Source: UNDP

While Singapore has achieved significant progress in gender equality, there is more room for improvement. For example, in parliamentary representation, women comprise just 29% of all seats. Compared to OECD countries, this places Singapore in the third quartile in terms of female parliamentary representation.

Fig 19: Percentage of parliamentary seats held by women



Source: OECD, Maybank Kim Eng

2. Ambitious initiatives for transformation

We view Singapore's drive to build a sustainable green economy as a competitive advantage, which will develop growth opportunities, create new jobs and transform industries. The Green Economy is one of the five key pillars of the new Green Plan. Initiatives include strengthening Singapore as a location for both global and local companies to develop new sustainability solutions for Asia through R&D in areas such as sustainable packaging, decarbonisation, waste upcycling, urban farming and water treatment. New technologies for carbon capture, utilisation and storage will be developed and trialled. The government will support local enterprises to adopt sustainability practices, solutions and standards; enhance their resource efficiency; and tap new business opportunities.

Fig 20: Singapore Green Plan 2030 – Key focus areas

City in Nature

- Allocate 50% more land - around 200 hectares - for nature parks.
- Plant one million more trees across the island, which will sequester another 78,000 tonnes of CO2.

Sustainable Living

- By 2030, aim to reduce the waste sent to landfill by 30%. Achieve a 20% reduction by 2026.
- Invest heavily in public transport.

Green Economy

- **Enterprise Sustainability Programme** to help enterprises, especially SMEs, develop sustainability capabilities.
- Become a leading carbon trading and services hub, which includes Green finance, sustainability consultancy, verification, credits trading and risk management.
- Develop green finance solutions and markets.

Resilient Future

- Protect coastlines.
- Increase local food production & make food supply more resilient.
- "30-by-30 target" - by 2030, aim to meet 30% of our nutritional needs through locally produced food.

Energy Reset

- Quadruple solar energy deployment by 2025. By 2030, solar energy deployed will be 5x that of today.
- Green 80% of all buildings over the next decade.
- Require all newly-registered cars to be cleaner-energy models.
- More than double EV charging point targets.
- Reduce domestic greenhouse gas emissions by at least 3 million tonnes per year by 2030.

Source: Ministry of National Development, Maybank Kim Eng

Budget 2021 is stepping-up investments towards tackling change and building a sustainable green economy. Green financing will start with the government, which will issue green bonds on selected public infrastructure projects. Green projects worth some SGD19b have been identified, including Tuas Nexus which will integrate waste and water treatment facilities. A new SGD60m Agri-Food Cluster Transformation Fund was launched to support technology adoption in the agri-food sector and improve Singapore's food resilience. Green projects worth some SGD19b have been identified, including Tuas Nexus which will integrate waste and water treatment facilities. The carbon tax, currently set at $5 per tonne (for 2019 to 2023), will be reviewed for Budget 2022 to provide businesses time to adjust to further increases from 2023.

To accelerate adoption of electric vehicles (EVs), SGD30m was set aside over the next 5 years for initiatives including deployment of 60k charging points (target raised from 28k) by 2030. Budget 2021 raised petrol duty rates premium petrol (by 15 cents per litre) and intermediate petrol (by 10 cents per litre), to reduce vehicular emissions. To mitigate the impact, a 1-year road tax rebate was provided, ranging from 15% for cars to 100% for goods vehicles and buses. The government estimates that most of the revenue increase from the petrol duty changes will be given out through the offsets, costing SGD113m. Petrol accounts for a 1.9% weight in the CPI basket. The petrol duty increase will have a very small +0.1% point impact on inflation.

2.1 Reducing waste, carbon sequestering and building defences against climate change

The government announced the Singapore Green Plan 2030 in February 2021. This is a multi-sector, whole-of-nation strategy to advance sustainable development. It charts a course to strengthen Singapore's commitments under the Paris Agreement and UNSDG goals. However, it does not define a target to achieving net zero emissions.

Three of the Five Pillars under the Green Plan 2030 deals with actively managing Singapore's carbon footprint while acknowledging the need for proactive defence against climate change.

The 'City in nature' pillar focuses on green, sustainable spaces and carbon sequestering, while the 'Sustainable living' pillar aims to reduce emissions and recycle resources. The 'Resilient future' pillar targets the mitigation of climate change impacts.

We highlight some of the key initiatives under broad themes:

- Carbon sequester
  - Developing 130ha of new parks and enhancing around 170ha of existing parks with more vegetation
  - Setting aside 1000ha of green spaces which will include 200ha of new nature parks
  - One million trees to be planted throughout the country with an estimated capability of sequestering 78,000 tons of carbon dioxide.

- Emissions reduction
  - Increase waste recycling with an aim of zero waste nation status
  - Aim to have 80% of households within a 10-min walk to a train station in the early 2030s. Expand the rail network by 56% to 360km during this period. Increase public transportation usage
  - Increase the cycling path network by 2.8x by 2030 and increase pedestrianisation of roads
  - Target of two-thirds reductions in net carbon emissions by the schools sector with at least 20% of schools being carbon neutral

- Climate change defence
  - Developing better data on coastlines and building defences to protect coastlines against rising sea levels
  - Moderate urban heat with increasing greenery and applying cool paint on building facades
  - Target to produce 30% of Singapore's nutritional needs locally by 2030 to enhance food security

2.2 Resetting the energy mix and reducing emissions

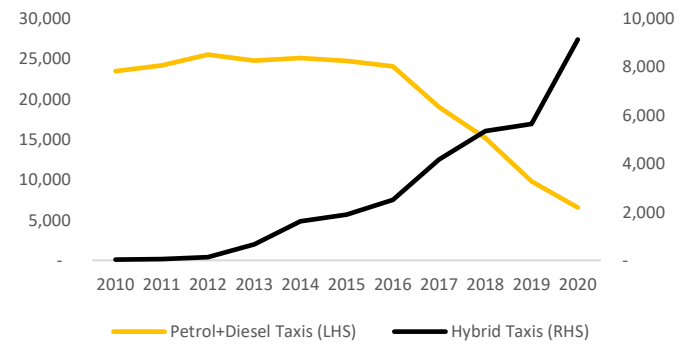
The 'Energy reset' pillar of the Green Plan 2030 tackles the need to increase energy efficiency and lower emissions. The building sector – which accounts for 20% of Singapore's emissions – together with the transportation and power generation sector have been set ambitious targets under the scheme.

We highlight some of the key initiatives under broad themes:

- Lower emission buildings
  - Public housing is targeted to use 15% less energy from current levels through measures such as smart LED lighting and solar energy
  - 80% of existing buildings by gross floor area (GFA) to be categorised as green by 2030. As of December 2020, 43% of GFA was certified as green
  - 80% of new buildings by GFA to be constructed as Super Low Energy (SLE) building. SLE buildings must achieve at least 60% better energy efficiency compared to 2005 levels
  - Best in class buildings already certified as green to achieve 80% improvement in energy efficiency compared to 2005 levels by 2030

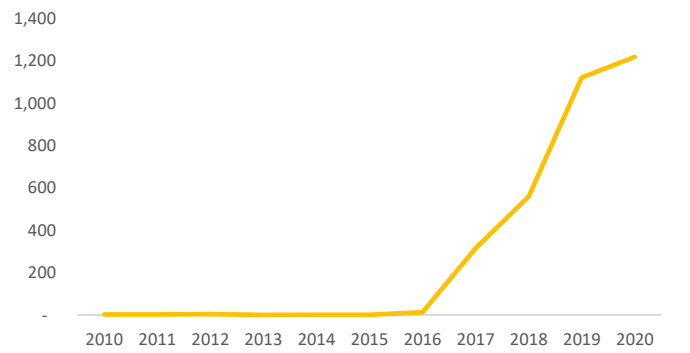
- Reduce vehicular emissions
  - Ceasing new registrations of diesel cars and taxis by 2025
  - All new car and taxi registrations to be cleaner energy models from 2030
  - Target to phase out internal combustion engine vehicles in favour of cleaner energy vehicles by 2040
  - Deploy Electric Vehicle (EV) chargers in all public housing car parks by 2025 and target 60,000 charging points nationwide by 2030

Fig 21: Singapore taxi population by fuel type



Source: LTA

Fig 22: Singapore electric car population (private transport)



Source: LTA

- Diversify towards alternative energy
  - Increase solar deployment by 4x by 2025 and achieve 2GWh of peak supply by 2030
  - Source and import energy from ASEAN and beyond from Green sources
  - Adopt new technology to increase efficiency and reduce emissions from gas fired power plants

2.3 Sustainable economy

From an economic perspective, the Green Plan together with initiatives by Regulators – including MAS and SGX – are driving a path towards transitioning industries and developing new ecosystems to create new opportunities. An overarching aim through these initiatives is to create new job opportunities – especially in areas such as green finance, sustainability consultancy, verification, carbon trading and risk management.

2.3.1 Developing sustainability capabilities

Enterprise Singapore – the government agency mandated drive enterprise development – introduced the 'Enterprise Sustainability Program' as a pathway to support SME transformation. It aims to drive capacity building and prepare companies to capture opportunities through a three-pronged approach:

a) Strategy. Provide support in terms of sustainability strategy, resource efficiency and adoption of sustainability standards
b) Products. Provide support for enterprises to develop new products, services and solutions that are green and to scale locally and overseas
c) Ecosystem. Drive industry partnerships and invest in capability development

The programme provides multiple avenues of support including defraying costs for sustainability strategy development, resource optimization, standards adoption and product development.

Separately, the MAS – the banking regulator – is also driving towards enhancing the sustainability capabilities of the financial sector. Part of this involves the issuance of the Guidelines on Environmental Risk Management in December 2020 on environmental risk management and incorporating ESG criteria in decision-making processes.

The guidelines cover risks beyond just climate change and incorporate issues including pollution, loss of biodiversity and the changes in land use. It sets out the regulators expectations for the financial institutions particularly in terms of governance, risk management and disclosure of environmental risks. The deadline for implementation of the guidelines is 2Q22.

As a supplement, the Green Finance Industry Taskforce (GFIT) has issued an Environmental Risk Management handbook setting out guidance on best practices for environmental risk management and specific disclosure practices that are aligned to TCFD. The banking industry is set to undergo a stress test on climate change scenarios by end-2022 as part of risk management efforts and as a driver to get the industry moving towards adopting ESG standards and guidelines.

Concurrently, MAS and SGX are setting up a roadmap for mandatory climate disclosures (some are already in place) and to make the disclosures comparable by adopting common standards.

2.3.2 Building a carbon trading hub

As part of it strategy to position itself as a carbon trading hub, Singapore announced a global carbon exchange. A joint venture between DBS, Standard Chartered, SGX and Temasek, the Climate Impact X (CIX) exchange is expected to go live by end-2021.

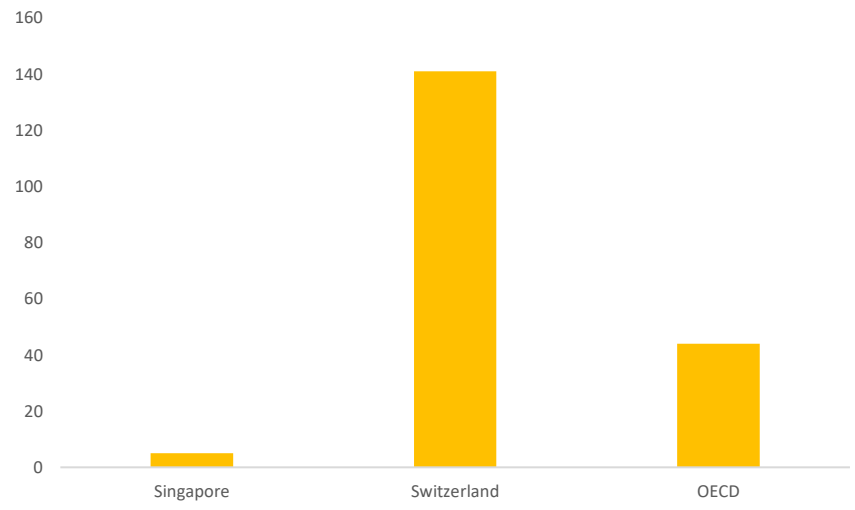
This is a voluntary carbon credit market aimed at MNC, institutional investors, commodity and energy majors. Many large corporates have made ambitious carbon reduction goals over the next decade or two (examples include Amazon, IBM, Microsoft, Unilever). However, direct emissions reductions may not be completely possible given the nature of their businesses and supply chains. Here a voluntary carbon credit market can provide significant support in decarbonisation strategies.

According to CIX, it is set to operate two platforms: an exchange and a project market place. The carbon exchange will facilitate the sale of large-scale, high quality carbon credits, while the project marketplace will enable the purchase of high-quality carbon credit directly from specific projects. This should encourage a broader market participation, particularly for backing commercial conservation initiatives.

Adjusting Carbon Tax

CIX should provide momentum for adjusting Singapore's carbon tax. The current carbon tax regime was effected in January 2019. However, with the tax set at SGD5 per tonne of CO2, it is unlikely to have a material impact to incentivize transition or emission reduction.

Fig 23: Carbon Tax comparison (SGD/tonne CO2)



Source: Maybank Kim Eng

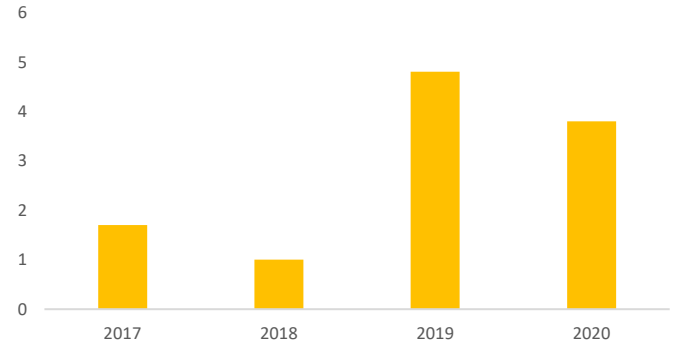
The government has announced that it plans to increase the tax rate to SGD10-15 per tonne of CO2 by 2030 and the tax level and trajectory post-2023 is to be reviewed by 2022. However, this indicative range is unlikely to reflect the real cost of abatement. The World Bank estimates that a price of SGD50-100 per tonne of CO2 is needed to meet the 2°C target.

However, the launch of CIX should provide additional support to pricing carbon. It may help in pushing for higher carbon taxes going forward, as corporates would have alternative means of defraying their carbon costs, in our view.

2.3.2 Creating Green finance solutions and markets

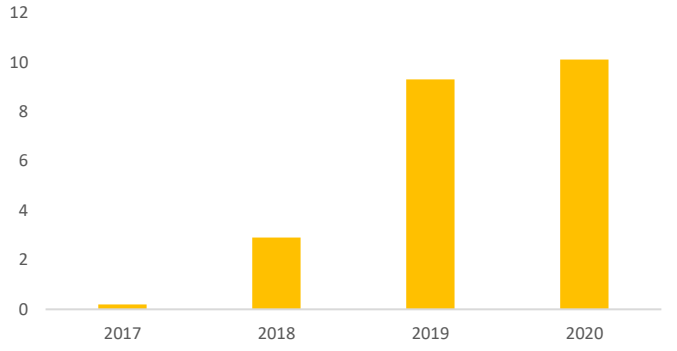
Led by MAS, Singapore is looking to build a green finance ecosystem and develop the country in to a Green Finance Hub. The Green Finance Action Plan has several thrusts in achieving this.

Fig 24: Singapore Green, Social and Sustainability bond issuance (SGDb)



Source: MAS

Fig 25:Singapore Green and Sustainability-linked loan volumes (SGDb)



Source: MAS

a) Green Finance Solutions
   - Sustainable Bond Grant Scheme (SBGS). This scheme enables issuers to offset additional costs of issuing green bonds, social and sustainable bonds and sustainability-linked bonds compared to conventional instruments. It also covers the post-issuance costs of engaging independent sustainability assessments from external reviewers.
   - Green and Sustainability-Linked Loan Grant Scheme (GSLS). This scheme defrays expenses of engaging independent service providers to validate green and sustainability credentials of the loan. The scheme intends to support financing of circular economy projects, renewable energy, energy efficiency and promote sustainable supply chains.
   - Catastrophe Bonds/ Insurance-Linked Securities (ILS). This grant scheme aims to encourage ILS issuance in Singapore and develop a hub status.

b) Green Finance Expertise. Aiming to develop a green finance research and talent development ecosystem supported by centres of excellence, think tanks and expertise focused on Asian needs. Ultimately, this should enable policy makers and financial institutions to develop solutions in environmental risk management, green finance solutions and sustainable policy development.

c) Green Fintech. A mix of programmes and grants aim to drive innovation in green finance technologies. There is a particular focus on the use of technologies such as blockchain, big data, AI and IoT to enable financial institutions and investors to measure, verify and account for the positive impact generated from their financing solutions.

Key examples of some of the instruments that have already been executed include:

- AUD500m senior floating rate green notes issued by OCBC in Nov 2019 to finance or refinance qualifying projects under the banks sustainability bond framework
- Vena Energy who issued a USD325m green bond in Feb 2020 to refinance existing loans for the development, construction and operation of renewable energy projects

- SGD300m green bond issued in May 2020 by National University of Singapore to finance green buildings, renewable energy and sustainable water and land management. This was the first Asian university to issue such a bond
- SGD100m green bond issued in Aug 2020 and another SGD300m green bond issued in Sep 2020 by AREIT for the development of green buildings
- USD1.5b fixed coupon sustainability bond issued by UOB in Apr 2021 to refinance eligible businesses and/or projects in areas such as green buildings and renewable energy, as well as eligible social assets
- SGD1.95b green loan by M+S Pte Ltd – the largest green loan secured by a real estate company in Asia Pacific
- EUR30m sustainability-linked loan by PSA, the first such loan by Singapore's maritime industry
- AUD300m green loan by Keppel REIT for the finance of green buildings
- Multiple loans by Capitaland issued in INR and SGD between Apr and Nov 2020 for financing green buildings
- Asia sovereign catastrophe bond issued through the International Bank for Reconstruction and Development (IBRD) Capital-at-Risk program covering earthquake and typhoon risks – the first such bond listed on the SGX

2.3.3 Climate-resilient national reserves management

MAS

MAS, as Singapore's central bank, manages its official foreign reserves. Its investment aims to balance the dual purposes of managing climate risks as well as seizing opportunities. In order to achieve this, MAS is taking several actions:

- Mitigating climate risks in its portfolio
    - Integrating ESG in the investment process. MAS is guiding its external fund managers to integrate ESG considerations into their investment processes for mitigation and long term returns generation
    - Implementing climate risk overlay within equities. To mitigate equity pricing risks as transition accelerates, MAS is considering an overlay strategy via customizing generic equity benchmarks. This should allow for underweighting companies and sectors that are most vulnerable towards climate risks
    - Excluding 'most at risk' companies. Using top-down and bottom-up analysis, MAS is considering adopting an exclusion strategy for companies that could have a permanent drop in value due to transition
- Allocating to climate related opportunities. MAS is investing in actively managed programs through its external managers that support sustainability themes
- Supporting greening the economy. MAS has set up an USD2b Green Investments Programme (GIP) to invest in investment strategies that seek climate change related opportunities through their external managers. It is also encouraging its external managers on active stewardship to guide investee companies on sustainability through the use of tools such as voting at AGMs, dialog with companies and escalations to track the progress of companies.

Temasek

Temasek has enhanced its ESG framework to emphasise climate analysis and has set a goal of delivering a net zero emissions portfolio by 2050. It is accelerating investments in to businesses that support transition to low-

emissions and resource-efficiencies in sectors such as energy, food, waste, water, mobility and urban development. It has also established ABC World Asia – a private equity fund for impact investing.

GIC

Singapore's Sovereign Wealth funds applies an O-D-E framework across its investment and corporate process. This involves being Offensive on investment opportunities, Defensive in risk management while achieving enterprise Excellence.

- Offense. GIC is integrating sustainability considerations including climate-related factors to its investment process while also investing in ESG related opportunities across asset classes
- Defence. It is regularly screening its existing portfolio for ESG issues and conducting additional due diligence on its higher exposed companies. It is also supporting the TCFD on developing internationally accepted frameworks on climate reporting
- Excellence. GIC is procuring and consuming sustainability and aims to be carbon neutral across its global operations by FY21.

3. Looking for transition winners

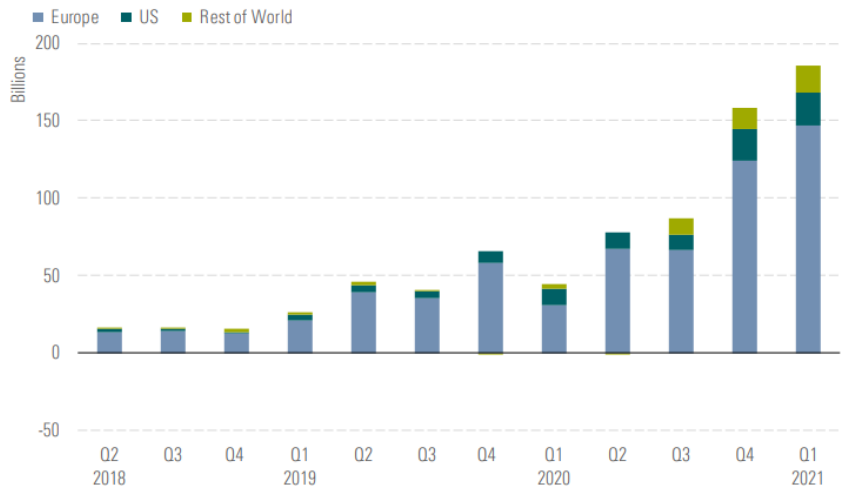
3.1 A clear shift towards sustainable investing

While the trend towards ESG investing has been accelerating for several years now, COVID-19 has brought clear emphasis and an urgency in living within planetary boundaries. The pandemic highlighted the significant inequality in healthcare, social justice and wealth amongst global communities and the repercussions of environmental exploitation.

As countries and businesses rebuild post-pandemic, we believe the capital flow to ESG assets could accelerate driven by governments, investors and society as a whole demand longer-term resilience.

Indeed, 1Q21 saw global sustainable fund assets grow 19% YoY, reaching an all-time high four quarters in a row, according to Morningstar. The global sustainable universe now has USD2t of assets under management.

Fig 26: Quarterly global sustainable fund flows (USDb)



Source: Morningstar Direct

While there are various measures of sustainable fund flows published by various authorities, we prefer the Morningstar definition, which takes in to account all open-end funds and exchange-traded funds (ETFs) globally that, by prospectus, factsheet or other available resources, claim to have sustainability objectives and/or binding ESG criteria for their investment selection. This actively excludes funds that employ limited exclusionary screens or funds that integrate ESG considerations in a non-determinative way in their investment selection.

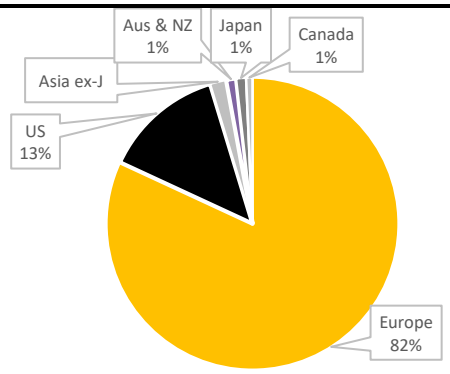
Data from the Global Sustainable Investment Alliance (GSIA), using a broader definition of ESG investing, states that global sustainable investments reached USD30.7t in 2018 – a 34% increase since 2016.

Using narrower or broader definitions, it is clear that funds flowing to sustainable assets is increasing.

This pace is set to accelerate. New product launches are rising globally. While Europe accounts for a lion's share of sustainable funds under management at 82% as of 1Q21, Asia-ex Japan is rapidly increasing pace with new product launches. Overall inflows of sustainable funds to Asia ex-Japan (excluding China) increased 27% YoY in 1Q21, 8ppt higher compared to global growth.

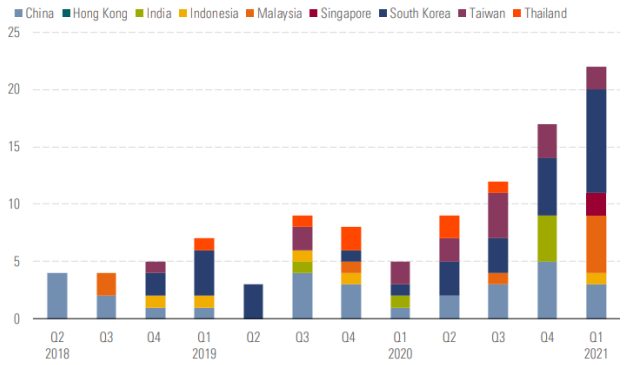
New product launches in South Korea, Malaysia, Singapore and Thailand contributed to this. Given its low base, we believe Asia ex-Japan has the strongest potential for ESG asset growth going forward.

Fig 27: Global sustainable fund AUM under management 1Q21



Source: Morningstar

Fig 28: Asia ex-Japan sustainable fund launches



Source: Morningstar

Critical trends in ESG investing

In its latest 2021 ESG Trends Watch report, MSCI identifies five trends that could define sustainability investment trends going forward. These include:

1. **Late ESG adoption could result in smaller investible universe.** Sluggish ESG adoption could result in some investors having to face a steep climb to catch up with Paris Agreement commitments. In other words, the longer investors wait to adopt ESG, the smaller the pool of qualifying investments they may have access to invest.

   According to MSCI, to meet a 2°C temperature goal by the end of the century, global emissions need to be reduced by about 5% per year. To meet a 1.5°C world, global emissions need to be reduced by 9-15% per year and the world needs to become net-zero by 2050. As of 2020, 16% of MSCI ACWI IMI Index constituents are aligned to a 2°C scenario and only 5% are aligned to a 1.5°C scenario. To align all companies to these scenarios, MSCI estimates all constituents would need to reduce total carbon intensity (Scopes 1-3) by 8-10% per year till 2050.

   For investors to align to these targets, they would need to re-balance their portfolios away from companies with high emissions intensity. This will create significant portfolio construction challenges. For example, MSCI estimates that to achieve a 2°C alignment target, only 40% of companies in the MSCI ACWI IMI Index constituents would be investible.

Fig 29: How different climate scenarios might impact equity investment opportunities**

Alignment Target	Temperature	Investable Universe	Portfolio Construction Challenge
Business as usual	4.0°C	100%	No portfolio rebalancing needed to align to a business-as-usual scenario
Commitments made by countries already (NDC aligned)	3.0°C	85%	Possible to reweight a market portfolio away from heavy emitters using climate-related data
2.0°C	2.0°C	40%	Large proportion of companies would need to be excluded in portfolio construction
1.5°C	1.5°C	10%	Limited universe of listed companies leading to a very concentrated portfolio

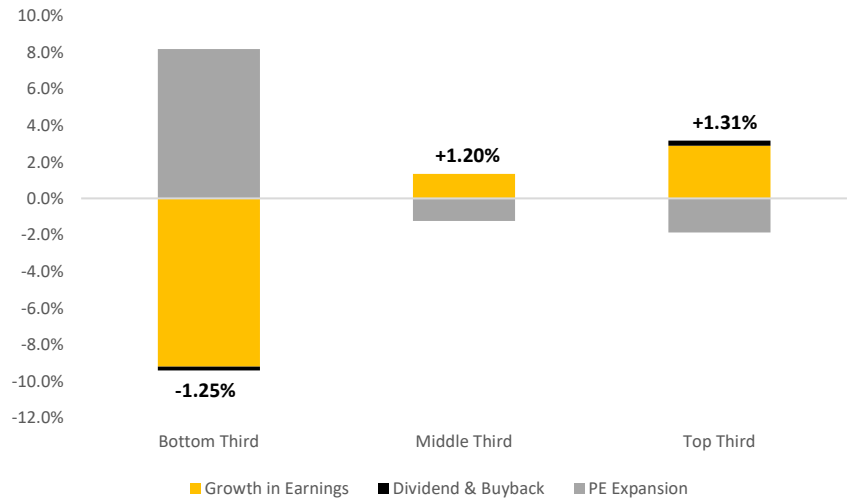
***This calculation is based on a hypothetical portfolio comprising companies of the MSCI ACWI Investable Markets Index (IMI), representing over 8,300 large-, mid- and small-cap companies with available climate change data across developed and emerging markets, as of Nov. 30, 2020.*

Source: MSCI ESG Research

In our view, this should create significant pressure for liquidity to flow towards sustainable companies over the medium term.

2. **The market for ESG investments are expanding.** There is an increasing distinction between ESG investment strategies and the ultimate goals on returns. Not all are expected to outperform conventional investing and be financially relevant. Instead, some can be focused on social objectives or target innovations to solve specific environmental challenges. These may not necessarily track conventional market measures.

Fig 30: Decomposition of returns by ESG rating (%)**



***Data for constituents of the MSCI ACWI Index from May 31, 2013 to Nov. 30, 2020*
Source: MSCI

The above chart shows the differences and composition of returns of the MSCI ACWI Index between 31 May 2013 to 20 Nov 2020 categorised by the ESG ratings. Companies with the top-third of ESG ratings outperformed the bottom-third by 2.56%. Largely, this was achieved through earnings expansion, not multiple expansion.

This highlights an important point. In cases where investors focused on ESG approaches that integrated financially relevant sustainability considerations, they tended to divert capital towards companies that are better at managing their financial ESG risks. This also reflects on these companies' higher ESG ratings. These companies have a stronger ability to manage risks and deliver earnings expansion. This also shores up evidence that ESG investing is a 'bubble' where liquidity is simply expanding multiples to deliver temporary outperformance.

The above chart also points to another important observation. Companies that are managing their financial ESG risks drove the outperformance of the Top Third. For other investment, strategies may target other goals such as specific UN SDGs or innovation to solve a particular environmental challenge. In these cases, a financial outperformance would not be a valid measure.

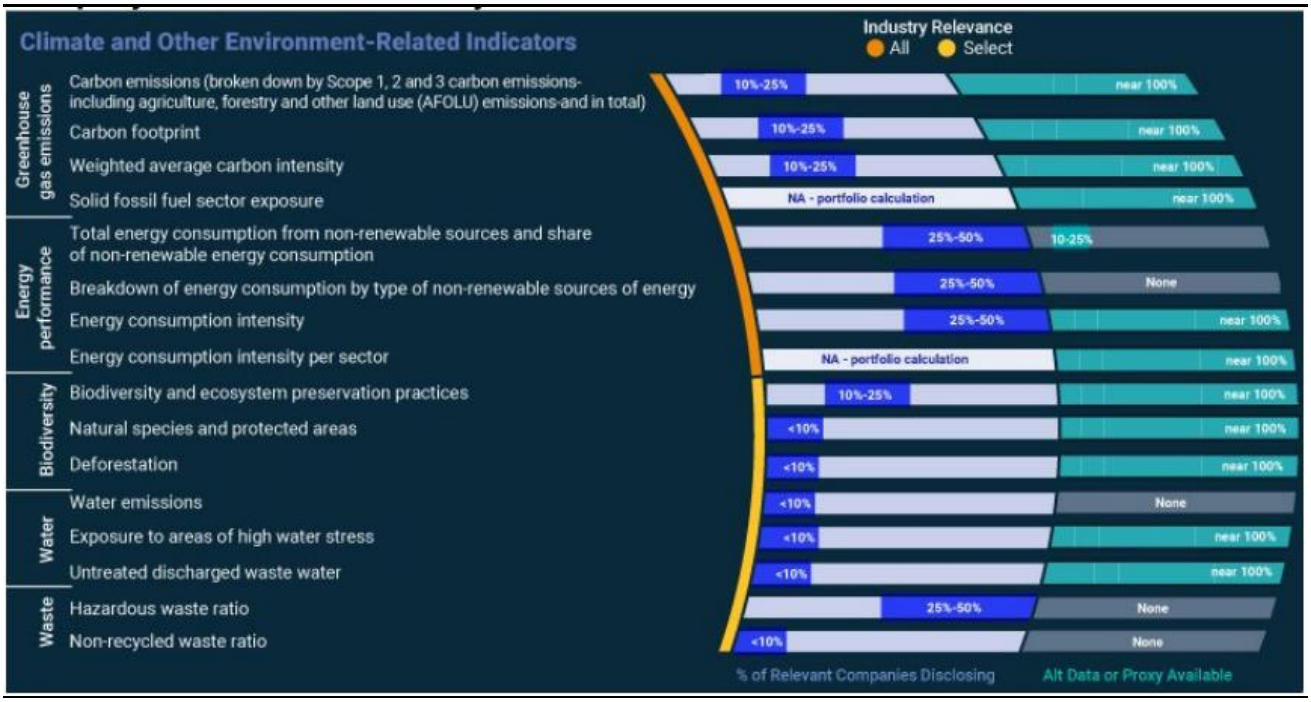
As such, going forward, we believe that ESG investing would not be considered as a pathway only to achieve financial outperformance, but to fulfil various sustainability objectives. This means that the ESG investment universe would become wider and deeper. Measuring some

of these objectives against conventional benchmarks may return a wide variance in performance. This may drive the innovation of new benchmarks that are more closely aligned to non-financial objectives going forward, in our view.

3. **The biodiversity crisis needs immediate solutions.** According to the UN, a quarter of existing animal and plant species face extinction. This could have material economic and human impacts. The blue prints used to tackle climate change are likely to be increasingly used to tackle this challenge. Many companies can have significant impact and dependencies on biodiversity. As a result, investors would need to screen and follow similar risk mitigation strategies they employ for climate change on this topic going forward.

4. **More ESG disclosures.** The demand for volume of ESG disclosures are set to increase many-fold going forward under pressure from investors, regulators, employees, NGOs and data providers. TCFD financial disclosures are mandatory from 2020 for UN PRI signatories. It is likely to become required disclosure for all companies in the UK and New Zealand and other countries are set to join the trend, according to the Wall Street Journal. The European Union's Sustainable Finance Disclosure Regulation (SFDR), if finalized in its current form, would require companies to report on 32 data points on climate and environment, social and employee matters, human rights and anti-corruption.

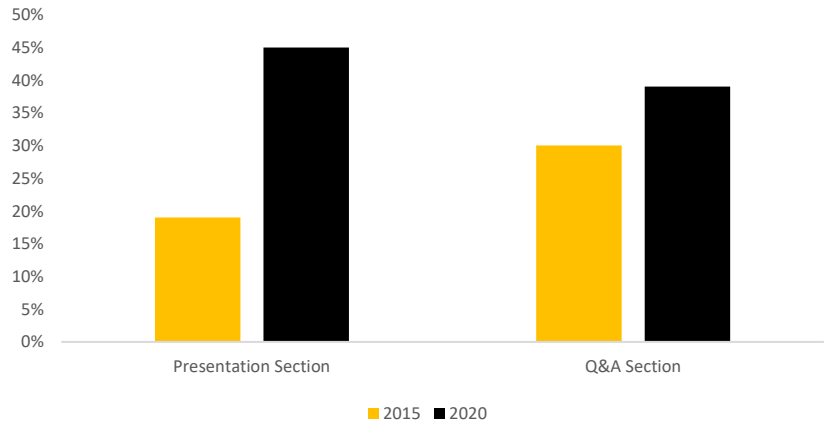
Fig 31: SFDR draft principle adverse impacts indicators: company level data availability – climate and environment



Source: MSCI ESG Research

As the above diagram shows, just on the climate and environment related factors significant gaps exist.

Fig 32: Sustainability related keyword mentions on earnings transcripts – Global Top 100 companies

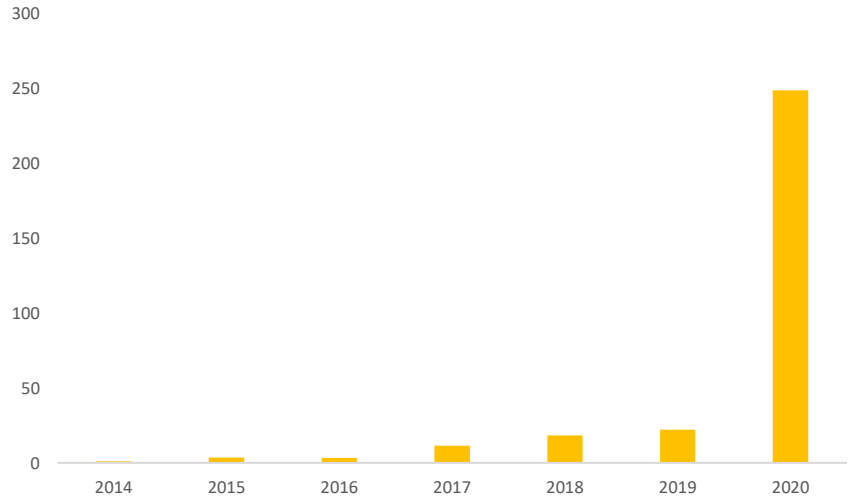


Source: S&P Market Intelligence

As these disclosure regimes advance, significant pressure would likely be levelled on companies to comply. Indeed, evidence of this trend is increasingly evident from investors. In earnings transcripts for global top 100 companies, sustainability keyword mentions have increased from 30% in 2015 to 39% in 2020. Importantly, corporate discussions on sustainability has also seen a material increase. Keyword mentions here has risen from 19% in 2015 to 45% in 2020.

5. **New toolkits used to tackle social inequalities.** With COVID-19 bringing social inequalities to the fore, investors could be pressured to address these issues. The conventional toolboxes are not well equipped to deal with social issues, so increasingly expect investors to turn to new approaches such as social bonds going forward.

Fig 33: Global Social Bond issuances (USDb)



Source: Climate Bonds Initiative

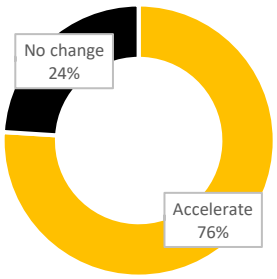
3.2 Sustainable investing is an established, secular mega-trend

Overall, we believe that the accelerating shift towards sustainable investing is a secular mega-trend. The science and the need to achieve the Paris Agreement goals are clear. Failure would materially increase operating risks for companies and result in much higher risk premiums for global markets. The human and social costs would be unparalleled.

Therefore, ESG investing is a critical business case for corporates and an investment case for investors. Those that fail to act are likely to end up with stranded assets with distressed valuations. Those who act are likely to gain significant competitive and operating advantages going forward, in our view.

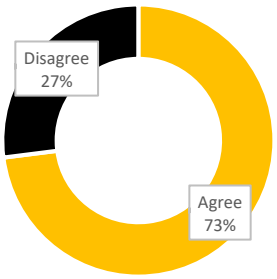
Indeed, according to a survey of 450 global institutional investors by the Economist Intelligence Unit (EIU) indicate that inflows to sustainable investments are expected to gather pace in the next 3-5 years.

Fig 34: Investors agreeing that the Pandemic will accelerate inflows to sustainable investments



Source: EIU

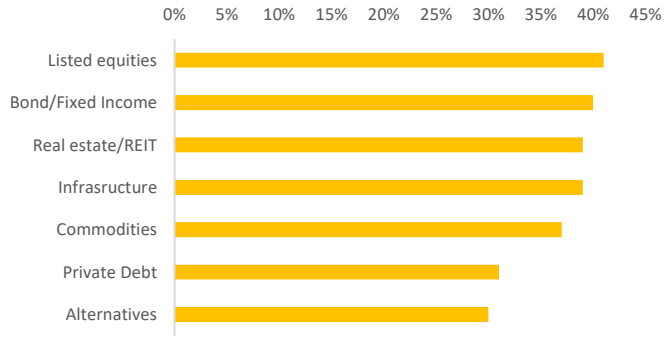
Fig 35: Respondents agreeing that their company's investment that integrate ESG factors have performed better financially than traditional equivalents since 2020



Source: EIU

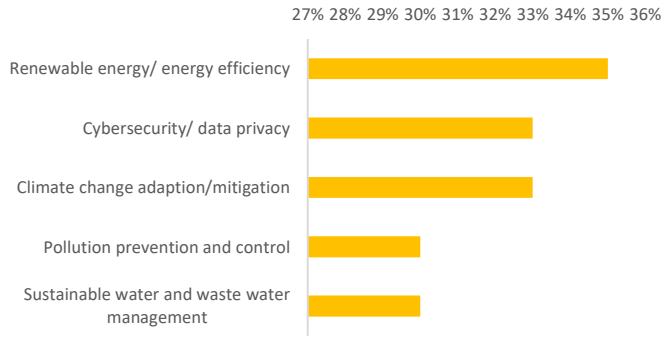
Listed equities and Real Estate/ REITs are highlighted as some of the top asset classes for ESG integration. This is relevant for Singapore where most listed equities carry some ESG disclosures and the REIT sector is a major listings vertical on SGX. Separately, renewable energy, climate change adaption and water management are being identified as top investment themes going forward. This is also highly relevant for Singapore where corporate strategies are being adopted to respond to these themes.

Fig 36: Percentage of respondents integrating ESG into different asset classes (%)



Source: EIU

Fig 37: Top 5 investment themes favoured by investors (%)



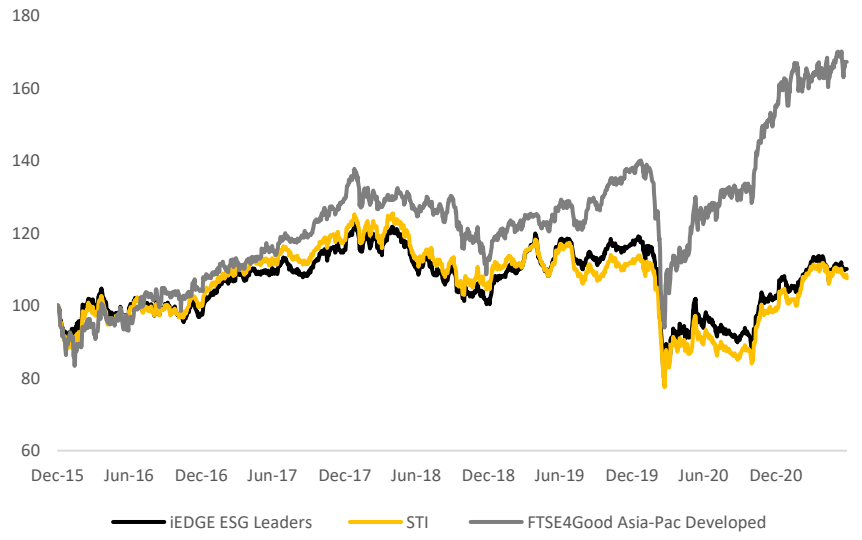
Source: EIU

3.2.1 Corporates with gearing towards growth with ESG offers less operating uncertainty

Regional lockdowns, border closures, new virus variants and uneven vaccine logistics have significantly increased operating uncertainty across almost all sectors. This has lowered earnings visibility and increased margin and volume volatility.

Against this backdrop, companies that offer better transparency and are geared towards equitable growth are likelier to offer less operating uncertainty than others, we believe.

Fig 38: STI vs. iEdge ESG Leaders Index and FTSE4Good Asia Pac Developed Markets Index



Source: Bloomberg, Maybank Kim Eng

Indeed, as can be seen above, indexes that are built on ESG factors are outperforming Singapore's conventional benchmark index – despite the fact that the Straits Times Index (STI) comprises mostly the country's blue-chip, large caps.

Interestingly, the FTSE4Good Developed Asia Pacific Index saw the strongest outperformance in the past 5-years as COVID-19 began to spread in early 2020. We believe this index is a relevant comparable when weighing Singapore market performance as its constituents are mostly larger cap, Asian developed market companies from Hong Kong, Australia, New Zealand, Japan where ESG integration is at a more progressive stage than ASEAN peers.

Similarly, the iEdge SG ESG Leaders index, developed by SGX with factor inputs from Sustainalytics also saw outperformance vs. the STI during COVID-19. The index is constructed with constituents from Singapore that are considered best in class from a sustainability perspective, also saw less downside during downturns vs. the conventional index.

With pandemic uncertainty continuing over the next few years, we believe sustainable companies could outperform those that rank lower in ESG factors.

3.2.2 Rising momentum of corporate strategies incorporating ESG in Singapore

Led by the GLCs, corporates in Singapore are increasingly making public commitments towards sustainability. There is a rising trend of restructurings where corporate strategies are being re-focused towards sustainability and exiting higher emission business segments.

A key example is the announcement of a strategic review in May 2021 by Sembcorp Industries (SCI SP, Not Rated) – a power and utilities provider. SCI is reorganizing itself to support global energy transition to sustainable sources and targets to achieve 70% of profits from its sustainable portfolio by 2025 (from 40% now). Management expects its renewable energy portfolio to grow at a 30% CAGR between 2020 and 2025, while its integrated urban solutions portfolio is expected to grow at 10% CAGR. SCI has also pledged to deliver net-zero emissions by 2050.

Separately, all three of Singapore's domestic banks have announced targets to increase the mix of sustainable financing to 5-13% of loan books between 2023-2025. They are also announcing sustainable financing frameworks and are producing sustainability reports aligned to global standards.

Keppel Corp (KEP SP, Not Rated), one of the world's largest offshore oil & gas rig builders announced a restructuring in January 2021 that would see it pivoting to clean energy. It plans to repurpose its construction yards that were used to build hydrocarbon extracting rigs to develop offshore wind or solar farms, gas solutions and hydrogen energy solutions.

In the next page, we highlight a detailed list of restructuring initiatives announced by Singapore corporates.

Fig 39: Corporate Restructuring table

Company Name	Sector	Corporate Strategy Change	Target / Goals
DBS Group	Financial	DBS launched the world first sustainable and transition finance framework and taxonomy which enables its clients to take instrumental steps to be less carbon-intensive. DBS also plans to invest in more sustainable projects. DBS is currently invested in sustainable projects such as Sembcorp Industries floating solar plan and Sembcorp Marine renewable energy projects. DBS joined Singapore Exchange, Standard Chartered and Temasek Holdings to launch a global exchange and marketplace for carbon credits to incentivize emission cuts.	DBS targets to have a sustainability finance portfolio of S$50 billion by 2024
Oversea-Chinese Banking Corp	Financial	OCBC intends to diversify its sustainable finance portfolio by investing in different industries such as Renewable Energy, Clean Transportation, Education and Water & Waste Management. OCBC is also diversifying its sustainable finance portfolio by providing sustainable financing to different countries. This will enable OCBC to develop its capabilities as a regional sustainable financial hub.	OCBC targets to have a sustainability finance portfolio of $25 billion by 2025
United Overseas Bank	Financial	UOB is embarking on impact investing within the Group to broaden its sustainable funding footprint. Its venture management arm manages the Asia Impact Investment Fund where they invest in agriculture, healthcare, microfinance. UOB also introduced a sustainable finance framework with 3 main pillars, Smart City, Real Estate and Green Circular Economy. With their sustainable finance framework, UOB intends to invest in sustainable energy & resources, food agriculture, green connected cities, and efficient energy. To further drive the company sustainability goals, UOB also appointed a Chief Sustainability Officer.	UOB targets to have a sustainability finance portfolio of $15 billion by 2023
Singapore Telecommunications	Telcos	SingTel's new strategic reset centres around three themes - leveraging its 5G leadership to reinvigorate its core-consumer and enterprise business; developing new growth engines in ICT and digital services; and unlocking value across its infrastructure assets. Across this strategic reset, SingTel has included renewed commitments to advance the sustainability agenda by embedding climate actions and deliverables across its strategic plans.	Singtel targets to reduce their Scope 1 and 2 carbon by 2030. They also aims towards net zero emission by 2050
Keppel Corp	Industrials	Keppel Corp also announced that Keppel Offshore & Marine will be exiting their offshore rig building business. Keppel offshore & Marine has been pivoting towards renewables and cleaner fossil fuels such as liquefied natural gas, which together made up more than 80% of its $3.3 billion orderbook as at end-2020.	Keppel Corp had a 2030 target to reduce its carbon emission intensity, waste intensity and water consumption intensity by 28.8%(2010 levels), 10% (2019 levels), 20% (2019 levels) respectively. Keppel Corp also plans to grow its portfolio of renewable energy assets to 7GW by 2030.
CapitaLand Ltd	Property	Capitaland has launched a Sustainability Master Plan that articulates the Group's sustainability targets, strategies and plans till 2030. Three Themes drive this. (1) Build portfolio resilience and resource efficiency - where the Group has set a target to reduce carbon emission intensity by 78% by 2030, (2) Enable thriving and future enabled communities - where it plans to strengthen human capital, health and safety and supply chain management as well as encourage tenants to implement environmentally friendly features in their premises, (3) Accelerate sustainability innovation and collaboration - where the Group is targeting to triple its sustainable finance portfolio by 2030	Capitaland aims for a 78% reduction in carbon emissions intensity, triple its sustainable finance portfolio to SGD6bn and accelerate sustainability innovation and collaboration by 2030
ComfortDelGro Corp	Transport	ComfortDelGro is creating a new umbrella division that will handle its taxi, private bus, car rental and leasing and lifestyle businesses. The ''Private Mobility Group' has been created to pool resources and develop smart and green intermodal mobility solutions, according to Management	ComfortDelGro intends to reduce GHG emissions intensity by 50%, increase hybrids for all of their vehicles, increase their solar PV output to 8 MWP and have 100% of their office buildings to be green building certified.
Singapore Airlines	Air Transport	SIA announced a Net Zero Carbon strategy by 2050. The Group's airlines - SIA, Scoot and SIA Cargo - will include multiple strategies including investing in new-generation aircraft, higher operational efficiencies, adopting low carbon technologies and sourcing high quality carbon offsets	SIA plans to have net zero carbon emission by 2050
Sembcorp Industry	Industrials	Sembcorp industries aims to transform its portfolio from brown to green through renewable energy and integrated urban solutions business. Sembcorp launched a green financing framework to drive investments in renewable energy across its markets. Sembcorp plans to transform their business to be more sustainable through strategic green growth, optimizing existing businesses and capital recycling. The Group also plans to diversify it funding sources to include green financing and sustainability linked finance.	By 2025, Sembcorp aims to have 70% of PAT from its sustainable solutions portfolio and quadruple its gross installed renewable energy capacity to 10GW. It also plans to triple its urban business land sales to 500 hectares and reduce its GHG intensity by 25% (2020) . In addition, the Group aims to halve GHG emissions by 2030 (from a 2010 baseline of 5.4 million tCO2e) and deliver net-zero emissions by 2050.

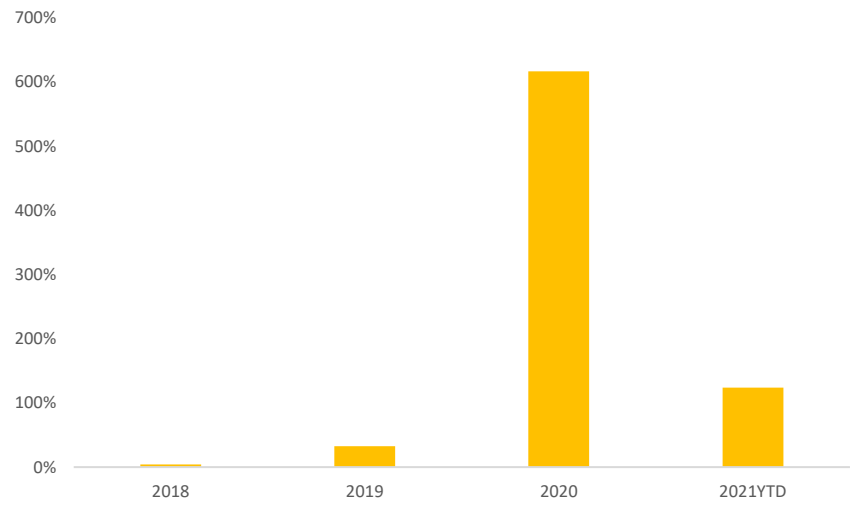
Source: Bloomberg, News Articles Maybank Kim Eng

3.2.3 ESG: More upside and less downside?

In order to investigate whether better transparency and sustainability leadership leads to outperformance, we looked at the Top 5 and Bottom 5 price performers in the iEdge SG ESG Leaders Index and the STI Index from 2018 onwards. We specifically selected this timeframe to capture pre-COVID and during COVID risk sets.

We see that the constituents of the iEdge index that had the greatest price appreciation outperformed a similar selection in the STI.

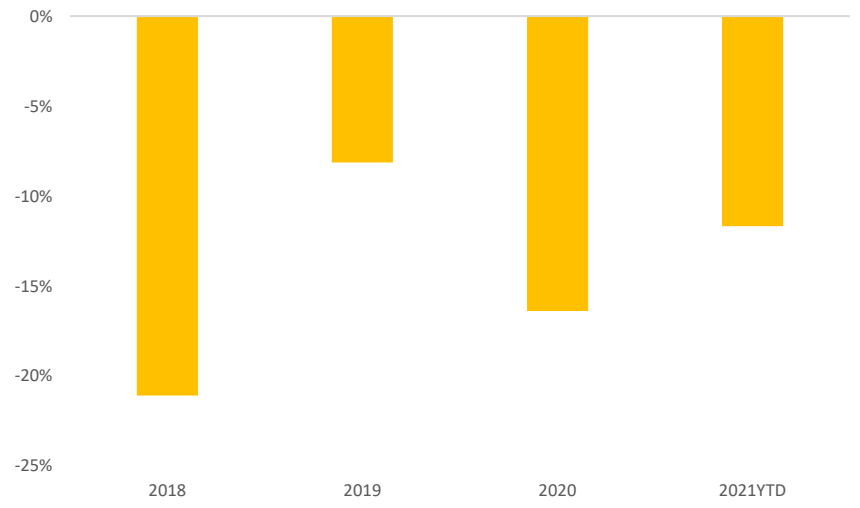
Fig 40: The difference between the average price appreciation Top 5 of iEdge constituents vs. STI constituents



Source: Bloomberg, Maybank Kim Eng

Indeed, in 2020, when risk and uncertainty was the greatest with COVID-19 lockdowns, the Top 5 constituents of iEdge outperformed their peers in STI by 616%.

Fig 41: The difference between the average price depreciation of Bottom 5 of iEdge constituents vs. STI constituents



Source: Maybank Kim Eng

Conversely, the price depreciation of the bottom 5 constituents of iEdge was relatively more than the STI. But at its worst, the underperformance was 21%, while at its best the outperformance was 616%.

To us, this implies that in periods of heightened uncertainty, sustainability leaders offer significant security both from upside potential as well as keeping downside risks low.

COVID-19 related uncertainty in the medium term together with longer term climate change risks, we believe companies with better ESG and sustainability leadership would drive outperformance.

3.3 Building a SG Sustainable Portfolio

MKE has embarked on developing critical capabilities in sustainability analysis and integration to its research and valuation process. The equity research team across ASEAN (40 analysts covering over 300 stocks) has been publishing one-page ESG tear sheets for companies under coverage since mid-2020. Just over half of MKE's ASEAN coverage, spanning across all sectors, now comes with a qualitative-centric ESG tear sheet insert that outlines key E, S and G considerations for the company, and how these feed into the company's core business model in terms of recognition of material ESG issues and strategies on addressing related risks and opportunities.

3.3.1 Screening built on a qualitative and quantitative approach

The MKE Singapore equity research team's ESG Tear Sheets for the entire coverage universe is included in Section 4 of this report. These qualitative tear sheets also include a quantitative scoring element for a more complete consideration of a company's ESG issues and dynamics. We believe this provides a backward looking/current quantitative view as well as a forward-looking, MKE analyst-driven qualitative outlook.

The quantitative ESG inputs are sourced from Sustainalytics, a leading external ESG research and data provider that the MKE group has partnered with for ESG services that range from company-focused ESG ratings reports to portfolio ESG and carbon analytics. Sustainalytics also acts as the data source for other service providers such as Morningstar (ESG fund ratings and indices) and FTSE Russell (ESG ratings and customized indices, including FTSE4Good indices) and the SGX iEdge ESG Index series.

Fig 42: Sustainalytics: ESG risk rating top-down methodology

Source: Sustainalytics

The Sustainalytics' ESG risk rating measures the extent to which the company's economic value is at risk from unmanaged ESG risks. This is done by giving points for specific material risk factors, identified from industry exposure and management indicators, to be added up across all the identified issues for a total overall score, which is then rated via five risk category ratings. These risk categories are absolute i.e. a certain risk assessment reflects a comparable degree of unmanaged ESG risk across the research universe, regardless of the sector or business the company

operates in. Sustainalytics' company-specific ESG reports are updated annually, while score-influencing controversies are monitored and reported on an on-going basis – hence, the scoring for the company can change more often than the annual report update.

MKE displays key Sustainalytics metrics in the upper right corner of the business model section at the top of each tear sheet, with a focus on the following:

- **Score**: this is the company's final ESG Risk Rating Score (Unmanaged Risk Score). It is derived by a materiality-driven risk decomposition process, starting with assessing the company's exposure to ESG risks at the industry level, followed by an assessment of the company's ESG management (i.e. actions and commitments that demonstrate how ESG issues are managed). This is finally followed by the score calculation of unmanaged risk, which is defined as material ESG risk that has not been managed by the company, the key components of which are unmanageable risk (cannot be addressed by company initiatives) and the management gap (risks that could be managed but are as yet not sufficiently addressed by management).

- **Rating**: company scores derived as above are assigned to five ESG risk categories. These are: i) negligible risk - score of 0-10; enterprise value (EV) considered to have negligible risk of material financial impacts driven by ESG factors; ii) low risk - score of 10-20; EV at low risk of material financial impacts; iii) medium risk - score of 20-30; EV at medium risk; iv) high risk – score of 30-40; EV at high risk; and v) severe risk – score of 40+; EV at severe risk of material financial impacts driven by ESG factors. These risk categories are absolute i.e. a particular risk assessment reflects a comparable degree of unmanaged ESG risk across the research universe, regardless of the sector the company is in.

- **Momentum**: this indicator shows the change in company score since the last assessment (on average, Sustainalytics updates its company scores around once a year, barring any major controversy event), and is broken down into changes in exposure momentum and management momentum. A negative number means overall risk score is improving (and vice versa). This indicator is of key interest to investors seeking to generate positive alpha via ESG momentum strategies i.e. by investing in companies showing improvement in ESG score, which is expected to flow through to improved operational performance and/or intangible value accretion.

- **Controversies**: where relevant, Sustainalytics also publishes controversy reports for companies for which it has ESG scores. These reports are generated when there is an event or aggregation of events relating to an ESG topic i.e. incidents that have a negative impact on the environment, society and external stakeholders. An event assessment is based on the highest impact or risk score assigned to the related incidents, alongside a broader assessment of event trend and company preparedness and response. The related event categories range from Category 1 (event has a low impact on the environment and society, and poses negligible risks to the company) up to Category 5 (event has a severe impact on the environment and society, posing serious risks to the company), with Category 4 and 5 events often indicative of structural problems at the company. The controversy reports also have an outlook (Positive, Negative or Neutral) that forecasts how the controversy rating will change over the next 12

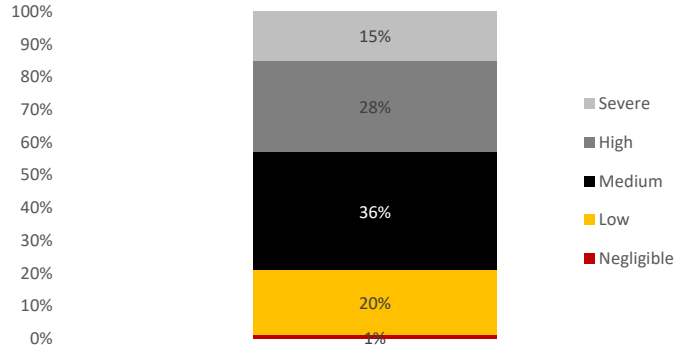
months e.g. if negative, the event is likely to deteriorate, leading to a downgrade rating of the corresponding indicator, feeding back to the management score for the company.

3.3.2 Singapore coverage universe – a lower risk ESG base

ESG Tear Sheets have been completed across MKE's entire Singapore equity coverage universe. Compared to Sustainalytics' global coverage universe, more than double of Singapore's coverage is classified as 'Low' risk.

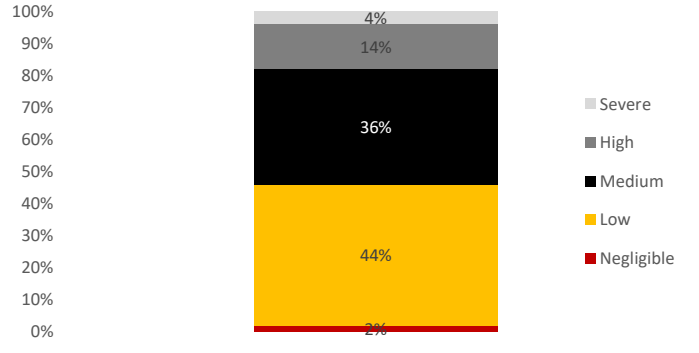
The higher prevalence of REITs, developers and technology and a lower representation of brown industries such as plantations, metals & mining, petrochemicals are likely a driver for this differential.

Fig 43:Sustainalytics: risk categories - global coverage



Score/Risk categories:
0-10 Negligible
10-20 Low
20-30 Medium
30-40 High
>40 Severe
Source: Sustainalytics, Maybank Kim Eng

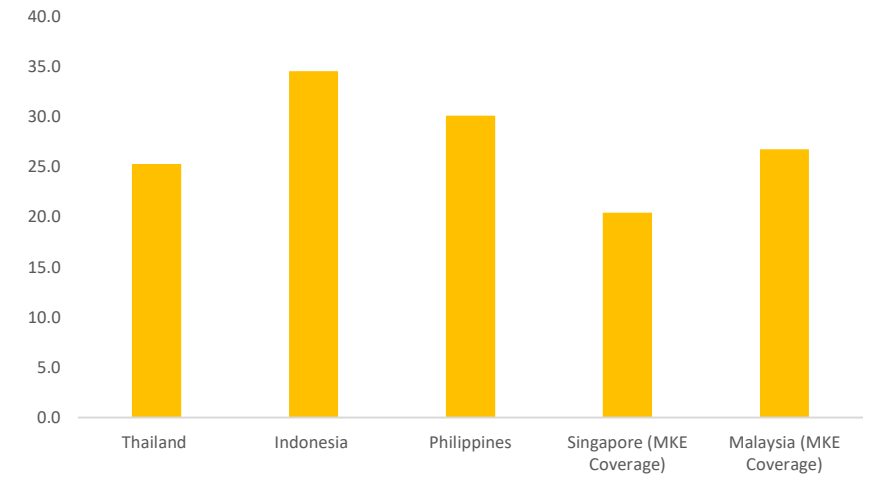
Fig 44: Sustainalytics: risk categories - MKE SG coverage



Score/Risk categories:
0-10 Negligible
10-20 Low
20-30 Medium
30-40 High
>40 Severe
Source: Sustainalytics, Maybank Kim Eng

Similarly, compared across the ASEAN region, Singapore's coverage universe represents a lower risk distribution. This may prove to be a catalyst in terms of attracting regional liquidity flow seeking lower ESG risks.

Fig 45: ASEAN: Sustainalytics average risk score of Top 30 stocks by market capitalization



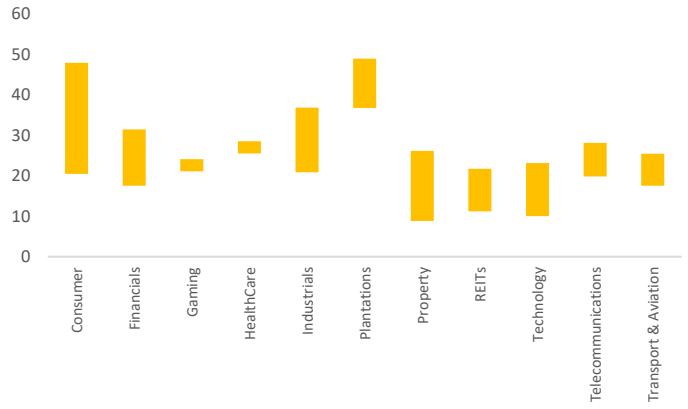
*** For Singapore and Malaysia, Risk Scores of all companies with Tear Sheets displayed*
Source: Maybank Kim Eng

We believe the marginal earlier mover advantage displayed by key Singapore stocks in incorporating ESG disclosures and business models could provide a strategic advantage, in terms of offering a wider investible base.

Drilling down to the sectors, some of the critical high risk score ranges are represented in Consumer, Industrials and Plantations. These have higher exposures to emissions and notably social and governance risks because of upstream sourcing activities.

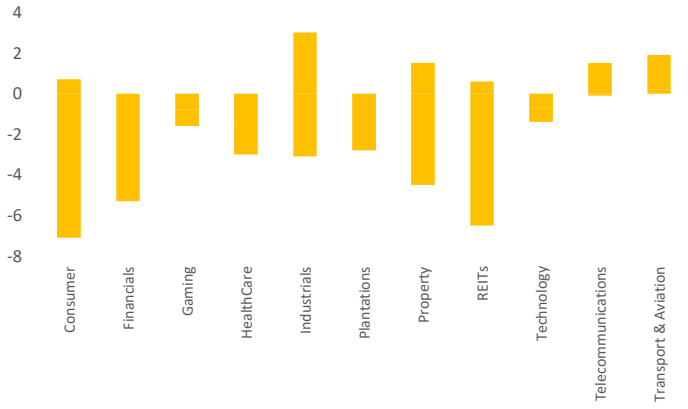
At the same time, we see that ESG momentum scoring turning in the Consumer sector likely is driven by increased social engagement and ethical sourcing activities undertaken by the supermarket sub-sector. Conversely, the momentum declines for Industrials is significantly slower pointing to structural handicaps within the aviation, offshore & marine and shipbuilding sub-sectors.

Fig 46: Singapore coverage: ESG score range by sector



Source: Sustainalytics, Maybank Kim Eng

Fig 47: Singapore coverage: Momentum range by sector

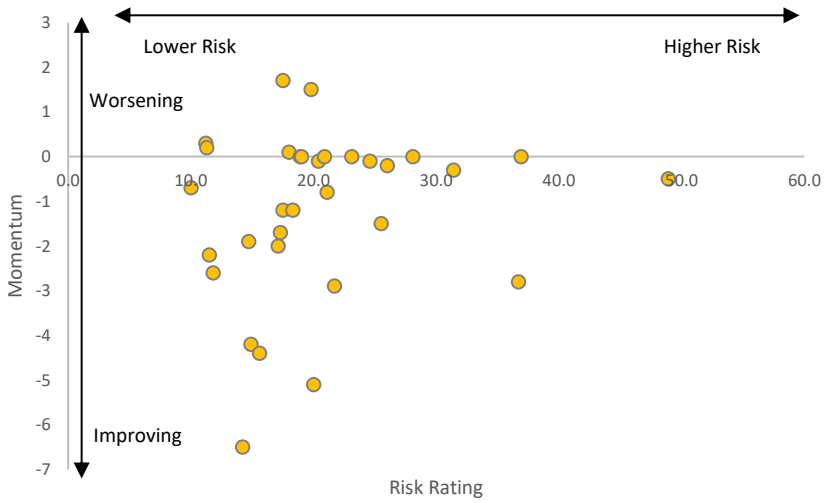


Source: Sustainalytics, Maybank Kim Eng

3.3.2 Singapore ESG Top Picks

In general, MKE's Singapore coverage universe displays lower risk ratings and improving risk momentum, based on Sustainalytics data.

Fig 48: MKE Singapore coverage mapped by Risk Rating and Ratings Momentum



Source: Sustainalytics, Maybank Kim Eng

As a result, in constructing a Singapore ESG portfolio, our selection criteria has been guided by stocks that can attract incremental ESG investment flows. Here we took in to account the following drivers:

- Improving risk rating momentum
- Gearing towards major ESG investment themes
- Participating in or facilitating transition towards lower emissions

We then overlay this screen with MKE's fundamental analysis and valuations to arrive at the final candidates.

Fig 49: MKE SG ESG Portfolio: Recommended constituents

Company	BBG Ticker	Sector	Mkt Cap (SGD m)	Rec.	Price	TP	Upside	Rating	Score	Momentum
AEM Holdings	AEM SP	Technology	1,101	Buy	3.91	5.56	42%	Medium	23.1	0
Ascendas REIT	AREIT SP	REITs	8,599	Buy	2.94	3.65	24%	Low	11.8	-2.6
ComfortDelGro	CD SP	Land Transport	3,554	Buy	1.64	1.88	15%	Low	17.5	1.7
DBS Group	DBS SP	Banks	77,482	Buy	30.08	33.71	12%	Medium	20.0	-5.1
Mapletree Comm.Trust	MCT SP	REITs	6,190	Buy	2.15	2.35	9%	Low	11.3	0.2
Mapletree Logistics Trust	MLT SP	REITs	6,236	Buy	2.04	2.25	10%	Low	15.6	-4.4
Singapore Exchange Ltd	SGX SP	Financials	11,874	Buy	11.08	11.48	4%	Low	17.5	-1.2
Thai Beverage PCL	THBEV SP	Consumer Staples	17,080	Buy	0.67	0.99	48%	Medium	20.4	-0.1
United Overseas Bank	UOB SP	Banks	43,529	Buy	25.85	29.34	14%	Medium	26.0	-0.2
Venture	VMS SP	Technology	5,541	Buy	19.03	22.00	16%	Low	10.0	-0.7

Source: Factset, Sustainalytics, Maybank Kim Eng

On an overall portfolio basis, our picks display an average ESG risk score of 17.3 (Low Risk) and a Risk Rating momentum of -1.2. The portfolio offers a 20% average upside on a 12-month basis.

3.3.3 Preferred ESG Picks

AEM Holdings (AEM SP, SGD3.91, BUY, TP: SGD5.56, ESG Risk Rating: MEDIUM)
From an ESG perspective, AEM's strengths are in i) balancing shareholder transparency with business requirements, ii) low staff turnover from policies to promote staff wellbeing; and iii) screening suppliers for negative environmental and social impacts. We believe investors should look past 1H21 transitory softness, and focus on structural growth drivers. AEM is a beneficiary of Intel's increasing focus on various packaging and testing technologies as mission-critical chips become more and more complex, leading to lengthening test times to ensure product reliability. Separately, AEM is now working with 10 out of top 20 semiconductor companies, and expects to derive meaningful revenue from these in 2022.

Ascendas REIT (AREIT SP, SGD2.94, BUY, TP:SGD3.65, ESG Risk Rating: LOW)
AREIT boasts strong fundamentals backed by scale (209 industrial properties as of end-Mar 2021) and rising DPU visibility from a growing overseas portfolio. Rental growth is set to return, driven by its resilient business parks, suburban office and logistics space, which have grown to 79% of its AUM. It now owns the largest number (34) of BCA Green Mark properties among S-REITs, and had in 2020 introduced new long-term environmental targets to align with new sponsor CapitaLand, to achieve a minimum green rating for all its owned and managed properties by 2030, and also raised its first green bond and perpetual securities. Valuations are undemanding at 5.5% FY21 dividend yield, or 4% above 10-year Singapore government bond yield, with upside from deals and/or redevelopment projects.

ComfortDelGro (CD SP, SGD1.64, BUY, TP: SGD1.88, ESG Risk Rating: LOW)
The longer term public policy and ESG preference will favour public transport over private vehicle ownership. We continue to like CDG as it offers exposure to domestic transport recovery, driven by the easing of social distancing measures given the wider deployment of vaccines. CDG is well poised to enjoy positive operating leverage on improving rail ridership. Additionally, the impending review of Downtown Line financing framework and potential restructuring of Australia bus assets are catalysts.

DBS Group (DBS SP, SGD30.08, BUY, TP: SGD33.71, ESG Risk Rating: MEDIUM)
DBS is set to play a critical role in transition financing in the region. Its target of SGD50bn of sustainable finance by 2024, means that 45% of incremental loan between now and then should be green. It is also investing in platforms such as the Singapore Carbon Exchange (CIX) as a strategy to diversify future income towards ESG-themes. In the meantime, the Group has been proactive in transparent, sustainability reporting and we expect greater levels of disclosures as the industry aligns itself to become more comparable. In the near term, DBS' gearing to North Asia and Singapore should support PPOP growth from post-COVID recovery, while strong provisioning levels increase risks of provision write-backs.

Mapletree Commercial Trust (MCT SP, SGD2.15, BUY, TP: SGD2.35, ESG Risk Rating: LOW)
MCT's VivoCity tenant sales in 4Q21 have returned to more than 86% of pre-COVID levels (same as 3Q21), from 78.0% in 2Q21 and 36.6% in 1Q21, ahead of c.74% recovery in shopper traffic, with upside seen from further easing of capacities in FY22. It secured a first SGD670m green loan to part-finance the MBC II acquisition in late 2019. The best-in-class asset has increased the contributions from its office and business park properties and should continue to strengthen DPU visibility. Its balance sheet remains strong with valuations undemanding at 5.0% FY22E yield on the back of recovering DPU.

Mapletree Logistics Trust (MLT SP, SGD2.04, BUY, TP: SGD2.25, ESG Risk Rating: LOW)
Its growing APAC-focused logistics AUM is well positioned to capture the sector's multiple structural growth themes, i.e., rising e-commerce demand and supply chain diversification, which have been accelerated by the pandemic. Acquisitions have been DPU-accretive and remain a key catalyst, with upside from potential deals, backed by its sponsor growing development pipeline, not factored into our estimates. It is the first S-REIT to have linked its renewable energy generation target to sustainable financing, as a 6-year SGD200m loan now funds its rooftop solar installation programme. Valuations at 4.5% FY21 dividend yield are undemanding, as yields are set to compress further on the back of recovering rental growth and tightening cap rates.

Singapore Exchange Ltd (SGX SP, SGD11.08, BUY, TP: SGD11.48, ESG Risk Rating: LOW)
SGX is set to play a significant role in supporting Singapore's capital markets to transition towards sustainability. It is providing a platform for the development of transition products and solutions such as Green Bond listing, ESG indices, Greener commodities contracts, ESG derivatives and driving better ESG practices and disclosures amongst its listcos. The development of this ecosystem should provide SGX with new revenue sources as well as supplement its strong derivatives platform. In addition, a Greener set of market constituents should drive higher equity trading inflows from investors as they increase ESG allocations. In the near term, rising market volatility should support continued derivate volume expansion and the prospects of New Economy stocks establishing secondary listings could boost market volumes further.

Thai Beverage PCL (THBEV SP, SGD0.67, BUY, TP: SGD0.99, ESG Risk Rating: MEDIUM)
ThaiBev is on track to its target of using reusable, recyclable and compostable materials for 100% of its main packaging by 2025. This would help reduce its greenhouse gases emission by 15%. We believe ThaiBev's portfolio of top mass-market brands is well positioned to capture post-COVID recovery, driven by easing restrictions of on premise consumption. Concurrently, its beer business is positioned for net margin expansion as a result of positive operating arising from sales volume recovery and cost efficiencies. The stock is trading 15x FY21E P/E, which is 1SD below its historical mean, and we believe that the post-COVID consumption recovery is a re-rating catalyst.

United Overseas Bank (UOB SP, SGD25.85, BUY, TP: SGD29.34, ESG Risk Rating: MEDIUM)
UOB is positioning its strategy to leverage its balance sheet together with advisory, wealth and solutioning capabilities to support customers to transition to sustainable opportunities. UOB is also transforming culturally within the organisation as it looks to build a sustainable growth strategy that serves all stakeholders. This should drive a long-term competitive advantage for UOB, we believe. In the near term, an improving operational outlook and potential provision write backs should drive earnings momentum.

Venture (VMS SP, SGD19.03, BUY, TP: SGD22.00, ESG Risk Rating: LOW)
Venture's ESG strengths are in i) ensuring fair labour practices, ii) strong stance against conflict minerals and iii) strict policies and enforcement against corruption. We believe VMS may be entering a new earnings upgrade cycle, as a range of products from its R&D labs enter manufacturing in 2021. Customers, especially in life-science, medical technology and networking are also optimistic about end-markets and new products. Consensus FY21E revenue expectations for customers appear to have bottomed out. Components shortages is a key risk, in our view.

3.3.4 MKE Singapore Market Strategy

Singapore STI is up 10% YTD – one of the better performing markets regionally. The country's gearing to global trade recovery, vaccination progress and safe-haven flows are key drivers for this outperformance, in our view. However, market momentum in 2020 was largely driven by retail investor flows. We see this is now rotating to Institutional Investors – who are still largely underweight.

Fig 50: SGX funds flows by sector YTD (SGDm)

Source: SGX, Maybank Kim Eng

Against this backdrop, volatility between Growth vs. Value stocks could remain in the near term given interest rates/tapering uncertainty. But, rising inflation and economic re-openings mean the path of least resistance for interest rates is higher; this should favour Value stocks, in our view.

In addition, we believe three key structural drivers should define market momentum in the medium term:

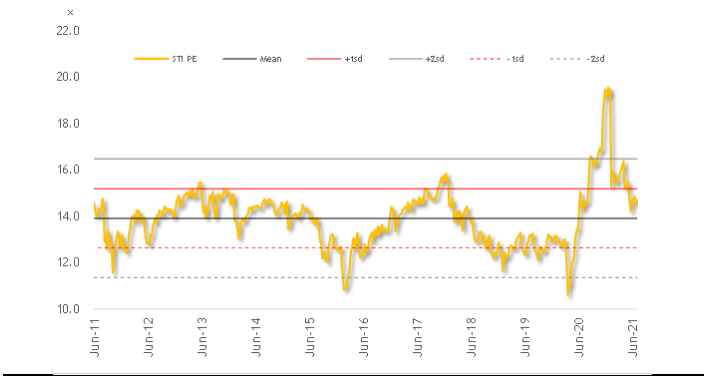
- Earnings upgrades. Rising vaccine deployment is improving earnings visibility supporting an upgrade cycle. So far, consensus' STI 2021E EPS has been upgraded by 15% YTD. Risks are on the upside for more upgrades particularly in Financials, Telco, Consumer, Healthcare, Industrials, Land Transport
- Restructurings. Driven by permanent changes to operating conditions post COVID-19, GLCs and Conglomerates are spinning off underperforming segments and focusing on new growth engines and strategies. This could drive renewed growth and value unlocking
- Homecoming Listings. Increasing inclusion of 'Made in Singapore' New Economy Players in local indices as well as potential 'Homecoming Listings' on SGX could drive rising capital flows and provide better market representation of Singapore's 'real economy'.

Market valuations remain unchallenging with STI trading at mean PE and below long term PB.

We maintain our STI Index target of 3,537, which implies 13% upside. At our target the index would trade at 1.2x PB when its historical mean is 1.3x.

Re-rating could face risks from COVID-19 flare-ups and lockdowns, US-China and regional uncertainty, regulations.

Fig 51: STI 12-month forward PE (x)



Source: Maybank Kim Eng

Fig 52: STI 12-month forward PB (x)

Source: Maybank Kim Eng

Fig 53: Singapore key macro indicators

	2017	2018	2019	2020	2021E	2022E
Real GDP (%)	4.5	3.5	1.3	(5.4)	6.2	2.5
Private Consumption (%)	3.1	4.0	3.3	(14.1)	8.3	2.6
Government Consumption (%)	3.1	3.2	3.4	12.6	(0.7)	0.8
Gross Fixed Capital Formation (%)	5.4	(4.3)	1.2	(13.7)	7.6	4.5
Exports of Goods & Services (%)	7.1	7.7	0.1	(4.3)	4.7	4.5
Imports of Goods & Services (%)	7.8	7.5	0.2	(7.1)	5.3	5.0
Current Account Balance (% of GDP)	17.3	15.4	14.3	17.6	16.5	17.0
Fiscal Balance (% of GDP)	2.3	0.7	0.2	(13.9)	(2.2)	0.5
Inflation Rate (%, period average)	0.6	0.4	0.6	(0.2)	1.8	1.2
Unemployment Rate (%, period average)	2.2	2.1	2.3	3.0	2.7	2.4
Exchange Rate (per USD, end-period)	1.34	1.36	1.35	1.32	1.32	1.29
10-Year Government Bond Yield (%, end-period)	2.00	2.03	1.73	0.83	1.75	1.85
3M SIBOR (% p.a., end-period)	1.50	1.89	1.77	0.41	0.45	0.45

Source: CEIC, Maybank Kim Eng

Fig 54: Top picks table

Stock	BBG Code	M.Cap (USD m)	Rec	Price LCY	TP LCY	Upside %	EPS gr. (%) 21E	EPS gr. (%) 22E	P/E (x) 21E	P/E (x) 22E	ROE (%) 21E	ROE (%) 22E	P/B (x) 21E	P/B (x) 22E	Div Yield (%) 21E	Div Yield (%) 22E
Large Caps (>SGD5bn)																
Ascendas REIT	AREIT SP	9,082	Buy	2.94	3.65	24.1	41.9	6.3	18.6	17.6	6.8	7.0	1.3	1.3	5.4	5.7
Comfortdelgro	CD SP	2,636	Buy	1.64	1.88	14.6	251	16	18.9	14.6	8.0	8.8	1.3	1.2	3.2	5.5
DBS	DBS SP	57,716	Buy	30.08	33.71	12.1	39.7	7.5	11.6	10.4	12.1	12.1	1.4	1.3	3.7	4.7
OCBC	OCBC SP	39,771	Buy	11.88	14.17	19.3	39	7	10.8	9.9	9.9	10.0	1.0	1.0	4.2	5.1
SingTel	ST SP	27,798	Buy	2.27	2.81	23.8	359.9	18.2	14.6	12.3	9.6	11.3	1.4	1.4	5.2	6.1
ThaiBev	THBEV SP	12,479	Buy	0.67	0.99	47.8	11.9	6.5	14.4	13.3	17.6	17.2	2.5	2.3	3.3	3.6
CICT	CICT SP	10,132	Buy	2.11	2.55	20.9	100.7	7.9	19.2	18.0	5.2	5.5	1.0	1.0	5.2	5.5
Small & Mid-Caps (<SGD5bn)																
UMS	UMSH SP	609	Buy	1.53	1.80	17.6	62.2	13.6	12.8	11.4	21.7	21.1	2.8	2.4	2.6	2.6
Frencken	FRKN SP	583	Buy	1.84	2.00	8.7	26.0	9.1	13.1	11.5	15.1	14.6	2.1	1.8	2.0	2.2
Q&M Dental	QNM SP	492	Buy	0.83	0.87	5.5	79.3	5.8	21.2	17.6	29.0	30.3	5.4	5.4	3.6	4.2

Source: Factset, Maybank Kim Eng

4. ESG Sector Reviews

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Consumer	Kareen Chan kareenchan@maybank.com	p.50
Gaming	Yin Shao Yang samuel.y@maybank-ib.com	p.52
Healthcare	Gene Lih Lai, laigenelih@maybank.com	p.54
Land Transport	Kareen Chan kareenchan@maybank.com	p.61
Plantations	Ong Chee Ting ct.ong@maybank-ib.com	p.58
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4.1 Banks & Financials

- **Banks face multiple ESG risks given the nature of their business of lending and financing. Critical here is contagion risks from client activities. ASEAN exposure also open them up to a larger share of 'Brown' industries compared to global peers**
- **The sector is mitigating some of these risks with strategies to increase green financing and developing sustainability frameworks and taxonomies. ESG reporting is aligned with global best practices**
- **In the meantime, the sector should enjoy an improved operating outlook, rising dividends and provision write-backs are catalysts.**

Critical ESG issues in the sector

The Singapore banking sector faces several critical ESG risks – some of them directly through their operation and through potential contagion risks from client activities. Scope 1 and 2 emissions through branch and data centre operations and business travel are some direct impacts. Scope 3 emissions driven by lending and investments are harder to quantify and make up a larger share than Scope 1 and 2. Given their extensive ASEAN footprint – where many national industries have higher emissions profiles (such as plantations, mining, forestry, mass manufacturing) – the sector faces higher risks of onboarding 'brown' risks. Concurrently, client activities open the sector to reputational, social and governance risks. Primary amongst this is fair dealing when it comes to selling financial products. Financial inclusion is another notable issue particularly given their regional footprints in ASEAN where a significant portion of the population is underbanked. Expansion of technology investments open the sector up to cyber-security, data privacy and infrastructure risks. This risk is prevalent in operating exchanges as well. From a social perspective, the sector faces diversity and inclusion risks – particularly in terms of female and older worker employment.

Mitigation Outlook

All three banks are signatories to the UN Global Compact. They produce sustainability disclosures largely under the GRI standards and informed by TCFD. All three banks have given public commitments to not funding new coal opportunities, and have adopted strategies to increase the mix of sustainable financing to 5-13% of loan books between 2023-2025. The sector is making significant efforts to develop transition finance strategies and products particularly by taking a total value chain approach from lending, capital raising to advisory. From a governance perspective, a majority of the boards of all three banks comprise of independent directors, although diversity in terms of female representation is lower at senior management levels compared to some other developed markets counterparts. For SGX, which is heavily reliant on technology, it has developed benchmarks to global peers in terms of operational resiliency.

Sector Outlook

Continued fiscal and monetary stimulus measures – especially towards frontline COVID sectors – are keeping a lid on NPL growth. The economic rebound in North Asia, Singapore and developed markets are further supporting asset quality as well as interest income. In addition, the steepening yield curve and higher loan growth expectations (+7% YoY in 2021E) should be NIM supportive as the sector puts excess liquidity to work. Non-interest income should see YoY improvements from increased wealth flows, loan fees and transaction fees. With the sector's 2021E provisioning cover at 103%, provision write-back risks are higher going in to 2H21, we believe. Separately, we expect potential upside risks to dividends in 2H21 should MAS follow OECD regulators and relax caps.

Banks & Financials Valuations

Stock	Rec	Price (LCY)	Market Cap (SGD m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
DBS Group	Buy	30.08	77,482	33.7	11.5	10.5	3.6	4.8	Medium	20.0
OCBC Bank	Buy	11.88	53,179	14.2	10.7	9.5	4.0	5.2	High	31.4
United Overseas Bank	Buy	25.85	43,529	29.3	10.6	9.4	4.6	5.3	Medium	26.0
Singapore Exchange Ltd	Buy	11.08	11,874	11.5	24.5	24.0	2.9	3.0	Low	17.5

Source: Factset, Sustainalytics, Maybank Kim Eng

ESG@MKE

DBS Group (DBS SP)

thilanw@maybank.com

Risk Rating & Score[1]	20 (Medium)
Score Momentum[2]	-5.1
Last Updated	28 April 2021
Controversy Score[3] (Updated: 22 May 2021)	2 (Moderate)

Business Model & Industry Issues

- The nature of DBS' business of lending and investments exposes it to multiple risks including environmental, social, money laundering, corruption through its clients. It has been increasing weightings towards green, sustainability linked lending along with clean energy (40% of incremental loans in 2019).
- Its extensive investments in digitisation and automation (7% CAGR 2010-2019) of banking processes & digital banking expose it to data and cyber-security risks. No material lapses have been reported in the past 5-years
- DBS' significant private banking and wealth management business exposes it to product governance, business ethics risks. Its long term exclusive relationship with Manulife for insurance distribution also exposes DBS to similar risks
- The banking sector is being used as a transmission mechanism for government stimulus programs under COVID-19 relief schemes across the region, elevating social priorities over shareholder returns over the medium term
- DBS displays no exceptional ESG risks not typical for a large, regional bank. In our view, it has a regionally above average track record of disclosure in terms of adhering to ESG standards (rated AA by MSCI). This is complemented by an overlay of a strong balance sheet (AA rated) and proactive regulatory oversight by MAS

Material E issues

- Potential contagion risks from lending & investment to sectors with ESG issues. Only 0.56% of loan book exposed to coal, palm oil, but 7% exposure to O&G and aviation.
- DBS concluded 50 sustainability loans amounting to about SGD 9.6bn in 2020, (+81% from 2019).
- It underwrote SGD5.3bn worth of green bonds
- Committed to no new coal mining, energy funding
- Financed about SGD597m of renewable and clean energy-related projects
- 99.9% of new suppliers have signed on to DBS' sustainable sourcing principles
- 100% of Singapore branches BCA Green Mark certified with 62% branches certified as Gold or above
- 21% of energy consumption sourced from renewable sources across key markets
- Adapted Equator Principles to guide large scale development and construction projects

Material S issues

- Potential financial inclusion risks from vulnerable sectors such as low income, elderly, migrant workers etc. DBS has launched multiple digital inclusion programs including robo-advisory for retail clients, co-lending partnerships and instant approval digital loans in Indonesia and appointing elderly digital ambassadors through their heartland POSB franchise in Singapore. DBS has also launched digital banking inclusion program for migrant workers
- Social impact risks from investing activities. DBS has been engaging its private banking and wealth management customers on sustainable investing and has adopted MSCI ESG ratings on its wealth and advisory products
- Employee diversity and equal opportunity risks. Female employees make up 51% of the workforce with a Board level diversity policy. It also has a whistleblowing program to escalate employee concerns
- DBS and DBS Foundation disbursed a record SGD9m in loans and grants to social enterprises to enable them to retain and create more jobs.

Key G metrics and issues

- DBS was fined by MAS in 2016 for due diligence and money laundering lapses in the 1MDB scandal. While the regulator did not find any material control weakness, it did find fault with specific employees discharging duties
- DBS has not had any material accounting & tax, lobbying & public policy, sanctions related, data privacy or security controversies in the past 5-yers
- Given the breadth of products offered and the large wealth and PB franchise, fair dealing risks cannot be ignored. This is addressed by the Group Fair Dealing and Conduct Committee (FDCC) – chaired by CEO - and the Board's Risk Management Committee. Employee incentives have been aligned with customer interests, according to Management. DBS has not had any material fair dealing controversies since its temporary product selling ban following mis-selling complex 'mini-bond' products to unqualified investors in 2008/9
- Significant investments in technology for systems and business integration as well as online banking opens it to material cyber-security risks. DBS was censured by MAS for an inadequate tech risk management in 2010 following a wide outage of its banking systems .The group has developed a cyber-security risk management framework and a Group information security policy. DBS is also working with MAS and banking associations to tackle industry-wide cyber-security risks. It has Data Governance and Data Privacy policies in place to deal with data governance risks.
- Corporate Governance Risks. 45% of Board composition is Independent Directors. This increases to 91% when non-executive directors are included. Gender diversity is lower with 27% of female Board representation. In the Management committee this is 25%
- DBS is a signatory to the UN Global Compact. It has been producing a detailed standalone sustainability report since 2018. The report has been prepared under the ESG standards of SGX, GRI, ABS and the recommendations of TCFD

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

OCBC Bank (OCBC SP)

thilanw@maybank.com

Risk Rating & Score[1]	31.4 (high)
Score Momentum[2]	-0.3
Last Updated	10 May 2021
Controversy Score[3] (Updated: 7 May 2021)	2 (Moderate)

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Business Model & Industry Issues

- The nature of OCBC's business of lending and investments exposes it to multiple risks including environmental, social, money laundering, corruption through its clients. In 2019, sustainable finance commitments were 30% of incremental loans and the group has targeted a SGD25bn sustainable finance portfolio by 2025 (8% of 1Q20 interest earning assets)
- The industry is facing rising cyber-security and data protection threats as more and more banking goes online – especially accelerated by COVID-19 lockdowns. OCBC has had several service disruption issues in the past 10-years (2011 & 2018) due to IT infrastructure failures
- OCBC has significant private banking and wealth management business exposes through its Bank of Singapore franchise as well as its Great Eastern Insurance subsidiary, which may lead to product governance, business ethics risks.
- The banking sector is being used as a transmission mechanism for government stimulus programs under COVID-19 relief schemes across the region, elevating social priorities over shareholder returns over the medium term
- OCBC displays no exceptional ESG risks not typical for a large, regional bank. Its ESG rating of A (by MSCI) is typical of D-SIBs in Singapore and Malaysia. This is complemented by an overlay of a strong balance sheet (AA- rated) and proactive regulatory oversight by MAS

Material E issues

- Potential contagion risks from lending & investment to sectors with ESG issues. It does not provide specific public disclosure on exposure to coal, palm oil, but total commodities exposure is 6% of loans. Another 8% is exposed to O&G, shipping and aviation.
- More than SGD8b in new commitments to sustainable finance in 2020
- Committed to no new coal mining, brown coal, offensive weapons and exploitative labour funding
- OCBC has developed sector specific policies for ESG risk assessment and management. These policies cover all industries identified as 'high risk' by ABS Responsible Financing Guidelines. 11% of 2020 transactions were classified as high ESG risk.
- OCBC prioritises sourcing sustainable products when screening suppliers, but whether it has a sustainable sourcing policy is not disclosed

Material S issues

- Potential financial inclusion risks. OCBC has developed inclusion products for the young, youth and elderly.
- Increased focus on financial inclusion for small businesses including same day account opening, P2P lending partnerships etc.
- Increasing digital focus to reach wider customer segments and reduce transaction friction: 56% of consumers are digital and 74% of SME customers digital
- Employee diversity and equal opportunity risks. Female employees make up 59% of the workforce.
- OCBC has a whistleblowing program to escalate employee concerns

Key G metrics and issues

- OCBC was part of the 19 banks fined by MAS for benchmark rate fixing allegations in 2014
- Hong Kong found against OCBC in a mis-selling case in 2016 in its private banking arm. The mis-selling occurred before the entity was acquired by OCBC in 2009
- OCBC has not had any material accounting & tax, lobbying & public policy, sanctions related, data privacy or security controversies in the past 5-yers
- Given the breadth of products offered and the large wealth and PB franchise, fair dealing risks cannot be ignored. The group has a Fair Dealing monitoring program that measure quantitative and qualitative aspects of its performance. OCBC has also set up a Board Level Ethics and Conduct committee
- Significant investments in technology for systems and business integration as well as online banking open it to material cyber-security risks. The group has developed a framework of policies and practices under corporate risk governance to tackle these issues. Nevertheless, the group has had 2 major digital infrastructure related incidents in the past 10-years
- Corporate Governance Risks. 63% of Board composition is Independent Directors. This increases to 91% when non-executive directors are included. Gender diversity is lower with 20% of female Board representation. In the Management committee this is 24%
- OCBC is a signatory to the UN Global Compact. It produces a sustainability report as part of its Annual Report. The report has been prepared under the ESG standards of SGX, GRI, and the recommendations of TCFD

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

United Overseas Bank (UOB SP)

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Risk Rating & Score[1]	26.0 (Medium)
Momentum[2]	-0.2
Last Updated	14 April 2021
Controversy Score[3] (Updated: 30 Jun 2020)	2 (Moderate)

Business Model & Industry Issues

- The nature of UOB's business exposes it to multiple ESG risks – directly and through its clients. Particular risks include environmental, governance, money laundering and corruption.
- .As at the end of 2020, UOB sustainable financing extended to corporates is SGD11b (4% of loan book).
- Around 34% of corporate loans at end-2020 to businesses classified as SMEs. This creates notable social risks, given this is amongst the most impacted segments under the current economic backdrop. UOB extended SGD32b (11% of loans) COVID-19 relief assistance during 2020-2021.
- UOB has invested significantly in a standardised IT platform across all its regional operations (IT expenses +16% CAGR 2011-2019). This has helped it to build scale and deploy financial inclusion solutions quickly and effectively. On the flip side, this exposes UOB to data, cyber security and privacy risks. UOB displays no exceptional risks typical for a large, regional D-SIB for ESG. Compared to its Singapore peers, it is marginally below average in disclosures in terms of adhering to ESG standards. It is rated A by MSCI ESG and this is complemented by a strong balance sheet (rated AA-) and proactive regulatory oversight by MAS

Material E issues

- UOB is integrating sustainability considerations to its credit approach through its Responsible Financing Policy. In 2019, it discontinued new financing of coal plants and Greenfield thermal coal mines and palm oil plantations. Specific exposure disclosures to these sectors are not available.
- In 2020, UOB further tightened its stance on financing the energy sector with borrowers required to put in place measures to prevent or control gas flaring and venting.
- UOB takes a cautious approach to financing upstream unconventional oil and gas activities.
- It set up a working group to drive its Group Sustainability Principals in 2019 and aim to have 90% of suppliers in Singapore adhere to it by 2021.
- UOB increased renewable energy, green transport, water, waste management financing by 94% in 2019.
- It has established a 2030 target of achieving green building certification for all UOB owned buildings, a 6% reduction of Scope 2 Greenhouse gas emission intensity and a 14% electricity use intensity reduction (all on a 2018 base).

Material S issues

- As a bank with significant Singapore SME market share, UOB has elevated social risks – particularly in extending support to small business owners as some emerge from COVID-19 loan moratoriums.
- UOB offered flexible work options for key employee segments such as mothers, students, caregivers, even prior to COVID-19. It was investing in digital tools consistently as part of its long-term productivity strategy.
- The Group launched its digital banking product – TMRW – In Thailand and Indonesia to improve financial inclusivity and is training frontline employees to provide digital support for the less digitally savvy as part of financial inclusion.
- The group has a long-standing history of supporting the development of the Arts with YoY growth in spending on related causes.

Key G metrics and issues

- Between 2018 and 2019, five UOB Personal Bankers have been jailed and/or sanctioned on separate cases of mis-selling and cheating. While in each case the bank took action, it raises material Fair Dealing risks. The group has a Fair Dealing Guidelines Committee comprising of senior management that is appointment by the CEO. The Board also overseas this through the Risk Management Committee and Risk & Capital Committees.
- The group is exposed to data security risks. It has established cross-border guidelines on dealing with personal data transfers. Additionally, an Enterprise Data Ethics Team as well as a Data Governance & Data Quality Team has been set up ensure responsible data handling. A Data Quality Centre of Excellence was established in 2019.
- UOB's asset management businesses – UOBAM, UOBVM, UOBGC – follow Singapore Stewardship Principles for responsible investing and have established sub-committees to overseas ESG related investments.
- The Group has appointed a Chief Sustainability Officer to head the ESG Committee that reports to the Management Executive Committee
- Diversity Risks. Women make up just 35% of senior management roles. At Board Level women make up just 10% - the lowest amongst its Singapore peer group
- Corporate Governance Risk: 60% of Board composition is Independent Directors. This increases to 90% when non-executive directors are included.
- UOB is a signatory to the UN PRI. It includes a section on sustainability as part of its Annual Report, which is prepared under GRI and SGX standard with recommendations under TCFD.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Singapore Exchange Ltd (SGX SP)

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Risk Rating & Score[1]	17.5
Score Momentum[2]	-1.2
Last Updated	14 April 2021
Controversy Score[3] (Updated: 7 Jan 2021)	1 (Low)

Business Model & Industry Issues

- As Singapore's sole securities exchange and as a self-regulatory organisation, SGX faces significant reputational and regulation risks. Disruptions to operating its markets in a fair, orderly and transparent manner could have material social and financial risks to market participants, the financial system and the general public
- SGX's heavy reliance on technology exposes it to risks on systems resiliency, cyber security and data protection. Increasing electronification of markets are set to broaden these risks further
- While the Group does disclose next-year targets and KPI on ESG metrics (especially on energy usage, HR etc.) there is limited disclosures or commitments on time-bound, medium/long term sustainability goals
- It has an almost even balance in gender diversity. However, notable pay gaps favouring males exists for middle management
- SGX is rated AA by MSCI ESG Ratings and is included in several sustainability best practice related indices

Material E issues

- SGX formulated and launched an Environmental Policy in 2016 which encapsulates direct and indirect impacts on energy consumption
- As a firm heavily reliant on technology, there is a significant dependency on readily available energy. Starting from FY20, SGX is using Renewable Energy Certificates to offset electricity consumption in its offices
- The Group's primary datacentre has been awarded the SS564 certification for Green Datacentres and its secondary datacentre has a BCA Green mark Platinum certification

Material S issues

- SGX's primary social responsibility is to ensure the participation in its markets are carried out in a fair, orderly and transparent manner
- Disruptions to its market or regulatory operations can have material social risks to the financial community, retail investors and the public at large
- The Group needs to ensure operational resiliency. SGX regularly conducts BCP and pandemic scenario testing
- It is increasing financial inclusivity through stakeholder education – particularly for retail investors by reaching out through the SGX Academy
- The Group has articulated clear FY21 targets social-economic engagement. Longer term targets are not disclosed

Key G metrics and issues

- As a self-regulatory organisation, SGX faces significant regulation and reputation risks. While SGX's RegCo is segregated and governed as an independent organisation, perceptions of balancing corporate profitability with market integrity risks remain
- As a business model heavily reliant on technology, significant risks exist on service availability, capacity, latency, cyber security and data protection. The Group uses self-assessment benchmarked to history as well as global peers to monitor operational resiliency. There are data protection policies in place, while it deploys machine learning to detect early signs of trouble in its systems
- SGX conducts an independent annual institutional investor perception survey to receive feedback on corporate strategy, management team, governance etc. It also conducts regular public consultations for feedback on rules changes
- The Group has policies in place for Conduct & Ethics, Staff Dealing, Regulatory Conflicts, Whistleblowing
- Sustainability strategy and execution is conducted through the Executive Management Committee (EMCO), which includes the CEO. There is no disclosure on Board level sustainability representation except for the EMCO's advisory role
- 73% of the Board are classified as Independent. Only 27% of directors are female. For mid-level employees, a gender pay gap of around 2-8% exists favouring males
- SGX reports under the GRI framework and is part of the Bloomberg ESG Data Index, Bloomberg Gender-Diversity Index, MSCI World ESG Leaders Index, iSTOXX Global ESG Select 100 Index and iEdge SG ESG Leaders Index

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

4.2 Consumer

- **Environmental issues present the most prominent risks – The persistent consumption of** plastic bags/packaging and food waste.
- **Efforts to reduce the use of plastic bags and food waste have not yielded any meaningful results. Over the medium to long term, it is possible for regulatory authorities to step in to incentivise and/or penalized consumers/ industry players in order to reduce the consumption of plastics.**
- **The subsectors are likely to see continued divergence in EPS growth, in our view. Supermarket operators are likely to enjoy sustained, elevated sales but F&B players are more susceptible to sluggish growth.**

Critical ESG issues in the sector

The industry includes the following subsectors: supermarkets, consumer staples, beverages (alcoholic and non-alcoholic) and F&B restaurants/food courts/ caterers.

Environmental issues are the most prominent risks within the consumer space – in the form of plastic bags/packaging usage and food waste. In Singapore, of the 1.6m tonnes of domestic waste disposed in 2018, one-third is made up of packaging and more than half of this packaging is made of plastic, with only 4% of plastic waste is recycled. The dining out measures implemented due to COVID-19 has undermined the efforts of reducing plastic consumption.

Meanwhile, the National Environment Agency (NEA) estimates that 40% of the food waste generated in Singapore is from the commercial and industrial sectors, which include supermarkets and F&B players. One of the challenges supermarkets face is the market demand and treatment of produce that do not look aesthetically pleasing. In 2019, close to 744m kg of food waste was generated in Singapore.

Mitigation Outlook

While the industry has been encouraging consumers to reduce their plastic consumption, it has not translated into a material outcome given the persistently high amount of plastic waste generated over the years. Over the medium to long term, it is possible for regulatory authorities to step in to incentivise and/or penalize consumers/ industry players in order to reduce the consumption of plastics. This is similar to the new mandate to return trays and table litter, which was implemented by the government bodies. Enforcement of penalties will be carried out against those who do not comply with the guidelines.

Sector Outlook

The subsectors are likely to see continued divergence in EPS growth, in our view. Supermarket operators are likely to enjoy sustained, elevated sales on the back of dining in restrictions. In contrast, F&B players are more vulnerable to sluggish bottom-line if dining-in measures remain stringent. A faster-than-expected COVID reopening scenario could reverse the situation.

Consumers Valuations

Stock	Rec	Price (LCY)	Market Cap (SGD m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
Thai Beverage PCL	Buy	0.67	17,080	1.0	14.4	13.4	3.3	3.6	Medium	20.4

Source: Factset, Sustainalytics, Maybank Kim Eng

Thai Beverage PCL (THBEV SP)

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Risk Rating & Score[1]	20.4 (Medium)
Score Momentum[2]	-0.1
Last Updated	22 May 2021
Controversy Score[3] (Updated: 15 May 2021)	0 – No Reported Incident

Business Model & Industry Issues

- ThaiBev has identified sustainability goals to minimise its environmental impacts throughout its value chain. It is focusing on greenhouse gas (GHG) emissions and water usage from operations and limiting its use of new resources during the packaging process.
- ThaiBev is on track to its targets to use reusable, recyclable and compostable materials for 100% of its main packaging by 2025. Concurrently, it is setting a science-based target to limit its greenhouse gases production and increase its use of renewable energy by 2025.
- Public health impact arising from consumption of sugar is an industry concern. ThaiBev aims to increase its healthy beverage sales (drinking water and "healthier choice" labelled products) to 75% of non-alcoholic beverages in the long-run.
- Overall, ThaiBev has some catching up to do concerning the proportion of females on its board.

Material E issues

- In 2020, ThaiBev achieved a 12.9% reduction in GHG emission as compared to 2014.
- Currently, 82% of its spirits, beer and NAB packaging in Thailand are derived from reused and/or recycled materials.
- The beverage giant has also reduced its energy and water consumption by 7.3% and 11.3% respectively, as compared to 2014.
- ThaiBev is setting a science-based target to limit global warming through reducing GHG by 15% by 2025. It also targets to use at least 40% of renewable energy by 2025.
- This will be done through engaging its suppliers to develop low-carbon products, launching new biogas and solar projects.
- At the same time, ThaiBev targets to use reusable, recyclable and compostable materials for 100% of its main packaging by 2025.

Material S issues

- In 2020, ThaiBev provided 803,757 hours of training to its employees with a budget of THB85m.
- 59% of its non-alcoholic beverages are certified as "healthier choice".
- ThaiBev has reduced its sugar content in 20 of its products. Going forward, ThaiBev will continue to reduce the sugar content in its NAB division to support health-conscious consumers.
- During the peak of COVID-19, ThaiBev has produced and distributed alcohol-based cleaning and sanitising products to public health service units and hospitals. These were also distributed to temples, educational institutions and citizens nationwide.
- At the same time, ThaiBev has produced 3m surgical masks and 1.2m N95 masks for employees, medical personnel and the public.
- A total of c. THB124m worth of money and products were donated to hospitals and medical staff to support the treatment of COVID-19 patients.

Key G metrics and issues

- ThaiBev has 15 directors on its board, of which only one (c. 7%) is female; 8 out of 15 directors are independent.
- Mr Charoen Sirivadhanabhakdi serves as ThaiBev's Chairman and his wife (Khunying Wanna Sirivadhanabhakdi) is also part of the board.
- The audit committee is chaired by independent directors.
- In 2020, the top 12 key management (excluding directors and CEO received THB202.3m (0.08% of reported FY20 sales and 0.9% of net income).
- Regulatory risks. Its regional footprint may expose the group to regulatory, bribery, corruption and compliance risk.
- ThaiBev had no material related-party transactions that negatively affected minority interest in the past.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

4.3 Gaming

- **In our opinion, Singapore's strict regulations handicap its integrated resorts (IR) in terms of growth**
- **That said, countries seeking to liberalise their IR industries like Japan look to Singapore for ESG guidance**
- **This could give GENS an advantage in bidding for a Japanese casino licence.**

Critical ESG issues in the sector

Environmental. No material environmental issues. GENS' Resorts World Sentosa (RWS) was built on the demolished plot of the Imbiah lookout on Sentosa Island without greatly impacting its natural environs. RWS even houses 2.9 ha of secondary forest and >100,000 marine animals in the S.E.A. Aquarium. RWS also phased out plastic straws/bottles in 2018/2019, saving 3m straws and 6.7m plastic bottles p.a since.

Social. The social impact of casino gambling in Singapore is not as negative as one perceives. RWS is regulated by the Casino Regulatory Authority (CRA) and National Council on Problem Gambling (NCPG). Singaporean gamblers are required to pay casino entry levies of SGD150 per 24 hours or SGD3,000 p.a. and NCPG can issue visit limits and exclusion orders at the request of individuals, casinos or on its own initiative.

Governance. No material governance issues. CRA does not permit Macau style junkets which have often been accused of money laundering. RWS is occasionally fined by the CRA but the fines were for infractions, which were minor, in our view. Most fines were for SCPRs entering/remaining in the casino without valid casino-entry levies.

Mitigation Outlook

Over and above the social safeguards imposed by the CRA and NCPG, RWS became the first casino in Asia Pacific to receive RG Check accreditation from the Responsible Gambling Council in Nov 2015. RWS also launched Manage Game Play Programme in 2020 to help patrons self-regulate time spent at gaming machines. RWS also stations Responsible Gambling (RG) Ambassadors to inform and assist patrons on responsible gambling. RWS also holds RG road shows to raise awareness of responsible gambling.

Sector Outlook

To be sure, the strong ESG credentials are not without 'costs'. RWS has to bear VIP credit risk as the engagement of Macau style junkets which have often been accused of money laundering is not permitted. Moreover, the 50% increase in casino entry levies for Singaporean gamblers effective 4 Apr 2019 also caused RWS to rely less on the steadier base of local gamblers and more on fickle international gamblers.

That said, countries seeking to liberalise their casino industries like Japan are looking to Singapore's highly regulated casino industry and the strong ESG credentials it engenders for guidance. In our view, this could give GENS an advantage in bidding for a Japanese casino licence as it is doing now in bidding for a Yokohama IR licence.

Gaming

Stock	Rec	Price (LCY)	Market Cap (SGD m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
Genting Singapore	Buy	0.84	10,099	1.2	59.2	26.4	1.2	2.4	Medium	21.1

Source: Factset, Sustainalytics, Maybank Kim Eng

Genting Singapore (GENS SP)

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Risk Rating & Score[1]	21.1 (Medium)
Score Momentum[2]	-0.8
Last Updated	15 Apr 2021
Controversy Score[3] (Updated: 10 Nov 2020)	1 (Low)

Business Model & Industry Issues

- GENS' Resorts World Sentosa (RWS) operates, in our opinion, in the most highly regulated casino jurisdiction in the world. In our view, GENS has strong ESG credentials which stand out among its regional peers, especially the Macanese ones.
- To be sure, the strong ESG credentials are not without 'costs'. For example, RWS has to bear VIP credit risk as the engagement of Macau style junkets which have often been accused of money laundering is not permitted.
- Moreover, the 50% increase in casino entry levies for Singaporean citizen and permanent resident (SCPR) gamblers effective 4 Apr 2019 also caused RWS to rely less on the steadier base of local gamblers and more on fickle international gamblers.
- That said, countries seeking to liberalise their casino industries like Japan are looking to Singapore's highly regulated casino industry and the strong ESG credentials it engenders for guidance.
- In our view, this could give GENS an advantage in bidding for a Japanese casino license.

Material E issues

- No material environmental issues. RWS was built on the demolished plot of the Imbiah lookout on Sentosa Island.
- RWS even houses 2.9 ha of protected secondary forest and >100,000 marine animals in the S.E.A. Aquarium (SEAA)
- SEAA has been criticised for keeping dolphins in captivity in the past.
- Yet, SEAA is accredited by the Association of Zoos and Aquariums and World Association of Zoos and Aquariums.
- SEAA partners James Cook University, Singapore and hosted Science in the SEAA series.
- The series involves researchers and experts sharing about their work with marine conservation enthusiasts.
- SEAA also promotes marine biodiversity by forming a conservation group, Guardians of the SEAA.
- Other environmental accreditations include BCA Green Mark, Singapore Packaging Awards, Singapore Green Building Council and CIPS Asia Supply Management Awards.
- Phased out plastic straws/bottles in 2018/2019, saving 3m straws and 6.7m plastic bottles p.a

Material S issues

- Regulated by the Casino Regulatory Authority (CRA) under the Casino Control Act (CCA).
- Problem gambling regulated by the National Council on Problem Gambling (NCPG).
- SCPR gamblers required to pay casino entry levies of SGD150 per 24 hours or SGD3,000 p.a.
- NCPG can issue visit limits and exclusion orders at the request of individuals, casinos or on its own initiative.
- In Nov 2015, RWS became the first casino in Asia Pacific to receive RG Check accreditation from the Responsible Gambling Council.
- Since Dec 2018, RWS attained RG Check reaccreditation and achieved the highest score amongst >150 venues.
- Launched Manage Game Play Programme in 2020, a tool to help patrons self-regulate time spent at gaming machines.
- Stations RG Ambassadors to inform and assist patrons on responsible gambling. RWS also holds RG road shows.

Key G metrics and issues

- BOD comprises Executive Chairman, President & COO, Lead Independent Director and 3 Independent Non-Executive Directors (INED).
- Madam Chan Swee Liang Carolina, Lead Independent Director is the sole woman director.
- Tan Sri Lim Kok Thay, Executive Chairman represents Genting Berhad, GENS' largest shareholder at 53%.
- No members of Tan Sri Lim's family hold management positions in GENS.
- FY20 reported directors' remuneration of SGD34.9m was up 72% YoY.
- The increment was largely due to recognition of incentive shares which have not vested yet.
- GENS stated that directors' FY20 cash remuneration was markedly lower YoY.
- Audit & Risk Committee and Remuneration Committee comprise three members each who are all INEDs.
- Nominating Committee comprises three members, of which, two are INEDs.
- Two of five RWS key management personnel are women, the CFO and CCO.
- PricewaterhouseCoopers LLP is the independent auditor. They have been appointed for >10 years.
- Last major related party transaction was in 2010 when Genting UK was sold to Genting Malaysia for GBP340m.
- That said, the investment community was of the opinion that the transaction favoured GENS over GENM.
- This was because GENM acquired Genting UK at valuation multiples that were higher than its own.
- Occasionally fined by the CRA but the fines were for infractions which were minor, in our view.
- Most fines were for SCPRs entering/remaining in the casino without valid casino entry levies
- Governed by the CCA which contains anti-money laundering regulations.
- CCA does not permit Macau style junkets which have often been accused of money laundering.
- Developed and employs a Prevention Of Money Laundering and Terrorism Financing Framework.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

4.4 Healthcare

- **The pandemic has left an indelible mark on the healthcare industry, boosting investments in digital services such as 24/7 teleconsultation, etc.**
- **But discrimination against frontline workers has increased especially when Tan Tock Seng Hospital (TTSH) emerged as a new cluster.**
- **Remain positive on the sector as the companies continue to reinvest in their business, drive efficiencies across operations and strengthen core capabilities.**

Critical ESG issues in the sector

Since the COVID-19 outbreak, healthcare staff have taken on a new spectrum of initiatives such as air border screening, swab testing of foreign workers and incoming air travellers, as well as caring for those tested positive and recovering patients at community isolation facilities. However, we have seen media reports of discrimination against frontline workers being shunned in public especially when they are in uniform.

There is often public debate on how to tackle the rising cost of healthcare, how to address the lack of transparency around prices, and how to improve access to quality care. According to MOH, healthcare expenditure is set to hit SGD59.1b in 2030, up from SGD20.7b in 2018. The 2030 figure will form about 16% of the Government's yearly Budget, up from 12% currently.

Mitigation Outlook

Given their higher exposure risk, these essential services have had to establish processes and procedures (such as routine testing and wearing of PPE) both to protect the worker from infection, as well as limit the operational impact, should a COVID-19 case develop within the workforce.

The government is seeking to shift the focus towards general health instead of healthcare, and allow patients to receive care in the community and avoid hospital admissions, and increase care quality at affordable cost. These will help to address long-term issues like rising healthcare expenditure and heavily loaded hospitals.

Meanwhile, this pandemic has spurred many firms to transform themselves digitally and improve productivity. We believe digitalization and AI are likely to be key enablers in bringing new innovations and helping healthcare providers enhance the overall patient experience, with better outcomes and an overall reduction in the cost of care.

Sector Outlook

Overall, we maintain our POSITIVE view on the sector. RFMD and QNM have observed local patient loads returning back to pre-pandemic levels in 2H20, due to pent-up demand, resumption of deferred appointments and elective surgeries, as well as new growth in speciality areas like mental wellness.

In the event of COVID-19 resurgence, they could however, face stricter lockdown measures, suspension of non-critical clinical services & surgeries and restrictions of travel for foreign patients seeking treatment in Singapore. That said, the adverse impact may be partly cushioned by better testing business as the government aggressively conducts more swab tests to contain the virus transmission.

Healthcare Valuations

Stock	Rec	Price (LCY)	Market Cap (SGD m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
Q&M Dental Group	Buy	0.83	664	0.9	21.0	17.5	3.6	4.2	NA	NA
Raffles Medical Group	Buy	1.15	2,144	1.1	31.4	32.2	2.2	2.2	Medium	25.5

Source: Factset, Sustainalytics, Maybank Kim Eng

Q&M Dental Group (QNM SP)

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Risk Rating & Score[1]	NA
Score Momentum[2]	NA
Last Updated	NA
Controversy Score[3] (Updated: NA)	NA

Business Model & Industry Issues

- As a dental services provider, customer health/safety/privacy are amongst the highest priorities for both Q&M and stakeholders. Equal employment opportunity and continuous training & education are also important matters.
- In managing its supply chain, the Group ensures that its suppliers are continually assessed by management in accordance with the guiding principles established in its procurement policies.
- On the clinical front, it is working towards gradually obtaining "Eco-Shop" certifications at its clinics over the next few years. This is aimed at guiding and encouraging retailers to fit out their shops in an environmentally-sustainable manner, as well as to adopt eco-friendly habits and implement green practices in their daily operations.

Material E issues

- Q&M handles different types of clinical waste on a daily basis and it is important that its waste management process is conducted under a safe and sustainable manner.
- Licensed waste disposal vendors are engaged to collect and dispose sharps and bio-hazardous waste to ensure adherence to requirements stated in the Private Hospital and Medical Clinics Act by the Ministry of Health.
- The Group has yet to implement tracking mechanism to measure the quantity of waste disposed. However, the vendors it engaged have a proper system in place to collate data on the amount of waste collected to analyse.
- It will ensure all the defective ionising radiation irradiating apparatus such as x-ray machines are properly returned to the equipment vendor/distributor for proper disposal.
- There was no reported non-compliances with regulations relating to disposal of hazardous and non-hazardous waste.

Material S issues

- As at 31 Dec 2019, the group has a total of 475 employees under its Singapore and Malaysia operations. The total employee retention rate was 89% and 100% in Singapore and Malaysia respectively.
- To ensure sustainability of its pool of dentists, the Group has launched its first private dentistry institution in Singapore, Q&M College of Dentistry which offers post-graduate diploma studies in clinical dentistry and Q&M Dental Group Scholarship Scheme in October 2019.
- All dentists must meet the mandatory requirements under the Dental Registration Act and the Medical Registration Act respectively. They are also required to fulfil certain number of hours of Continuing Professional Education in order to proceed with their practicing certificates renewal.
- In FY19, there were a total of 9 minor and non-fatal workplace accidents where clinic assistants suffered cuts and/or pricks by needles. It has taken immediate action such as reviewing and strengthening its procedures, implementing regular inspections on clinical equipment or instruments and sharing the incidents to all staffs.

Key G metrics and issues

- Board consists six directors, of whom two are executive directors, one is a non-executive, non-independent chairman, and three are independent (50%). There is one female director.
- The nominating, audit and remuneration committees are chaired by independent directors.
- Founder and CEO Dr. Ng Chin Siau's deemed stake in company is approximately 54.46%.
- Two independent directors have served more than nine years from date of appointments. This will be taken into consideration when evaluating its board renewal.
- Diversified background of independent directors from legal and accounting with strong industry knowledge.
- Key management/ directors' compensation accounted for 2.8%/0.25% of total employee compensation in 2019.
- Auditor is RSM Chio Lim LLP, which were appointed in 2016.
- It has a zero tolerance approach towards corrupt and dishonest practices or acts of bribery to obtain an unfair advantage and its employees are expected to report any concerns or unethical behaviour.
- All complaints or information would be forwarded to the Chairman of AC or CFO. There was no reported incident pertaining to whistle blowing during FY19.
- There were a total number of six complaint concerning a breach of customer privacy raised by patients in FY19. It has followed up promptly with the complainant and relevant authority to address their concerns.
- In Jan '21, Q&M reached a full settlement for RM3.5m against Madam Chong Lee Lee and her husband, Dr Hong An Liang on claim that the duo transferred company funds into their personal accounts. Thy also had set up a competing outfit behind Q&M Johor clinics, using its resources without permission.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Raffles Medical Group (RFMD SP)

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Risk Rating & Score[1]	25.5 (Medium)
Score Momentum[2]	-1.5
Last Updated	14 April 2021
Controversy Score[3] (Updated: 5 July 2017)	1(Low)

Business Model & Industry Issues

- As a medical services provider, regulatory compliance and patient safety are among the highest priorities for both RMG and stakeholders. Employees' welfare, access to healthcare, economic performance and customer experience are also important priorities. The lowest priorities include waste and local supplies.
- While RMG sees energy and water usage as of medium significance, whereas stakeholders view these as low priority.
- RMG complies with all relevant laws and regulations and it submits periodic reports to relevant parties. RMG also has procedures to safeguard customer information.
- Raffles Hospital Singapore has been JCI accredited since 2008, and it has various committees to review clinical quality to promote patient safety.

Material E issues

- Raffles Hospital Singapore received the Green Mark certification in 2019 by the Building & Construction Authority. Among other requirements, Green Mark buildings have to maintain temperature in public areas within 24-26C and relative humidity less than 65%.
- In 2019, the water consumption index improved to 1.38m3/GFA (2018: 1.89); the electricity consumption index improved to 1.75 kWh/GFA); from 233; and recycling tonnage improved 62% to 42 tonnes.
- Among practical measures that RMG has taken to be more energy and water efficient are to install smart metres, timers and motion sensors, as well as water-efficient fittings.

Material S issues

- Customer satisfaction at Raffles Hospital Singapore improved slightly to 75.5 in 2019 from 75.1 in 2018. However, the satisfaction index for clinics fell to 70 in 2019 from 80 in 2018. RMG attributed this to higher sample size in 2019.
- RMG observes fair employment practices and also promotes workplace diversity as this is an advantage in catering to its various patient groups.
- As at 2019, RMG had a workforce of 2,631 employees (FY18: 2,538).
- Average training hours per employee fell to 16 in 2019 from 27 in 2018. However, this was due to better alignment of relevant trainings than before.
- Workplace injury rate increased to 19.5 in 2019 from 12.5 in 2018. However, this was due to improved reporting processes.
- Employee turnover rate fell to 28% in 2019 from 30% in 2018.
- RMG also grants bursaries and scholarships to students. In 2019, RMG granted four scholarships and two sponsorships. Since 2013, RMG has granted 38/6 scholarships/ sponsorships.

Key G metrics and issues

- The board consists of 11 members, of which four are executives, including the founder, chairman and CEO Dr Loo Choon Yong. The remaining directors are independent (63%).
- The nominating, audit and remuneration committees are chaired by independent directors.
- Two independent directors have served for more than nine years. The board determined that these two directors remain independent.
- Dr. Lim, one of the employed physicians at RMG, is the son of independent director Mr. Lim. The board is satisfied that this Mr. Lim remains independent as Dr. Lim's remuneration framework is the same as the group's other physicians.
- Key management's compensation accounted for 5% of total staff compensation in 2018 and 2019.
- Auditor is KPMG LLP, appointed in 2019.
- RMG complies with all relevant statutory and regulatory requirements, and submits periodic reports to relevant government agencies and bodies.
- Raffles Hospital Singapore has been accredited by the JCI since 2008; a testament to its commitment to patient safety and care.
- There are several committees (e.g. medical audit committee, critical care committee etc.) that look into the different areas of clinical quality. In addition, the quality committee has oversight of these committees with the aim to improve patient safety.
- RMG has clear policies relating to Personal Data Protection Act, and it has data protection officers to ensure adequate action is taken to protect personal data, including customers'. There was no incident of leak, theft or loss of customer data in 2019.

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4.5 Land Transport

- **Environmental and social risks include emissions and reduced earnings of the taxi drivers due to the entrance of private hire cars (PHC).**
- **However, these risks are moderate as the sector is on track in the replacement of hybrid/ electric vehicles, while rental waivers given to Singapore taxi drivers has alleviated the financial pressure during COVID.**
- **We remain positive on the sector on domestic reopening. The sector is poised to enjoy positive operating leverage as ridership recovers, driven by the easing of movement restrictions.**

Critical ESG issues in the sector

The land transport industry is most exposed to environmental risks, as the public transport and taxi business drives the bulk of their revenue. However, the sector exhibits no exceptional ESG risks and it's in line with other peers in tackling environment issues; phasing out diesel vehicles and replacing them with hybrid/electric vehicles.

Meaningful social risk surrounds the well-being of taxi drivers. The drivers have been impacted by price competition and the burgeoning number of private-hire cars. Anecdotally, this has resulted in a reduction in take-home income for the drivers. However, such risk has been moderating over the years, as Grab has shifted its focus towards financial services, delivery and profitability. Recently, the superapp raised its ride-hailing fares to improve profitability.

The land transport industry is severely hit by the pandemic given a sharp drop in ridership due to reduced mobility.

Mitigation Outlook

The industry has taken positive steps to become more environmentally sustainable. For instance, ComfortDelGro and SBS Transit are focused on tackling emission issues through a fleet-replacement programme, and are on track to meet their medium and long-term goals.

On social risks, ComfortDelGro offered rental waivers amounting to c. SGD116m in 2020 to alleviate the financial pressure on Singapore taxi drivers. This should help strengthen its relationship with drivers post-crisis and stabilize its taxi attrition rates.

Sector Outlook

We remain positive on the sector on domestic reopening. The sector is poised to enjoy positive operating leverage as ridership recovers, driven by the easing of movement restrictions.

A faster-than-expected reaching of COVID-19 herd immunity in the region could result in a faster recovery of ridership numbers. A slower pace of opening is likely to give rise to a more sluggish recovery of EPS.

Land Transport

Stock	Rec	Price (LCY)	Market Cap (SGD m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
ComfortDelGro	Buy	1.64	3,554	1.9	18.8	14.6	3.2	5.5	Low	17.5

Source: Factset, Sustainalytics, Maybank Kim Eng

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ComfortDelGro (CD SP)

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Risk Rating & Score[1]	17.5 (Low)
Score Momentum[2]	+ 1.7
Last Updated	15 April 2021
Controversy Score[3] (Updated: 20 May 2021)	1 (Low)

Business Model & Industry Issues

- CDG is most exposed to environmental risks as public transport and taxi business drive the bulk of the revenue. That said, CDG is on track with its medium-term and long-term environmental goals.
- Overall, public transport still plays an important role in reducing use of private vehicles, which in turn helps cities to reduce air pollution and carbon emission.
- Its global operations expose it to corporate governance and business ethics risks. CDG has put in place processes to ensure impartiality, checks and balances.
- On social aspects, CDG has a history of helping its taxi drivers during crises. CDG cut rental rates and passed on government grants during both SARS and COVID-19.
- CDG displays no exceptional risks for a global land transport operator for ESG and is in line with other land transport peers in tackling environment issues by phasing out diesel vehicles and replacing them with hybrid/electric vehicles.
- Sustainable finance is a growing opportunity as CDG continues with its greener fleet replacement programme.

Material E issues

- Environmental risks. Aims to reduce its 2023 greenhouse gas emission by 20% and 50% by 2030 from 2015 levels through fleet replacement programme. CDG is on track to achieve its 2023 target, given its 5% reduction in emission in 2019.
- In Singapore, 50% of its diesel taxi fleet will be replaced by hybrids by 2020, and 100% by 2023. By 2030, CDG will increase hybrids for all other vehicles.
- Significant shift towards hybrid/electric vehicles since 2017. As of Dec 2019, 39% of fleet in Singapore (2017: 9.4%) are hybrid/electric, while that of UK & Ireland is 45% (2017: 20%) and Australia is 55% (2017: 41%).
- Bulk of its electricity consumption comes from its train operations, depots and workshops (23% increase between 2017 and 2019). That said measures such as energy-efficient train designs, energy-saving new stations & buildings, solar panels at depots and change in driving behaviour through training have been implemented to reduce power consumption.
- 50% of its buildings in Singapore will be Green Mark certified by 2023 and aim of 100% by 2030.
- Looking at increasing opportunities for sustainable financing to improve financial resilience and funding mix. Its Australian subsidiary secured an AUD25m green loan from OCBC Bank in 2018 to finance its hybrid bus fleet in Victoria.

Material S issues

- In 2019, it achieved zero workplace fatality and managed to keep injury rates below national averages.
- Partnered with the National Taxi Association to provide digital training for taxi drivers and started training drivers to handle autonomous vehicles.
- According to the Workplace Equality Report by Equileap, a leading organisation providing insights on gender equality, CD is ranked 24th out of 100 leading companies for gender equality in the Asia Pacific region, and 1st in the industrial sector in the region.
- Females account 14.4% of the Group. 40% of employees are over the age of 50.
- In 2019, 99% of buses are wheelchair accessible in Singapore and the UK, while that of Australia is 69%.
- History of supporting their drivers through crisis, evidently through rental waivers and passing on government grants to drivers during SARS and COVID-19.

Key G metrics and issues

- The board has 10 directors, of which one is the executive officer (MD/CEO), the remaining are non-executive & independent directors (including the chairman). 30% are female directors.
- The nomination, audit, investment and remuneration committees are chaired by independent directors.
- Key management/directors' compensation accounted for 0.28%/0.08% of total employee compensation in 2019.
- Governance risks: the group's auditor - Deloitte & Touche LLP – has not been changed since listing in 2003.
- Regulatory risks. The group's strategy calls for overseas expansion. Its wide global footprint may exposure the group to regulatory, bribery and corruption and compliance risks.
- CDG has in place a whistleblowing programme where cases are investigated through the chairperson of the audit and risk committee and the Group Chief Internal Audit Officer.
- There has been no corruption cases reported for the past three years.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

4.6 Plantations

- **The sector suffers from negative perception and bad press. Sustainable palm oil can be as good, if not better than other oils.**
- **Palm oil is sustainable in many ways as oil palm is a socio-economic crop that provides food security, job security and social welfare for millions, eradicates poverty, helps in rural developments, and it's a huge taxpayer.**
- **We have BUY ratings on WIL (Top Buy), FR and BAL.**

Critical ESG issues in the sector

Palm oil's GHG emission, agrochemical requirements, and energy input are comparable if not better than alternatives. However, in general, the sector has medium-to-high ESG risk ratings, largely due to the huge geographical footprint (Malaysia [MY]: 5.9m ha planted, Indonesia [ID]: 15.0m ha) and heavy reliance of workers (MY: 0.5m workers, ID: c.2.0m). Positively, this labour intensive industry creates sustainable jobs and income due to its perennial nature (25-years economic lifespan). Oil palm is a socio-economic crop with 30-40% smallholders participation in MY and ID involving >5m farmers, and >21m households. Smallholder schemes in MY (eg. FELDA & Felcra) and ID (plasma schemes) play a role in helping eradicate poverty, and lifting the living standards of rural folks. ID's poverty rate fell from 23.4% (1999) to 9.8% (2020), largely due to oil palm. And unlike in developed nations where the agri sector relies on heavy government subsidies, oil palm is not only self-sustaining but a big tax contributor.

Mitigation Outlook

Palm oil, being the highest oil yielding crop in the world and most consumed (c.32% of world's oils & fats), has a significant role to play in feeding the growing world population as the substitutes may lead to far worse deforestation. As most large planters have adopted No Deforestation, No Peat, No Exploitation (NDPE) commitment, which is gradually extended to their entire supply chains, future opportunities lie in yield enhancements via better seedlings, R&D, best agri practices, and technology. The industry's oil yield has largely stagnated over the past decades, partly because of its perennial nature and partly due to oil palm being GMO-free, making its R&D progress slow.

Sector Outlook

Due to lack of new planting and slow replanting progress of oil palm in recent years, the supply growth of palm oil is projected to slow in the coming years. Coupled with unfavourable weather, the global supply of palm oil and other vegetable oils have been tight since the end of 2020 which led to a meteoric rise in prices in early 2021. While output is likely to normalize in 2H21, the tightness in supply may take another 12 months before it normalizes. Hence, we estimate CPO price to average higher YoY in 2021 at MYR3,100/t (2020A: MYR2,782/t).

Plantations Valuations

Stock	Rec	Price (LCY)	Market Cap (SGD m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
Bumitama Agri	Buy	0.46	8,617	0.7	8.6	6.2	4.7	6.5	Severe	48.9
First Resources	Buy	1.35	1,586	1.9	12.1	10.9	4.1	4.6	High	36.9
Wilmar International	Buy	4.49	21,319	6.2	13.8	13.3	4.6	4.7	High	36.7

Source: Factset, Sustainalytics, Maybank Kim Eng

ESG@MKE

Bumitama Agri (BAL SP)

ct.ong@maybank-ib.com

Risk Rating & Score[1]	48.9 (Severe)
Score Momentum[2]	-0.5
Last Updated	14 Apr 2021
Controversy Score[3] (Updated: 11 Sept 2020)	3 (Significant)

Business Model & Industry Issues

- BAL is a pure upstream oil palm player with 234,000 ha of land concession (about ~3.2x the size of Singapore) in Indonesia of which 187,917 ha are planted with oil palm. Of these, 132,816 ha are nucleus planted area (i.e. owned by BAL). The remaining 55,101 ha are plasma planted area or 29.3% of its total planted area (which is 10% over the government's mandatory level). The plasma area helps provide income for local communities, including local contractors, suppliers and other spill over businesses.
- Its geographical spread across Central Kalimantan, West Kalimantan and Riau with over 30,000 workers naturally exposes BAL to multiple ESG risks. Key risks include natural disasters, deforestation, labour practises, supply chain monitoring, and governance and corruption.
- BAL is one of the leaders in oil palm sustainability in Indonesia. Besides having 43% of its total certifiable area RSPO certified, it has also initiated many community projects surrounding its concession areas, providing community groups with alternative income and livelihoods.

Material E issues

- BAL has adopted a Sustainability policy of No Deforestation, No Peat, No Exploitation (NDPE) in 2015.
- 8 of its 14 mills and 56,433 ha or 43% of total certifiable area are RSPO certified in FY20 (which included two groups of plasma smallholders area measuring 1,889 ha in total).
- In FY20, it achieved a 42% increase in RSPO certified volume (of 236,962t) compared to FY18.
- 98.8% of all FFB is traceable to plantation.
- BAL has set aside 39,310 ha (or 16.8% of its total landbank of 234,000 ha) as conservation area comprising HCV (25,885 ha), HCS (11,517 ha), Peat (1,540 ha) and Others (368 ha).
- BAL has pledged to make its operations carbon neutral by 2030. It targets a 30% reduction in GHG intensity by 2030 using 2016 as a baseline. In 2020, its GHG emissions intensity was 1.56MT CO_2e/MT CPO, 4% lower than 2016.
- It has set Triple Zero Target Programme by 2025, with annual stepwise reduction targets towards zero fatalities, zero environmental incidents and zero fires. Most of the fires recorded at the concession areas were caused by extreme weather events despite proactive fire prevention measures.

Material S issues

- FY20's total CSR expenditure of IDR24.14b approximates 2.1% of its headline profits (3-yr avg: 2.3%), of which 79% was spent on schools and childcare, 9% on social & cultural activities, 4% on local business development, and 4% on health.
- Bumitama Foundation provides quality education to 5,300 children through 38 internal schools. It also runs 124 childcare centres caring for over 2,000 children. About 60% of students are children of BAL employees and the rest from nearby communities.
- It has invested heavily in fire prevention and educating smallholders.
- BAL began two 35-year social forestry programmes with communities in West Kalimantan designed to bring long-term benefits to the area it operates.
- Since 2018, two RSPO complaints cases have been closed, and one is still on-going (which relates to a case reopened in 2017 after initially being closed in 2015).

Key G metrics and issues

- The Board comprises six members: three independent directors (ID; 50%), one non-executive director (NED) and two executive directors (ED). It comprises three Singaporeans, two Indonesians, and one Malaysian member, and reflects the diverse professional and educational backgrounds.
- The Lim family, being the major shareholder which collectively owns 52.3%-equity stake in BAL, is represented by two EDs. One of them, Mr Lim Gunawan Hariyanto, is the CEO and Chairman of the Board. Besides the 2 EDs, there are two other immediate family members whose remuneration exceeded SGD100,000 during FY20.
- To ensure sufficient oversight, BAL has appointed an independent lead director. And the Board committees of the Audit Committee, Remuneration Committee, Nominating Committee, and Conflicts Resolution Committees are each chaired by an ID and all members are IDs. None of the IDs has served more than 5 years on the Board.
- The Lee family, being the 2nd major shareholder with a 32.1%-equity stake, is represented by one NED on the Board.
- The Board provides management oversight and leads the development of corporate strategies while being responsible for ensuring that BAL's corporate governance practices are aligned with the Singapore Code of Corporate Governance.
- The Board oversees the Sustainability Policy strategy, and the CEO champions its sustainability principles. BAL's senior management team handles oversight and the implementation of its Sustainability Policy and oversees all stakeholder consultation on sustainability matters.
- The Chairman/ CEO's total remuneration package for FY20 was 2.1% of core net profits (3-yr avg: 2.8%).
- There is currently one female board member (or 17% of Board composition).
- BAL has a zero tolerance policy on gender discrimination and sexual harassment. Women make up 28% of its workforce.
- Ernst & Young (EY) has been its external auditor since listing in 2012. As the present engagement partner has been the same the past 5 years, we expect a new EY audit partner for FY21.
- There have been no questionable related-party transactions for the recent past five years.

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Wilmar International (WIL SP)

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Risk Rating & Score[1]	36.7 (High)
Score Momentum[2]	-2.8
Last Updated	27 Nov 2020
Controversy Score[3] (Updated: 27 April 2021)	3 (Significant)

Business Model & Industry Issues

- The nature of WIL business – as an upstream palm oil/sugar producer – as well as an integrated refiner and trader exposes it to multiple risks. Key risks include deforestation, supply chain monitoring, governance & corruption, labour conditions.
- The group has been the subject of several NGO/lobbyist action on community relations, GHG emissions and anti-palm oil in the past. These open up significant reputational risks as well as regulatory and governance risks.
- WIL has introduced a No Deforestation, No Peat & No Exploitation policy (NDPE) since 2013 and updated it in 2019 to incorporate the latest approaches to high conservation value assessments as well as support its sustainability frameworks.
- Rated BBB by MSCI ESG. This puts WIL as average within the food products industry peer group.
- We believe WIL's global scale, agriculture centred commodity segments and reliance on third-party suppliers opens it up to significant ESG operating risks.

Material E issues

- 60% of palm fresh fruit bunches (FFB) and 98% of sugar is purchased from third parties and small holders, which increases risks by association.
- Around 77% of the Group's own acreage and 100% of downstream facilities in Malaysia, Indonesia are certified under RSPO – the industry's sustainability certification body.
- 96.2% of its palm oil supply chain and 100% of sugar are traceable to originating mills. Disclosure on traceability to plantations is not available.
- The group has over 20m ha of supplier plantations under monitoring and so far removed over 1.5m ha of palm oil land for non-compliance of its NDPE policies. Nevertheless, significant risks exist given the scale of WIL's procurement
- 90% of suppliers have either provided confirmation on WIL. NDPE policies, have a policy of their own or are RSPO members. The distribution of this is unavailable.

Material S issues

- The group has established a Human Rights Framework and a Women's charter and a child protection policy to strengthen its overall sustainability policies.
- 100% of its workers in Malaysia, Ghana, Nigeria mills and plantations are covered by collective bargaining agreements. The scale in Indonesia is unavailable.
- WIL has stated that it benchmarks to international best practices for fair working conditions even in jurisdictions where legal frameworks are yet to evolve.
- The group states that they are working towards having 100% of small holder suppliers are supported by its small holder programs. Current progress level not disclosed.
- As of October 2019, WIL is dealing with 3 RSPO complaints involving local communities in West Sumatra on land rights.

Key G metrics and issues

- In April 2020, WIL left the High Carbon Stock Approach Steering Group (HCSA) – an NGO and industry partnership that aims to implement a protocol for identifying land suitable for agri development – over disagreements over governance and budgets of the organisation.
- In a 2019 report, Greenpeace claims that some of WIL's subsidiaries were engaging in deforestation and contributing to forest fires.
- WIL's size and scale as the world's largest palm oil trader and a key supplier to global brands and a consumer play in China may continue to expose it to activist and reputational risks as well as regulatory and judicial risks.
- The group has a sustainability department headed by a Chief Sustainability Officer who is responsible for implementing WIL's sustainability strategy. Sustainability policies are overseen by the Chairman and CEO along with the Board Risk Committee.
- It has a comprehensive set of codes, policies and frameworks dealing with ESG including Conduct, Ethics, Fraud, Privacy and Whistleblowing. So far training for these are only arranged in its operations in Singapore, but it is planning a global rollout. Timeline unspecified.
- The group's Board is composed of 54% independent directors. When non-executive directors are included this is 77%. Only 8% of the board is female.
- In its website, WIL provides a transparent list and action status for grievances raised by various parties including individuals, government organizations and NGOs concerning the implementation the NDPE policy.
- WIL has been producing a separate, detailed Sustainability Report yearly since 2009. Its reporting is based on GRI standards and mapped to the UN SDGs.

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4.7 Real Estate

- **Environmental considerations are becoming more critical aspects of conducting due diligence on assets, with the growth in green buildings or acquisitions set to accelerate, on the back of rising global demand for ESG investment. While environmental action is prioritised by stakeholders and progress has been steady, there remains weak standardisation in reporting and assessments across the sector. Larger players are leading in efforts to support the more ambitious updated national targets, adding to renewable energy use while decarbonising their expanding portfolios. Rising availability of green finance will continue to push developers and REITs to adopt green features in their portfolios to expand borrowings and deliver interest rate savings.**

- **Social issues have taken on greater relevance since the pandemic and space usage is evolving at an accelerated pace. Landlords and S-REITs rendered rental assistance to tenants to mitigate the weaker revenues last year, and are further reconfiguring their buildings to meet revised social capacities, and shifting demand needs on the back of surging online retail, and the hybrid work model.**

- **Boards are generally independent and well-composed, and S-REITs are well-regulated, but instances of recent corporate governance lapses have triggered shareholder activism and more prodigious regulatory oversight. S-REITs are responding through more frequent disclosures in efforts to improve transparency and accountability. They now hold more overseas assets, which offer diversification opportunities to unit holders and add resilience to portfolios. They have picked up the pace on acquisitions since 2015, while staying focused on DPU and NAV accretion.**

Critical ESG issues in the sector

Environmental. With buildings accounting for c.40% of greenhouse gas emissions globally and more than 20% in the case of Singapore, then de-carbonising the real estate sector remains a critical measure to lessen systemic risk to financial markets due to climate change. Singapore's developers and notably S-REITs are susceptible to sustainability-focused investors that show a strong preference for investing in companies that meet specific ESG criteria, given their incessant need for additional capital. REITs, tasked to deliver regular and steady distributions over the long term, will need to consider the ability of their properties in generating rental income over the extended horizon, while meeting more demanding environmental requirements, which will in turn determine the attractiveness of their portfolios to both investors and tenants.

Rising global demand for ESG investment, coupled with an increasing pool of green buildings and an expanding green financing market, will accelerate growth in green property investments or acquisitions. In turn, environmental considerations are expected to become more critical aspects of conducting due diligence on assets, and as such, certified sustainability initiatives are likely to be the norm for investment-grade office buildings. This raises risks for property owners of climate-change 'stranded assets', which could eventually be valued less, as lenders could hesitate to offer financing while insurers may not provide property insurance. Meanwhile, investment flows into green assets are pushing valuations up, even as these higher prices may not be justified, as rents have not increased significantly,

as observed by Wong Mun Hoong, Mapletree's regional CEO for Australia and North Asia, while the operating expenditure of green buildings has also not declined considerably.

Real estate players have persisted in efforts to reduce the intensities for their greenhouse gas (GHG) emissions, and energy and water use across their portfolios, while expanding their geographical scope for reporting in line with expansion of AUMs. While progress has been steady, especially in recent years, there remains a lack of standardization in reporting and assessment across the sector, with environmental materiality issues and action targets varying greatly between peers. Environmental considerations tend to affect a low fraction of assets around the top of the market whose owners have expectations of selling to an institutional investor. For the majority of buildings, compliance is thus a luxury rather than a necessity.

For instance, MLT examines its water consumption yet unlike energy usage, has not identified this as a material concern. AREIT has achieved its annual targets to reduce energy intensity for its Singapore buildings by 3% over 5 years since Mar 2017, yet only monitors its water use and intensity, while waste & material use, have not been identified as material issues. Similarly, while explicit targets have been set for Singapore properties, these are not available for overseas assets for many of the REITs. SPHREIT for example has delivered steady improvement in environmental metrics for its two Singapore malls since 2017, yet has committed goals for its Australian assets, which have grown following two deals, and now represent 20% of its AUM and 50% of its total NLA.

The pandemic has triggered mass adoption of technologies and accelerated digital transformation, with the resulting increase in internet traffic and data creation unprecedented, driving growth in demand for data centres. Data centres form a more critical piece of business infrastructure, but the performance needs of round-the-clock operations sees these facilities as being energy-intensive, with high power and water consumption needed to sustain the servers, networking equipment, and cooling infrastructure. They account for 3-4% of global power consumption, and at the current pace of expansion, could increase to 20% by 2030. This will likely lead to policy responses from governments, and could cause uncertainty in development approvals. The contribution of data centres to Singapore’s electricity consumption would have jumped from c.7% in 2014, the last available data year, given the strong growth and scale of modern hyperscale facilities, while concerns over the segment’s carbon footprint would have led to a moratorium in 2019 on new data centres. This development has significantly affected supply fundamentals, and remains in place.

Social. Environmental action has traditionally been at the forefront of ESG discussions for real estate, while the social pillar has lagged, as reporting elements are more difficult to define and quantify, even though they are no less important, as they can drive differences in trust, inclusion and effective stakeholder engagement. While the social qualities within the traditional ESG agenda are routinely centred around organisational policies and practices that relate to business ethics human rights, supply chain management, diversity and inclusion, and social impacts resulting from corporate operations, these attributes in a real estate context will further appraise the impact of buildings on their occupiers, supply chains, and the broader community.

The pandemic crisis in 2020 proved to be a watershed for the real estate sector globally, with social issues taking on greater relevance, as matters

of wealth inequalities, access to affordable housing, labour constraints, and competing landlord-tenant relationships, were further reinforced. Some may be cyclical and therefore temporary, while others, like the accelerated shift to online retailing, are structural and thus permanent. Developers, straining from supply chain disruptions, are also grappling with an already diminished labour force since the onset of pandemic last year, with Singapore's new entry restrictions imposed on South Asian workers set to further dwindle the worker pool. Many have asked for deadline extensions for their projects resulting from the construction delays, which will in turn add stress to the low supply.

Firms are looking to curb costs, with some downsizing through renewals or relocations, and at the same time, assessing office space needs as they ease out from the pandemic. Some businesses that are willing to implement work-from-home (WFH) arrangements - as many workers have reported a preference for this flexibility - are trimming their footprints as a larger proportion of their staff work remotely. Meanwhile, others aim to de-densify their office layouts to accommodate the increased space needs to meet more stringent health and safety capacities.

Space usage is evolving at an accelerated pace, and structural changes are at times inter-related. Rising WFH adoption may result in a shift in demand towards larger suburban residential units at the expense of smaller ones nearer to or in the city. As such, landlords and S-REITs are reinventing their traditional development and leasing models to create opportunities, for example through multi-tenant shared spaces to meet these new needs. Industrial properties have been a bright spot, as logistics properties and data centres have gained from stronger e-commerce penetration and supply chain shifts. Many are witnessing tight vacancies and will have to be expanded and new ones built, to meet the increasing demand.

Governance. The increased focus on the quality of corporate governance has highlighted the relative strengths of most boards in terms of independence and composition. Independent directors will account for at least half of board members across developers and S-REITs, which is significantly higher than Singapore's Board Charter, which provides for at least a third of the boards as independent. Real estate and capital markets experience is also high on most boards, with strong representation by members with international experience, which is essential in our view, as overseas portfolios are increasingly a growth platform for most S-REITs and developers. Among developers, CAPL has the highest with 82% of independent directors on its 11-member board, including that of the Chairman's role.

It is worthwhile however, to flag two instances of lapses among a number of the smaller S-REITs, in particular those with less reputable sponsors. In the case of Sabana, the smallest industrial REIT with a SGD840m AUM of 18 properties, it had in 2017, scrapped a purchase (of 47 Changi South Avenue 2) from its then sponsor, under pressure from unit holders, which led to the resignation of its CEO. Its performance stayed lacklustre and in Mar 2019, after agreeing to divest an industrial asset (1 Tuas Avenue 4) for 52% below its book value six months earlier, disclosed that the purchaser had failed to secure regulatory approvals and abandoned the deal. More recently, Mak Yuen Teen, a prominent Singapore business professor, had questioned the independence of a director on its board, then in Dec 2020, in a historical first, its unit holders voted down a proposed merger with ESR-REIT.

Another relates to Eagle HT, listed in May 2019 with a portfolio comprising 18 mid-market hotels in second-tier locations across the western and southern parts of the US. It voluntarily suspended its trading of units as of 24 Mar last year, after defaulting on a USD341m loan as the master lessee of its properties (Urban Commons LLC) was unable to fulfil rent obligations. As a result, dividends declared and to be distributed in Mar, were not paid out. After investigations over breaches of disclosure requirements, all six of its former and current Singapore-based directors were arrested, then released on bail. Following a directive by the Monetary Authority of Singapore to remove the incumbent manager, a proposal to appoint a new one failed to receive the necessary support from unit holders at an EGM on 20 Dec. Its trustee has since moved to liquidate its assets as its entities have filed for bankruptcy in the US.

While developers would have disclosed the cumulative remuneration of its key management team and including the CEO on a named basis, a number of S-REITs (including AAREIT, ARA Logos, CDREIT, SPHREIT, and Suntec) had asserted that this would not be in the best interests of the manager, the REIT or its unit holders, and have reserved such admission in their annual reports.

The majority of S-REITs measure their base fees as a proportion of deposited property values, with more than half tying their performance fees to NPIs, and over a dozen collecting these in line with the growth rates of their DPUs, and this was evident for newer listings. Acquisition and disposal fees at 1.0% and 0.5% of deal value, is standard and comparable across peers. In an update to unit holders in Sep 2020, CMT waived its SGD111.2m acquisition fee due to the proposed merger with CCT, to lift DPU accretion arising from the deal, from +1.6% to +4.1%. Meanwhile, CDREIT revised its performance fee from 2.85% of gross revenue to 4.25% of NPI at the 2016 AGM, and FEHT adjusted down its base fee from 0.3% to 0.28% pa of deposited property, and performance fee to the lower of 4.0% of NPI or 4.0% of distributable income in FY20, to better align their management fees to those of peers. AREIT in FY15 amended the computation of its management fees in favour of its unit holders, with the base fee set at 0.5% of adjusted deposited property, and the performance fee at 0.1% of adjusted deposited property if DPU growth >2.5% YoY and 0.2% if >5.0% YoY.

Mitigation Outlook

Environmental. Standards like the Global Real Estate Sustainability Benchmark or GRESB, launched in 2009, are helping create an effective yardstick of sustainability compliance, even as the newer, more exacting CPD (formerly known as the Carbon Disclosure Project) standard that measures companies' net-zero-carbon strategies is now emerging. In practice, this involves establishing methods to lead towards net-zero carbon for buildings, and may include retrofits for energy savings, or investing in renewable energy resources. In the absence of standardisation, a new benchmark known as the Taxonomy Regulation originated by the European Union in 2020 sets out to define the criteria buildings must feature to qualify as 'green' for the purposes of assets purchased by European investment funds.

Government incentives and legislation can play key roles, especially with regard to environmental issues. Singapore has stepped up its pace on environmental sustainability with more ambitious 2030 targets as can be gleaned from its earlier Green Building Masterplans, that aim to encourage adoption of green building standards in new and existing developments

through its various schemes. These updated goals since Mar 2021 now include: (1) raising the proportion of its green buildings to at least 80% (by GFA), from 43% as of end 2020, (2) rolling out the Super Low Energy (SLE) building programme - a more stringent certification than the current highest Green Mark Platinum standard - to 80% of new developments (by GFA), and (3) achieving an 80% improvement in energy efficiency for its best-in-class green buildings over 2005 levels, up from the 65% currently.

A number of the larger Singapore developers were early adopters of green building development and practices, as many of their existing properties underwent progressive retrofitting to meet the objectives of lower carbon emissions, energy and water efficiency, and reduction in waste disposal. As such, a growing number of their assets have achieved the Building and Construction Authority's (BCA) Green Mark certifications, which are globally recognised green building ratings that set the parameters to guide the design, construction and operation of new and existing buildings towards increased energy efficiencies and enhanced environmental performance.

Some developers like CAPL and CDL have embraced the Science Based Targets initiative (SBTi), as these provide clearly defined and validated targets for companies to reduce emissions in line with the Paris Agreement to keep global temperature rise well below 2°C in this century. In supporting the broader national effort, CAPL and CDL have minimum targets for all new developments in Singapore to be BCA Green Mark GoldPLUS certified, which ranks two tiers above the mandatory BCA Green Mark certification level.

Others, including CDL, Frasers Property and Lendlease, have set net-zero carbon goals for their operations. CDL has higher goals, being the first Singapore real estate developer to sign the WorldGBC's Net Zero Carbon Buildings Commitment in Feb 2021, as it pledges to achieve net zero operational carbon emissions by 2030 and advocates for all its buildings to be net zero operational carbon by 2050. The larger developers are already endorsing more holistic considerations towards energy, water and waste reduction, as they adopt measures across various stages of every project's development and management lifecycle, from design and construction to operation of the asset. CDL has gone further to detail these metrics across its business units, and has allocated 2-5% of construction costs of new developments to green features and green design.

Many industrial landlords including S-REITs are increasing renewable energy use, as they roll out solar panel installation projects across their properties, and kick-off various research projects to reduce wastage and carbon emission by upping energy efficiency. Wong Wai Meng, CEO of Keppel Data Centres, suggests harnessing cold energy released during the re-gasification process for LNG and to cool data centres, and has partnered NUS Engineering and Singapore LNG Corporation to develop a prototype of a new cooling medium that will be used to store and carry cold energy from the Singapore LNG Terminal to data centres across Singapore. Elsewhere, Keppel is also in discussions to float a data centre off the coast of land-scarce Singapore to alleviate land use, and to cool by seawater.

S-REITs are similarly striving to grow the proportion of environmentally sustainable properties in their portfolios, as they favour acquisitions with green characteristics or in the case of developments, a relevant green building certification. The rising availability of green financing will continue to push developers and REITs to adopt green features in their portfolios in order to expand green funding and deliver interest rate savings. S-REITs

account for a substantial portion of green financing completed in Singapore in the last two years, and almost a dozen have already issued either green or sustainability-linked loans. This is expected to drive expansion in the pool of investible green buildings over time.

MCT in Oct 2019 secured its first SGD670m green loan to part-finance the MBC II acquisition, while establishing a framework guided by Green Loan Principles published by the Loan Market Association and the APAC Loan Market Association to steer its future green funding allocations. To-date, S-REITs would have raised close to SGD7b in green or sustainability-linked loans to contribute 2-40% of their total borrowings, and this proportion is set to rise. FCT is looking to achieve at least the BCA Green Mark Gold certification for 80% of its existing buildings, and to finance the majority of its sustainable asset portfolios with green and sustainable financing by 2024.

In addition to implementing energy efficiency initiatives, MLT's second solar energy generation project in Singapore (at Mapletree Benoi Logistics Hub) helped to boost such capacities by 35% YoY in FY20. It is the first S-REIT to have linked its renewable energy generation target to sustainable financing, as a 6-year SGD200m loan funds its rooftop solar installation programme. Among developers, CAPL was the first to disclose a sustainable finance target, to triple the SGD2b raised to date (excluding SGD1.3b raised through its REITs), to SGD6b by 2030.

Social. Many players boast corporate social responsibility frameworks that are well-institutionalised. These encourage employees to organise or participate in self-initiated community service projects in their respective markets, with many of these initiatives aligned across both the sponsors and their respective REITs. Gender equality features prominently among material sustainability matters, and diversity is high and improving across the sector, with female representation currently at 50-68% for all employees, 36-80% for senior management teams, and 18-50% across boards.

Developers and S-REITs already measure and track staff training hours annually for employees and management. In addition, CAPL and its REITs have allocated up to 3.0% of its annual wage bill towards learning and development programmes for its employees, which are further supported by its in-house training hub, the CapitaLand Institute of Management and Business. Likewise, for Mapletree Investments and its sponsored REITs, the hiring and professional development of its employees is supported through various talent recruitment initiatives (Mapletree Associate, Executive, Internship), and learning and development programmes.

Landlords have rendered rental assistance since the start of COVID, to help their eligible retail and SME tenants offset, on average more than 4 months of their fixed rents, through rent relief, and passing on of property tax rebates, cash grants from the government and other mandated grants to qualifying tenants. Mercatus Cooperative (NTUC Enterprise) had extended the interest waiver for outstanding rent payments from 1 Feb to end-Dec 2020, in addition to granting rent relief. Retail landlords having increased investments in logistics, delivery and storage capabilities in response to the surge in online retail, stepped up their support amid the recently heightened COVID measures. CAPL has provided operational aid to F&B operators, with a waiver of platform and commission fees on its digital channel Capita3Eats, and an extension of the grace period for drivers visiting its malls to ease fulfilment of food delivery and takeaway orders.

A new code of conduct for fairer lease negotiations between landlords and retail tenants in Singapore is headed for legislation in the coming months. It is envisaged that the revisions in leasing arrangements, including rent structures and pre-termination of leases, as well as dispute resolution, will improve transparency and fairness and enable sustainability in relationships between both stakeholders.

The physical office will remain relevant, especially as a place to socialise, collaborate and train. In Singapore, employers are already implementing a hybrid model of work, which for many means working from home for part of the week and in the office the rest of the time. As a consequence, building owners are redesigning their spaces, to meet more stringent social-distancing needs, and with the expectation that there will be an increased focus on businesses' social responsibility towards their employees and communities in which they operate. As occupiers grapple with reservations around their space requirements to cater for remote working, expansion, and de-consolidation in the wake of the pandemic, office landlords have expanded their flexible space in response to the increased demand. Flexible space has expanded to take up 5.0% of Grade A office stock as of end-Jun 2020, with scope to grow.

CICT's redevelopment of its Funan mall into an integrated development, which comprises retail, office and co-living spaces, offers roof-top urban farming, an indoor rock-climbing facility, and 170 bicycle bays, while leveraging digital tools to enhance the shopper experience, is another case study. In addition to a performing arts complex at Funan, four other malls within its portfolio already house VWO tenants (at the office tower of Junction 8), dance studios (Bugis+), an ice-skating rink (J-Cube), an outdoor rooftop playground (Westgate), and have gained additional GFA from the Urban Redevelopment Authority Community/Sports Facilities Scheme which promotes the integration of community facilities.

Governance. Given the instances of recent lapses, then we expect the SGX RegCo will increase its attention towards the management of S-REITs, particularly to the board of its manager, and its auditors disclosing the financials, with tighter risk disclosures and implementation of internal controls. These initiatives will complement the existing legislation that has supported the development, and that continues to attract investment flows into the sector. Meanwhile, activist shareholders and their demands for engagement are reshaping the corporate governance landscape for S-REITs and reflects a broader trend, of investors challenging how boards contemplate issues of strategy, risk, and capital allocation. S-REITs are responding through more frequent and detailed disclosures in efforts to improve transparency and accountability.

S-REITs are generally well-funded but against a challenging COVID backdrop last year, the Monetary Authority of Singapore relaxed regulatory constraints in Apr 2020, by (1) extending the permissible time for distributions of taxable income from 3 months to 12 months from the end of the financial year, to qualify for tax transparency, and (2) raising the leverage limit from 45% to 50%, while deferring the implementation of a new minimum interest coverage ratio of 2.5x to 2022. DPUs were hurt in 2020 as the majority of S-REITs withheld their distributions for the first time to conserve cash in 1H20, but these were subsequently returned to unit holders from 3Q20 onwards. S-REITs continue to maintain payout ratios closer to 100%, and above the 90% threshold required for tax transparency.

S-REITs now hold more overseas assets, which offer diversification opportunities to unit holders. These properties, mostly freehold, with leases generally backed by longer WALEs and pa rental escalations, underpin stronger visibility on DPU growth. They have picked up the pace on acquisitions since 2015, eyeing both sponsored and third-party deal opportunities, while focusing on DPU and NAV accretion. Interested party transactions (IPTs) have risen accordingly, especially given that many of the S-REITS have strong sponsors with sizeable asset pipelines. Sponsored deals track a rigorous process, requiring a review by the audit committee and unit holders' approval at an EGM if its value exceeds 5% of NAV.

Meanwhile, divestments were mostly above valuations, and well explained. KREIT for example, generated significant value from its divestment of Bugis Junction Towers in 2019, at 243% above its 2006 purchase price. This was its lowest yielding asset with minimal rental upside potential given its long 6.2-year WALE, and had already delivered 19.4% pa asset-level returns during a 13-year holding period. Divestments have helped improve balance sheets and delivered gains, via capital distributions to unit holders.

Shifting consumer trends imply that the newer sub segments of real estate such as data centres, flexible space and multifamily facilities will rise in demand. We expect transparency and liquidity to improve alongside their growth. For many S-REITs, their stronger share price appreciation remains a consequence of credible sponsorship, expanded investment mandates, well-articulated growth strategies, and favourably structured acquisitions. For a few, the added representation in the FTSE EPRA-NAREIT Global Developed Index has further boosted trading liquidity, and valuations rerating. We expect these trends to continue into the deliver sustainable income growth to unit holders.

Sector Outlook

We remain positive on S-REITs, with DPUs set to accelerate at a 2-year CAGR of 12%, as the sector moves past its rent relief cycle, while overseas diversification has gained traction to strengthen DPU visibility. A steepening yield curve and inflation pressures have heightened volatility while reigniting taper tantrum fears, but we expect sector valuations to be more resilient. The supply outlook is more favourable, while demand drivers remain intact, and we see growth in AUMs, supported by strong sponsors. Balance sheets are sound and leverage remains low at 37.4% on average (as of end-Mar 2021). This will aid in DPU accretion, amid a prolonged low interest rate environment over the next 12-18 months. Fully debt-funded acquisitions could lift DPUs by up to 15% for those under our coverage.

We prefer industrial REITs, as they have on average flatlined YTD, but are set to deliver positive DPU growth and accretive acquisitions as these pick up pace. Logistics are likely to emerge from the pandemic stronger than when it went in. Demand, already strong pre-COVID from rising e-commerce transactions, would have accelerated in the past 12-18 months, while supply chain rejuvenation is fuelling investments to modern logistics facilities, amid a long-term undersupply. Meanwhile, the surge in internet traffic and data creation was unprecedented, underpinning growth in demand for data centres. We expect transparency and liquidity to improve alongside the segment's growth, as global leasing revenues rise at 9.2% CAGR from 2019-25E (according to 451 Research).

The retail sector has faced a setback from the fresh waves of infections and heightened movement restrictions. The impact is irregular and less severe

YoY, given a return to growth in private consumption, and the effect of possible rent relief efforts for affected tenants limited at <2% of FY21 DPUs. Suburban malls remain a resilient asset class and our preferred exposure. This is given their higher essential services (F&B, services, supermarkets) trade mix relative to downtown malls. We forecast 8-20% 2-year DPU CAGR for retail REITs, implying FY21 dividend yields of 5-7%, with a faster pace of recovery expected to deliver traffic and tenant sales upside.

We are negative on offices as firms are looking to curb costs, with some downsizing after renewals or from relocations, while assessing office space needs as they ease out from the pandemic. Occupiers implementing WFH arrangements are trimming their footprints as a larger proportion of their staff work remotely. CBD office occupiers in Singapore could aim to reduce their footprint by 10-20% over three years, with demand to fall by 0.5-1.0m sf pa from 2020-22E, to offset the effects of de-densified office layouts.

With sharper appreciation since Nov 2020, risk-reward for hospitality is less compelling. Progress on vaccine rollout and border reopening are catalysts, but the trajectory remains uneven and a resurgence of new virus strains will likely push out recovery into 2022. Isolation demand will likely be extended to support occupancies, but RevPAR visibility is weak, with the street and us having already pencilled in c.25% RevPAR growth in 2021 and 15% in 2022. A slower pace of opening suggests downside risk to DPUs.

Real Estate Valuations

Stock	Rec	Price (LCY)	Market Cap (LCY m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
AIMS APAC REIT	Buy	1.54	1,069	1.6	14.4	15.7	6.9	6.3	Low	17.3
ARA Logos Logistics Trust	Buy	0.88	1,118	0.8	14.9	14.7	6.2	6.3	Medium	21.7
Ascendas REIT	Buy	2.94	8,599	3.7	18.5	17.6	5.4	5.7	Low	11.8
Ascott Residence Trust	Buy	1.03	3,208	1.3	22.4	20.1	3.9	4.4	Low	19
CapitaLand Int. Comm. Trust	Buy	2.11	13,659	2.6	19.2	18.1	5.2	5.5	Low	11.2
Far East Hospitality Trust	Buy	0.58	1,084	0.7	24.3	23.2	4.1	4.3	Low	14.9
Frasers Centrepoint Trust	Buy	2.45	4,161	2.9	19.6	19.2	5.1	5.2	NA	NA
Manulife US REIT	Buy	0.80	1,018	1.0	15.4	15.2	7.1	7.2	Low	11.5
Mapletree Commercial Trust	Buy	2.15	6,190	2.3	26.9	22.8	4.5	4.4	Low	11.3
Mapletree Industrial Trust	Buy	2.81	6,629	3.2	23.7	21.3	4.7	4.7	Low	18
Mapletree Logistics Trust	Buy	2.04	6,236	2.3	27.2	26.3	4.3	4.1	Low	15.6
Prime US REIT	Buy	0.88	808	1.1	12.5	12.1	8.0	8.2	Medium	20.9
Sasseur REIT	Buy	0.96	1,158	1.0	13.1	12.5	7.2	7.6	Low	18.9
CDL Hospitality Trusts	Hold	1.24	1,494	1.3	21.9	19.7	4.4	4.9	Low	14.7
Frasers Hospitality Trust	Hold	0.53	981	0.5	26.9	18.5	3.1	4.8	Low	14.2
SPH REIT	Hold	0.93	2,570	0.8	15.8	15.6	5.6	5.7	Low	17.1
Suntec REIT	Hold	1.49	4,210	1.2	18.9	18.7	5.8	5.9	Low	14
Keppel REIT	Sell	1.18	4,021	1.0	21.3	21.3	5.0	5.0	Low	16.7

Source: Factset, Sustainalytics, Maybank Kim Eng

AIMS APAC REIT (AAREIT SP)

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Risk Rating & Score[1]	17.3 (Low)
Score Momentum[2]	-1.7
Last Updated	26 May 2021
Controversy Score[3] (Updated: 17 Feb 2017)	0 – No Reported Incident

Business Model & Industry Issues

- AAREIT draws on its available pool of funds to invest in industrial real estate, carry out asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Its redevelopment of six properties in Singapore since FY12 have added 1.9m sf or 22% to its portfolio GFA, and supported growth in both revenue and AUM.

Material E issues

- Nearly half of its Singapore portfolio by NLA is BCA Green Mark compliant as of end-Mar 2020. Its Optus Centre in NSW Australia achieved a NABERS Energy Base Building Rating of 5 stars and Water Rating of 3.5 stars in FY20.
- Secured a BCA Green Mark (Gold) award for the 3 Tuas Avenue 2 redevelopment and BCA Green Mark certification for the AEI at 29 Woodlands Industrial Park E1 Northtech, in line with its FY19 targets.
- Energy efficiency efforts reduced consumption by 34.9% YoY in FY20, while water consumption rose 13.4% YoY with the inclusion of 30 Tuas West Road and 1A IBP with the conversion of their master leases to multi-tenancies.
- None of its properties qualified as PUB Water Efficient Buildings (WEB) in FY20 as water improvement works were for selected levels and not for entire properties.

Material S issues

- Training hours received by each employee fell to 17.4 hours in FY20 (from 32.4 in FY19), missing its 26-hour minimum target due to COVID-19, which resulted in the inability to reschedule training programmes in its 2H20. Will continue to aim for the minimum training hours in FY21.
- Gender diversity is fairly high, with female representation at 78.3% amongst all employees, and 40% at the management level.

Key G metrics and issues

- Previously known as MI-REIT prior to a recapitalisation exercise in 2009, and now externally managed by a wholly-owned subsidiary of its sponsor AIMS Financial Group, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Three of five board members are independent with the CEO the only executive and non-independent member.
- Management fee structure, with a base fee at 0.5% of its deposited property, the performance fee at 0.1% of deposited property if DPU growth >2.5% YoY and 0.2% if >5.0% YoY, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- Does not disclose the cumulative remuneration of its key management team including the CEO.
- Payout ratio for taxable income has been consistently maintained above the minimum 90% threshold for tax transparency.
- Secured a new 12-year master lease with Optus, its largest tenant in FY20, achieving a 17% IRR on its FY14 AUD184m investment.
- Redevelopment projects have resulted in increases to both portfolio GFA and valuations; this rose for 20 Gul Way from SGD41.8m to SGD306.4m upon completion in Sep 2014.
- Was ranked third out of 45 S-REITs and business trusts in the Governance Index for Trusts in FY20 and retained in the SGX Fast Track programme by the SGX RegCo.
- Has maintained a sound balance sheet as leverage averaged 34.6% from 1Q17-4Q21, despite a 12% growth in its AUM.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Ascendas REIT (AREIT SP)

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Risk Rating & Score[1]	11.8 (Low)
Score Momentum[2]	-2.6
Last Updated	14 April 2021
Controversy Score[3] (Updated: 13 Sep 2013)	0 - No Reported Incident

Business Model & Industry Issues

- AREIT draws on its available pool of funds to invest in industrial real estate, carry out asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- It has driven a transformation of its portfolio through AEIs, redevelopments and acquisitions, to strengthen its dominance in Singapore's business & science park segment and diversify growth overseas, with freehold properties now c.34% of its AUM.
- It has intensified efforts to reduce its energy and carbon footprint, and could be encouraged to commit to long-term targets and explore green financing, to better align with its new sponsor.

Material E issues

- 34 of its 96 Singapore properties are BCA Green Mark certified with 26 certified Gold or above.
- Achieved in the fourth year a target to reduce energy intensity for its Singapore buildings by 3% over 5 years from Mar 2017. No target was set yet for Australia.
- Joined SembCorp Ind. to install >21,000 solar panels at 6 properties, to generate 10,000 MWH of renewable energy and reduce carbon dioxide emissions by 4.3m kg pa.
- Water consumption, and waste & material use, have not been identified as material issues although water usage and intensity are monitored, and its sponsor has embarked on a 'paperless' initiative for its offices in 2020.
- Issued its first SGD100m green bond in Aug 2020, and the first real estate SGD300m green perpetual securities in Asia under its green finance framework.

Material S issues

- Has grown its community-focused capacities with the expansion of its flexible workspace, while AEIs have added collaborative spaces, gyms and end-of-trip facilities.
- Piloted initiatives at Science Park to support Singapore's largest 5G smart estate trial, and develop proof-of-concepts and prototypes for smart urban technologies.
- Its sponsor has committed SGD5m to improve the digital skills of AREIT's employees over the next two years, while its in-house training hub, the CapitaLand Institute of Management and Business, supports employees' training and professional development needs.
- Gender diversity is low vs peers with female representation at 44% amongst all employees and at the management level, and 2 out of 9 seats on the board.

Key G metrics and issues

- Externally managed by Ascendas Fund Mgt Ltd, a 100% subsidiary of its sponsor CapitaLand, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high - it comprises 9 members, 6 of whom including the Chairman are independent. 2 are female, with non-finance/ real estate backgrounds. The CEO is the only executive and non-independent board member.
- Revised computation of management fees (in FY15) in favour of unit holders, with the base fee set at 0.5% of adjusted deposited property, and the performance fee at 0.1% of adjusted deposited property if DPU growth >2.5% YoY and 0.2% if >5.0% YoY.
- The cumulative remuneration of its key management team, including the CEO, has represented <0.9% of the REIT's distributable income since it was first reported in FY17.
- Payout ratio for taxable income has been consistently maintained above the minimum 90% threshold for tax transparency.
- Has completed five DPU-accretive overseas portfolio acquisitions that totalled SGD4.4b since 2015, with its sponsor supporting the SGD1.3b rights issue in 2020 to fund the SGD1.7b deal for 28 US and 2 Singapore business park properties.
- Has completed 16 development/ redevelopment projects since 2006, achieving SGD432.8m in total cumulative unrealised gains at c.41% over development costs.
- Has maintained a sound balance sheet with leverage <38% historically. Its AUM rose c.44% between from 2018-20 due to acquisitions, while leverage stayed low at 38.0% (as of end-Mar 2021) and below the 50% regulatory limit.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Ascott Residence Trust (ART SP)

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Risk Rating & Score[1]	19.0 (Low)
Score Momentum[2]	NA
Last Updated	23 July 2020
Controversy Score[3] (Updated: 22 Jan 2020)	0 - No Reported Incident

Business Model & Industry Issues

- ART invests in serviced residences, rental housing properties and other hospitality-related assets, undertakes AEIs, and redevelops properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Environmental goals are aligned to its sponsor's long-term targets to reduce its carbon emissions intensity by 30% by 2030 from its 2008 baseline, a Green rating target for all new developments, and Green certification of its existing properties in its global portfolio by 2030. Its reporting scope excludes third-party operated properties, while metrics at the asset-level are not disclosed.

Material E issues

- 21 properties achieved green building ratings to-date with 15 added in 2020. Its upcoming 'lyf one-north' in Singapore obtained the BCA Green Mark GoldPLUS certification and is estimating energy and water savings of 971k kWh and 22.5k m3 pa upon completion at end 2021.
- Reduced energy and water use by 30% YoY and 34% YoY and carbon emissions by 26% YoY in 2020, while intensity was lower by 29%, 48% and 39% from the 2008 baseline, on the back of temporary closures and lower occupancies.
- Its sponsor has set science-based goals for a 'well-below 2°C' scenario and raised its 2030 targets for carbon emissions, energy and water in 2020.
- Over 20 of its properties participated in the World Wide Fund Earth Hour initiative (by turning off the façade and non-essential lights throughout the night) in 2020.

Material S issues

- Has together with its parent Ascott, been accommodating returning nationals, workers affected by border closures, healthcare professionals and those seeking alternative work-from-home arrangements due to the pandemic.
- Reported an average of 48 hours training per staff in 2020, similar to 2019, and down from 54 hours in 2018.
- Gender diversity is high, with female representation at 53% amongst all employees, and 75% at the management level including the CEO.
- Its global team participates regularly in various charitable activities organised by CapitaLand Hope Foundation, its sponsor's philanthropic arm.
- Regular employee engagement initiatives like its sponsor's global LIFE Heartware awards, aim to recognise staff who have consistently demonstrated exemplary service.

Key G metrics and issues

- A stapled group, managed externally by wholly-owned subsidiaries of its sponsor CapitaLand, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is fairly high - 4 of its 7 members, including the Chairman are independent, and the CEO is the only executive and non-independent member.
- Management fee structure, with a base fee at 0.3% of property values, performance fee at 4.0% pa of gross profit (+1% of YoY difference if gross profit >6.0% pa), and acquisition and disposal fee at 1.0% and 0.5% enterprise value, is comparable to peers.
- The cumulative remuneration of its key management team including the CEO has represented <1.6% of the REIT's distributable income when this was first reported in FY16.
- Payout ratio for taxable income has been consistently maintained above the minimum 90% threshold for tax transparency.
- Has scaled up its portfolio via a balanced combination of stable income (master leases and management contracts with minimum guaranteed income) and growth-income sources (management contracts).
- Developed markets contributed >75% of its EBITDA in FY18 and FY19.
- Its combination with Ascendas Hospitality Trust in 2019 has resulted in a SGD7.4b AUM, and inclusion in the FTSE EPRA Nareit Global Real Estate Index Series (Global Developed Index) on 22 Jun 2020.
- Has generated significant value from the recent divestments of Ascott Place Singapore (64% above book) and Somerset Liang Court (44% above book).
- Maintains a strong balance sheet - leverage has averaged 32% between 2017-20.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

CapitaLand Int. Comm. Trust (CICT SP)

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Risk Rating & Score[1]	11.2 (Low)
Score Momentum[2]	+0.3
Last Updated	14 April 2021
Controversy Score[3] (Updated: 17 Dec 2013)	0 - No Reported Incident

Business Model & Industry Issues

- CICT draws on its available pool of funds to invest in retail real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes.
- As the largest owner of shopping centre floor space and office properties in Singapore, it attentively monitors building and environmental efficiency across its 9.3m sf NLA, and has set long-term targets on energy, carbon emission and water intensity reductions. These efforts have been recognised by the Global Real Estate Sustainability Benchmark.
- Its large and diversified portfolio has increased the extent for redevelopments and AEIs. The repositioning of Funan by CMT into an integrated development with retail, office and co-living spaces has broadened the scope of its social initiatives.

Material E issues

- All 22 Singapore properties are BCA Green Mark certified, with 4 certified GOLD and 5 GoldPLUS, which is the minimum target set for new developments, and 11 achieving the highest Platinum certification.
- A mandatory environmental impact assessment to identify threats/ opportunities of project site and its surroundings is carried out during a development's feasibility phase, with significant findings and their cost implications submitted for the board's approval.
- Long-term targets are explicit and aligned to its sponsor's, based on a 2008 base year, to reduce: (a) energy intensity by 20% by 2020 (was 24.5% in 2019) and 25% by 2030; (b) carbon emissions intensity by 23% by 2020 (43.1%) and by 30% by 2030; and (c) water intensity by 20% by 2020 (20.0%), and by 30% by 2030.
- CMT secured a first 5-year SGD200m green loan from OCBC while CCT issued an 8-year SGD124m green bond in FY19 to finance their BCA Green Mark certified properties.

Material S issues

- Its sponsor allocates up to 3.0% of its annual wage bill towards learning and development programmes for its employees, which is supported by its in-house training hub - CapitaLand Institute of Management and Business.
- Gender diversity is high at CICT, with female representation at 54.8% amongst all employees (in 2019), 60.9% at the management level, and the Chairman's seat on the board.
- Funan, which was redeveloped and conceptualised as an integrated development to comprise retail, office and co-living spaces, to offer roof-top urban farming, an indoor rock-climbing facility, and 170 bicycle bays. It will also leverage digital tools to enhance the shopper experience.
- Two of its malls house community libraries and both have gained additional GFA from URA's community and sports facilities scheme.

Key G metrics and issues

- Managed externally by wholly-owned subsidiaries of its sponsor CapitaLand, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is fairly high - 5 of its 9 members, including the Chairman, are independent, and the CEO is the only executive and non-independent member.
- Revised performance fee from 2.85% of gross revenue to 4.25% of NPI at the 2016 AGM. This, and its base fee at 0.25% of deposited property and acquisition and disposal fee at 1.0% and 0.5% of deal value, is comparable to peers.
- The cumulative remuneration of its key management team including the CEO has never represented >0.6% of the REIT's distributable income since this was first reported in FY16.
- Payout ratio for taxable income has been consistently maintained at 100%, above the minimum 90% threshold for tax transparency. Management retained 70% of its 1Q20 distributable income in light of a challenging outlook for its retail properties due to COVID-19.
- Has scaled up via DPU-accretive acquisitions from its sponsor's pipeline. The deal process is rigorous; involving a review by the board's audit committee, and if valued >5% of NAV, unit holders' approval at an EGM.
- Its merger with CCT was effective in Nov 2020 as it aimed to create a third largest APAC REIT with SGD22.9b AUM across 10.4m sf of commercial NLA, and serve as its sponsor's primary investment vehicle for commercial real estate in Singapore and other developed markets.
- Generated value from its AEIs at Junction 8 and IMM, and divestments of Rivervale Mall and Sembawang Shopping Centre (192% and 218% over purchase price).
- Maintains one of the strongest balance sheets amongst peers - leverage has fallen steadily from 38.4% at end-2011 to 32.9% at end-2019, while interest coverage ranged from 3.6-4.7x.

[1]*Risk Rating & Score* - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]*Score Momentum* - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]*Controversy Score* - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Far East Hospitality Trust (FEHT SP)

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ESG@MKE

Risk Rating & Score[1]	14.9 (Low)
Score Momentum[2]	-4.2
Last Updated	1 February 2021
Controversy Score[3] (Updated: 1 Jan 2000)	0 - No Reported Incident

Business Model & Industry Issues

- FEHT draws on its available pool of funds to invest in hospitality and hospitality-related real estate, undertake AEIs, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, even as it remains focused in Singapore.
- Improved 2 places in 2020 to rank 4th out of 45 companies in the Singapore Governance and Transparency Index (after climbing 29 place to 6th of 46 in 2019); ranked 7th of 45 in the Governance Index for Trusts, also receiving 3rd highest governance score.
- Introduced environmental action targets in 2020, to reduce energy consumption by 2% pa, and to ensure all new developments are designed to minimally qualify for the BCA Green Mark Gold status. We believe there is room to expand its reporting scope to disclose metrics at the asset-level and also to add targets to also reduce water and carbon emission intensities.

Material E issues

- Four of its nine hotels achieved the BCA Green Mark certification in 2020 - Oasia Hotel Downtown, Village Hotel Changi, Rendezvous Hotel (Gold) and Village Hotel Albert Court (Platinum).
- Reported a 6% YoY reduction in energy consumption per occupied hotel/ serviced residence unit in FY19 with the implementation of asset-level energy efficiency measures.
- Has achieved a target to reduce energy consumption by 2% pa in FY20 and on track for the BCA certification of its new buildings in Singapore, in particular the Sentosa hotels (Village, The Outpost, and The Barracks), that are designed to minimally qualify for the BCA Green Mark Gold certification.

Material S issues

- Gender diversity is fairly high, with females representing six of its nine permanent employees in 2020 (from 7 of 9 in 2019), 20% at the management level (from 60% in 2019), and half of the board's members.
- Achieved a 88% participation rate in 2020 for the annual Colleague Engagement Survey (from 100% in 2019, but above the average for APAC real estate management and development companies), which seeks to assess its employees' level of engagement and to identify their strengths and areas for improvement.
- Have supported charities and not-for-profit organisations for various causes, and also participated in some of its sponsor's community activities.

Key G metrics and issues

- Stapled group managed externally by wholly-owned subsidiaries of its sponsor Far East Orchard, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high - it does not comprise any members with executive functions, and all of its 6 members are independent.
- Revised down base fee from 0.3% to 0.28% pa of deposited property, and performance fee to the lower of 4.0% of NPI or 4.0% of distributable income (after base fee, trust expenses and finance costs) in FY20 to better align its management fees to peers'.
- Its CEO's salary is disclosed separately, while the cumulative remuneration of its key management team including the CEO, represented <3.5% of distributable income since this was first reported in FY15.
- Payout ratio for taxable income has been consistently maintained at above the minimum 90% threshold for tax transparency.
- Its 30% interest in a JV with its sponsor, a 839-room hotel development in Sentosa was at an estimated investment cost of SGD522k per key in Sep 2014, versus comparable market transactions of SGD1-1.3m per key when the property opened in 2019.
- Receives minimum gross revenue that is supported by the fixed rent component of the master leases, which is highest amongst its peers at an estimated 77% of its rental revenue in FY20, which provides downside support to DPUs.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Frasers Hospitality Trust (FHT SP)

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Risk Rating & Score[1]	14.2 (Low)
Score Momentum[2]	-6.5
Last Updated	31 March 2021
Controversy Score[3] (Updated: 23 Nov 2014)	0 – No Reported Incident

Business Model & Industry Issues

- FCT draws on its available pool of funds to invest in retail real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, even as it remains focused in Singapore.
- We expect its scoring to improve from its 2nd GRESB Real Estate Assessment in 2020, when it received 3 of 5 stars and 69 out of 100 points (below the 70-mark peer average), on the back of initiatives in FY21.
- Has introduced near to long term sustainability targets in 2020 to align with its sponsor, including achieving BCA Green Mark (Gold) certification for 80% and to green finance the majority of its assets by 2024, as well as to be net zero carbon by 2050.

Material E issues

- Nine properties are now BCA Green Mark certified with five (Causeway Point, Tiong Bahru Plaza, Century Square, White Sands, and Central Plaza) rated Platinum, and two (Changi City Point and Waterway Point) underway (for Gold).
- Intensities for energy and greenhouse gas emissions (GHG) fell 12.5% YoY in FY20 due to lower pandemic usage, after rising since FY17 on the back of higher occupancy and a rise in proportion of F&B tenancies in its portfolio.
- All its properties were certified as PUB Water Efficient Buildings and water consumption and intensity declined by 2.0% YoY and 17.7% in FY20 due to lower shopper traffic during Singapore's circuit breaker.
- Has not reported environmental measurements for the properties held previously by PGIM Real Estate ARF fund, as these were consolidated in Oct 2020.

Material S issues

- Historical financials and asset-level operating metrics are updated and available together with its quarterly financial statements.
- Tenant and shopper engagement initiatives, excluding those to support communal and charitable fund-raising activities, are largely commercially motivated. These include lease negotiations against high occupancy costs and mall-based events to boost shopper traffic.
- Learning and development programmes for employees are supported by its in-house facility, the Learning Academy, and an average 38.0 training hours per employee was recorded in FY20 (from 56.1 in FY19), which fell below the 40-hour group-level target and the highest among its peers.
- Female representation is high at 58% for all employees and lower at 50% at the management level.

Key G metrics and issues

- Managed externally by a 100%-owned subsidiary of its sponsor Frasers Property which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high – it does not comprise any members with executive functions, and half of its 6 members including the Chairman are independent.
- Management fee structure, with base fee at 0.3% of its deposited property, performance fee at 5.0% pa of NPI, and acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The cumulative remuneration of its key management team, including the CEO, has represented <2.0% of the REIT's distributable income since it was first reported in FY18.
- Payout ratio for its taxable income has been consistently maintained above the minimum 90% threshold for tax transparency. Management retained 50% of its distributable income during 2Q20 in anticipation of a weaker outlook for the remaining FY due to COVID-19.
- Has deepened its domestic suburban mall footprint via accretive acquisitions – Northpoint 2 and Yew Tee Point (in 2010), Bedok Point (2011), Changi City Point (2014), Waterway Point (2019), and PGIM Real Estate ARF fund (2020).
- Has generated value from its AEIs at Causeway Point, with its occupancy maintained above 97.0% and rental reversion averaging +4.2% from 1Q15-4Q20, and Anchorpoint, which achieved a 14% ROI.
- Joined the FTSE EPRA/ NAREIT Global Real Estate Index Series (Global Developed Index) in Sep 2019 following an increase in free-float.
- Maintains one of the strongest balance sheets amongst peers with its leverage averaging c.29% over the last six years.

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Manulife US REIT (MUST SP)

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Risk Rating & Score[1]	11.5 (Low)
Score Momentum[2]	-2.2
Last Updated	17 June 2020
Controversy Score[3] (Updated: 17 Feb 2017)	0 - No Reported Incident

Business Model & Industry Issues

- MUST draws on its available pool of funds to invest in US commercial real estate, carry out asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, essential in our view, given its US growth portfolio.
- Acquisitions of six freehold Trophy/ Class A properties since its IPO in 2016 have added USD1.2b to its AUM, while extending its WALE to 5.3 years, the highest amongst peers, which helps support DPU visibility.
- Participated in the Global Real Estate Benchmark in 2020 for a fourth year and recorded an 88 score to outperform its peers across three aspects of ESG, and was also placed 4th out of 15 listed US office REITs.

Material E issues

- Five of its nine properties are LEED (Leadership in Energy and Environmental Design) certified, with four recognised with the LEED Gold, and one (Capitol) with the highest LEED Platinum.
- Eight properties (except for Centerpointe) have received the Energy Star certification under the US Environmental Protection Agency programme.
- Achieved for its fourth year a target to maintain or reduce energy and water intensity, which were down 23.2% YoY and 36.6% YoY in 2020. GHG intensity fell by 30.7% YoY in 2020, improving from +2.4% YoY in 2019, which was due to higher market-electricity grid emissions (for its two new assets).
- Recent refinancing activity has helped to increase the proportion of green and sustainability-linked loans to c.40% of its total borrowings, the highest among S-REITs.

Material S issues

- Initiatives to engage with unit holders and the investment community include the organisation of thought leadership events branded the Green Dot Series to broaden investors' appreciation of US REITs, and an invitation of its US tax advisor to Singapore in Jan 2019 to conduct tax seminars for analysts, media and investors.
- Introduced plan for all MUST employees to be eligible for Manulife's Global Share Ownership Plan from Jul 2019, which saw a strong 37.5% participation rate.
- Allocates a minimum SGD2k pa per employee to attend relevant programmes. Training hours per employee rose to 35.5 hours in 2020 (from 35.2 hours in 2019).
- Gender diversity is high, with female representation at >70% amongst all employees, 50% including its CEO at the management level, and also for the board.

Key G metrics and issues

- Externally managed by a 100% subsidiary of its sponsor The Manufacturers Life Insurance Company (Manulife), which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high - it does not comprise any members with executive functions, and 4 of its 7 members are independent.
- Management fee structure, with a base fee at 10.0% of its annual distributable income, performance fee at 25.0% of the difference in YoY DPU change, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to its US office peers.
- The cumulative remuneration of its key management team including the CEO, has represented <4.4% of distributable income since this was first reported in FY18.
- Payout ratio for taxable income has been consistently maintained above the minimum 90% threshold for tax transparency.
- Part of the SGX Fast Track Programme and ranked 4th out of 45 in the Governance Index for Trust in FY20.
- Joined the FTSE EPRA Nareit Global Developed Index in Dec 2019 given its higher trading liquidity, which resulted from a USD142.7m EFR to fund the acquisition of the Capitol property.
- Has maintained a sound balance sheet despite a 2.5x growth in AUM, with an average leverage of 36.5% from 3Q16-1Q21, manageable at 41.3% as of end-Mar 2021, and below the 50% regulatory limit.
- Received an A rating for public disclosure in its first submission to GRESB in 2020, to rank 1st out of 10 peers with a 96 score.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Mapletree Commercial Trust (MCT SP)

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Risk Rating & Score[1]	11.3 (Low)
Score Momentum[2]	+0.2
Last Updated	16 February 2021
Controversy Score[3] (Updated: 15 Aug 2014)	0 – No Reported Incident

Business Model & Industry Issues

- MCT draws on its available pool of funds to invest in diversified real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, even as it remains focused in Singapore.
- Two of its five properties - Mapletree Business City (MBC) and VivoCity - have 4.0m sf and contribute 79% of its total NLA. They are best-in-class assets, and have received the highest BCA Green Mark Platinum certification.
- Management has continued to drive an improvement in the operational performance of VivoCity via AEIs, and also actively leveraged the mall's sizeable platform to steer its social and environment initiatives.

Material E issues

- All its properties have received the BCA Green Mark certification. VivoCity, already Gold certified since FY13, achieved the highest Platinum certification in FY20.
- At VivoCity, an upgrade of fan coil units in FY20 resulted in 50k kWh of energy savings with plans for chiller upgrades in FY21 expected to generate an additional 1.16m kWh in energy savings.
- Secured its first SGD670.0m green loan to part-finance the MBC II acquisition in Oct 2019, in addition to establishing a framework guided by Green Loan Principles published by the Loan Market Association and the APAC Loan Market Association to steer future green funding allocations.
- Has set targets to maintain or improve like-for-like energy and water intensity by up to 1% above previous year baseline.

Material S issues

- Conducts monthly workshops for new employees of its tenants at VivoCity to train them on the mall's service culture, build competencies to manage customer feedback and improve shopper loyalty.
- Leveraged malls as platforms to increase visibility of social and philanthropic causes (e.g. annual Hair for Hope event at VivoCity organised since 2010 to raise awareness of childhood cancer).
- A new public library added to VivoCity's level 3 under Singapore's Community/ Sports Facility Scheme helped the mall gain bonus GFA to extend its basement I by 24k sf.
- Gender diversity is high, with female representation at 54% amongst all 184 employees in FY20, 60% for the management team, including its CEO, and 4 members on its board.

Key G metrics and issues

- Managed externally by wholly-owned subsidiary of its sponsor Mapletree Investments, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high – 7 of its 12 members are independent, and the CEO is the only executive and non-independent member.
- Management fee structure, with the base fee at 0.25% of its deposited property, performance fee at 4.0% pa of NPI, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The cumulative remuneration of its key management team including the CEO, has never represented >1.7% of the REIT's distributable income since it was first reported in FY17.
- Payout ratio for taxable income has been consistently maintained at 100%, above the minimum 90% threshold for tax transparency. Management retained 60% of its 4Q20 distributable income in light of a challenging outlook for its retail properties due to COVID-19.
- Has generated significant value from AEIs at VivoCity - its fifth (from 1Q-2Q20) involved a changeover of the hypermarket and the conversion in 24k sqft of recovered anchor space, resulted in positive rental uplift and ~40% of annual ROI.
- Acquisitions of MBC Phase 1 for SGD1.78b in FY17, and Phase 2 for SGD1.55b in FY20 were accretive to unit holders, while EFR funding helped improve trading liquidity. MCT joined the FSSTI in Sep 2019 and MSCI Singapore in Nov 2019.
- Maintains one of the strongest balance sheets amongst peers.

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Mapletree Industrial Trust (MINT SP)

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Risk Rating & Score[1]	18.0 (Low)
Score Momentum[2]	+0.1
Last Updated	14 April 2021
Controversy Score[3] (Updated: 1 Jan 2000)	0 – No Reported Incident

Business Model & Industry Issues

- MINT draws on its available pool of funds to invest in industrial real estate, carry out asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- It has steadily driven a transformation of its portfolio, and grown its hi-tech buildings segment through AEIs, built-to-suit (BTS) projects and acquisitions. The addition of US data centre portfolios, with some properties jointly-held with its sponsor, have accelerated its access to the fast-growing sector, while lifting freehold properties to c.56% of its AUM.

Material E issues

- Steadily reduced electricity intensity across its Singapore properties despite an increase in contribution from the hi-tech buildings segment, helped by more energy efficient light bulbs and motion sensors, and adjustment of timer controls in response to tenants' activities.
- Key initiative in FY21 includes the installation of solar panels at two hi-tech building clusters at Serangoon North and the K&S corporate headquarters.
- Achieved the BCA Green Mark Gold certifications or higher for 8 property clusters, including a re-certification in FY20 for The Signature, a business park building in recognition of its environmentally friendly features.
- Efforts to ease water usage have focused on improving chiller performance and upgrading of toilets. To date, 37 out of its 44 clusters in Singapore are certified as Water Efficient Buildings by the PUB. Its new FY21 goal is to lower average water building intensity by 0.5% YoY.

Material S issues

- Supported relocation plans for tenants at the Kolam Ayer 2 cluster; the assistance package included an extended 12-month notice period at preferential rental rates for remaining leases, as well as discounts, extended fit-outs and rent-free periods at its alternative properties.
- The hiring and professional development of its employees, are supported by its sponsor's various talent recruitment initiatives (Mapletree Associate, Executive, Internship) and its learning and development programmes. Headcount rose 7.8% to 193 in FY20 with the shift to in-house facilities management for all its clusters.
- Management plans to conduct at least one employee town hall meeting from FY21 onwards to improve its staff engagement efforts.
- Gender diversity is high with female representation at 53% for all employees and 50% for the management team of 4.

Key G metrics and issues

- Managed externally by wholly-owned subsidiary of its sponsor Mapletree Investments, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high – 7 of its 12 members are independent, and the CEO is the only executive and non-independent member.
- Management fee structure, with the base fee at 0.5% of its deposited property, performance fee at 3.6% pa of NPI, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The cumulative remuneration of its key management team including the CEO, has represented <2.0% of the REIT's distributable income since it was first reported in FY17.
- Payout ratio for taxable income has been consistently maintained at 100%, above the minimum 90% threshold for tax transparency. Management withheld tax-exempt distributable income in 4Q20-1Q21 in view of COVID-19 uncertainties and looks to grant SGD20m in rent relief.
- Has scaled up AUM with two accretive US data centre portfolio deals following an expansion of its investment mandate in Sep 2017. Its sponsor's stakes in the properties mitigates the investment risks while adding to its acquisition growth pipeline.
- Has generated significant value from five BTS projects, which achieved both growth in occupancies and rental uplifts post redevelopment, and is undertaking its largest at Kolam Ayer 2, set to complete in 2H22.
- Trading liquidity has improved after well-timed equity fund raising activities. MINT was added to the benchmark FSSTI in Jun 2020.
- Maintains a sound balance sheet, at 40.3% leverage, interest coverage at 6.4x, and an estimated SGD1.9b in debt headroom (50% leverage limit).

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Mapletree Logistics Trust (MLT SP)

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Risk Rating & Score[1]	15.6 (Low)
Score Momentum[2]	-4.4
Last Updated	14 April 2021
Controversy Score[3] (Updated: 27 April 2012)	0 – No Reported Incident

Business Model & Industry Issues

- MLT draws on its available pool of funds to invest in industrial (logistics) real estate, carry out asset enhancements and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits, and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Acquisitions have gained momentum since FY18, as portfolio deals in China, HK SAR, Japan, Malaysia and Vietnam boosted its AUM to SGD10.2b. Freehold properties in Australia, Japan, Malaysia and South Korea are 22.2% of its assets by NLA.
- A phased approach has been adopted to report energy consumption and improve YoY data representation across its operating markets which cover Singapore, HK SAR, Vietnam, with the addition of China and Malaysia in FY20.

Material E issues

- Has continued to expand its geographical scope for energy reporting, while steadily improving energy intensity. It fell 6.4% YoY in FY20 to 13.7 kWh/sqm for Singapore, HK SAR, and Vietnam, and 54.1% YoY to 6.7 kWh/ sqm including China and Malaysia properties, as most are single-storey warehouses (some without air-conditioning) with small common areas.
- First S-REIT to link its renewable energy generating target to a sustainability-linked loan, via 6-year SGD200m facility from OCBC for its rooftop solar installation programme to raise solar generating capacity across its APAC portfolio by 15-20% pa from the current 9,654 MWh pa capacity.
- While water has not been identified as a material concern, its usage is monitored. Based on a like-for-like comparison of its Singapore portfolio over the past two years, a 22.2% improvement in water intensity was reported in FY20.

Material S issues

- Have aligned initiatives to its sponsor's CSR framework, which also aims to encourage its employees to organise or participate in self-initiated community service projects in their respective markets.
- Gender equality is one of its eight material sustainability matters, and diversity is high with female representation at 58% for all employees, 48% for its 21-strong management team, and 3 on its 11-member board.
- The hiring and professional development of its employees is supported by its sponsor's various talent recruitment initiatives (Mapletree Associate, Executive, Internship) and its learning and development programmes.

Key G metrics and issues

- Managed externally by a wholly-owned subsidiary of its sponsor Mapletree Investments, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets
- Board comprises 11 directors, 6 of whom are independent, with 3 females represented. The CEO is the only executive and non-independent member.
- Management fee structure, with a base fee at 0.5% of its deposited property, performance fee at 3.6% pa of NPI, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, comparable to peers.
- The cumulative remuneration of its key management team including the CEO was <2.7% of distributable income since it was first disclosed in FY17. Senior management and the board elected to take a 5-10% cut in base salary and retainer fees due to COVID-19.
- Payout ratio has been consistently kept at 100%, above the minimum 90% threshold for tax transparency.
- Has accelerated on acquisitions since FY18, which were DPU-accretive (at 1.4-2.6%) and in line with a rigorous process – a sponsored deal requires a review by the audit committee and unit holders' approval at an EGM if its value exceeds 5% of NAV.
- Divestments in Singapore, China, Japan, and Malaysia since FY15 have delivered >SGD95m in gains and capital distributions.
- Its AUM jumped 59% from FY17-20 largely on the back of acquisitions, but leverage has averaged 37.5%, and its balance sheet has stayed sound due to well-timed equity fundraising exercises.

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CDL Hospitality Trusts (CDREIT SP)

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Risk Rating & Score[1]	14.7 (Low)
Score Momentum[2]	-1.9
Last Updated	25 February 2021
Controversy Score[3] (Updated: 14 Jan 2012)	0 - No Reported Incident

Business Model & Industry Issues

- CDLHT draws on its available pool of funds to invest in hospitality-related real estate, undertake asset enhancements, and redevelop properties to optimise value for unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Engagement with its master lessees and hotel managers has increased to expand the scope of reporting, to 15 of its 18 properties in 2020 (with the addition of W Singapore, Raffles Maldives and Cerratani Firenze Italy), and up from 13 (of 19 properties in 2019), with plans underway to scope the remaining properties in the near future.

Material E issues

- Its five Singapore hotels are at least BCA Green Mark Gold certified, with M Hotel and Orchard Hotel both GoldPLUS certified (the latter in 2020) and Copthorne King's and Grand Copthorne Waterfront boasting the highest Platinum certification.
- Its Millennium & Copthorne (M&C) hotels are subjected to M&C's environmental policy which aims to reduce energy usage and cost by >=3% pa, while Pullman is monitored by Accor's Planet 21 programme, and Cambridge is committed to reducing carbon intensity by 52% by 2030.
- Has achieved water intensity (for its Singapore hotels) and overall electricity reduction targets in 2020, primarily due to the impact of pandemic to the sector.
- Aims to reduce electricity and water intensities for the scoped hotels by 1-2% YoY in 2020.

Material S issues

- Employee feedback is monitored across its Singapore hotels, Lowry (in UK) and Pullman (Germany) through annual engagement surveys and structured development programmes. Lowry in particular aims to attract the best talent to maintain its status as Manchester's best hotel.
- Initiatives to enhance retention and employee engagement include identifying strong team performers for successive leadership roles, and quarterly anonymous surveys for the submission of unbiased feedback.
- Gender diversity fell YoY among 1,675 employees in 2020, with females representing 37% and 28% of all permanent and temporary employees (from 41% and 55% in 2019), and maintained at 50% for the management team.
- Measures average number of training hours per employee at the asset level, and this jumped to 44 hours in 2020 (from 19.2 hours in 2019). The Orchard Hotel and M Hotel in Singapore, Lowry and Pullman have each set targets to retain employment and enhance employee productivity.

Key G metrics and issues

- Stapled group managed externally by subsidiaries of its sponsor City Developments, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high - 5 of its 6 members are independent, and the CEO is the only executive and non-independent member.
- Revised performance fee from 2.85% of gross revenue to 4.25% of NPI at the 2016 AGM. This, and its base fee at 0.25% of deposited property and acquisition and disposal fee at 1.0% and 0.5% of deal value, is comparable to peers.
- Does not disclose the cumulative remuneration of its key management team including the CEO.
- Payout ratio for taxable income has been consistently maintained above the minimum 90% threshold for tax transparency.
- Rental income supported by the minimum fixed rent received from its master leases in Singapore, Australia, New Zealand, Germany, Italy, and Angsana Velavaru in Maldives.
- Its deal to divest Novotel Clarke Quay at a SGD39.8m gain, forward purchase the new hotel at a fixed valuation cap, and acquire W Sentosa, is well-structured, at a +2.7% DPU accretion, and strengthens its long-term Singapore hospitality presence.
- Maintains a strong balance sheet with leverage averaging c.34% from 2017-20.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Frasers Hospitality Trust (FHT SP)

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Risk Rating & Score[1]	14.2 (Low)
Score Momentum[2]	-6.5
Last Updated	31 March 2021
Controversy Score[3] (Updated: 23 Nov 2014)	0 - No Reported Incident

Business Model & Industry Issues

- FHT draws on its available pool of funds to invest in hospitality real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is a sizeable growth platform.
- Has introduced near to long term sustainability targets in 2020 to align with its sponsor, including achieving BCA Green Mark (Gold) certification for 80% and to green finance the majority of its assets by 2024, as well as to be net zero carbon by 2050.
- It had expanded reporting to cover 14 properties since FY18, excluding Maritim Hotel Dresden (given master lease limitations) and participated for a 2nd time in the Global Real Estate Sustainability Benchmark Assessment 2020 to maintain a score of 60 and 2-star rating. At the asset level, five UK properties are enrolled in the globally recognised Green Tourism programme.

Material E issues

- Its InterContinental Singapore was certified BCA Green Mark GoldPLUS (in FY18), while three UK serviced residences and the Park International London were awarded Bronze and Frasers Edinburgh Silver by the Green Tourism programme.
- While carbon emissions and energy and water consumption fell 25.0% YoY, 21.7% YoY and 23.8% YoY in FY20 due to significantly lower occupancies, their intensities rose 19.1% YoY, 24.4% YoY and 20.4% YoY, as utilities were essential to maintain key amenities across its properties.
- Reiterated its targets to achieve energy and water intensity reduction at 3.0% and 1.5% pa for the portfolio from 2018-24.
- Expanded waste reporting in FY20 to 10 (from 8 in FY19) of its sponsored-managed properties, and to raise this to 14 assets by end 2021, while establishing a recycling target.

Material S issues

- Front-office excellence training, and epitome training and grooming conducted for all staff at FHT-managed properties, while new, existing staff at InterContinental Singapore trained on chain's approach to hospitality, and new hires and Novotel Melbourne undergo Peopleology service training prior to employment.
- Guests' feedback is collated from in-room, post-stay surveys and travel service platforms to monitor service satisfaction, while independent mystery shopper audits are deployed by external parties to assess service quality.
- Recorded an average of 49 training hours per employee in FY20, above the 40-hour group-level target.
- Gender diversity is high, with female representation at 75% amongst all employees (in FY20), and two-thirds at the management level.

Key G metrics and issues

- Its six Frasers-branded serviced residences and two London hotels, the Park Western Cromwell and Park International, are managed by its sponsor, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high - it does not comprise any members with executive functions, and 4 of its 6 members, including the Chairman are independent.
- Management fee structure, with base fee at 0.3% of its deposited property, performance fee at 5.5% pa of distributable income, and acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The cumulative remuneration of its key management team, including the CEO, has represented <2.8% of the REIT's distributable income since it was first reported in FY18.
- Payout ratio for its taxable income has been consistently maintained above the minimum 90% threshold for tax transparency. Management retained 80% of its distributable income during 2Q20 in anticipation of weaker performance due to COVID-19.
- Maintains a conservative balance sheet with leverage averaging c.36% over 2017-20.
- Holds a global and diversified portfolio of 14 quality, tradable hospitality assets, yet capital recycling efforts have been slow, with its most recent acquisition activity recorded in 4Q 2016, of the Novotel Melbourne on Collins.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

ESG@MKE

SPH REIT (SPHREIT SP)

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Risk Rating & Score[1]	17.1 (Low)
Score Momentum[2]	-2.0
Last Updated	1 February 2021
Controversy Score[3] (Updated: 11 March 2015)	0 – No Reported Incident

Business Model & Industry Issues

- SPHREIT draws on its available pool of funds to invest in retail real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Its material ESG considerations were expanded in FY19 from three to six to include corporate governance, data privacy, and health & safety of its stakeholders, which together with its focus on energy usage, water usage, and local communities, are aligned to the UN's 2030 sustainability development goals.
- With high board independence and conservative capital management, ESG initiatives so far have centred on environmental and communal risks and opportunities in Singapore. We expect these to expand in line with growth in its overseas AUM.

Material E issues

- The Paragon was BCA Green Mark certified in 2018, while its Clementi Mall achieved the BCA Green Mark Gold certification in 2019. Both properties are PUB-certified water efficient buildings, with water usage and intensity monitored, and viability of NEWater resourcing currently being explored.
- Environmental metrics for the two Singapore malls have steadily improved since FY17, as consumption and intensity for electricity, greenhouse gas emissions (GHG) and water down 26%, 34%, and 31% from FY15-20, and targets are in place to achieve by FY25 (on a FY15 base year), to reduce (a) electricity intensity by at least 18%, (b) greenhouse gas emissions intensity by 30%, and (c) water intensity by 18%.
- Has not made disclosures on environmental measurements or commitments for its Australian assets, which have grown following two deals, and now contribute about 20% of its AUM and 50% of its total NLA.

Material S issues

- Tenant and shopper engagement initiatives, excluding those to support communal and charitable fund-raising activities, are largely commercially motivated. These include lease negotiations against high occupancy costs (in FY17-18), and mall-based events to boost shopper traffic.
- Given its small staff size, the REIT and its sponsor have perhaps not discussed efforts, nor committed to learning and development programmes for its employees.
- Gender diversity is high, with female representation of 75% at the management level, including the position of its CEO, as well as 2 members on its board.
- Its Clementi Mall houses a community library, and it is the only public library in the West of the island that is located in a shopping mall.

Key G metrics and issues

- Managed externally by subsidiaries of its sponsor SPH (for its Singapore properties), which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high – it does not comprise any members with executive functions, and 4 of its 7 members, including the Chairman are independent.
- Management fee structure, with the base fee at 0.25% of its deposited property, performance fee at 5.0% pa of NPI, and acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The remuneration bands of its CEO and key management are not disclosed in its annual report.
- Payout ratio for its taxable income has been consistently maintained at 100%, above the minimum 90% threshold for tax transparency. Management retained 80% of its distributable income during 2Q20 in light of a challenging outlook for its retail properties for the remaining FY due to COVID-19.
- Has recently ventured overseas with two Australian freehold acquisitions – an 85% interest in Figtree Grove in Sydney (completed at end-2018) and a 50% stake in Westfield Marion in Adelaide (end-2019). Both were third-party transactions and accretive to unit holders.
- Maintains one of the most conservative balance sheets – its leverage averaged 27.1% over FY16-20 but rose to 30.5% in 4Q20. In spite of a substantial debt headroom, management issued SGD300m in perpetual securities (in Aug 2019) to partially fund its Adelaide acquisition.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Keppel REIT (KREIT SP)

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Risk Rating & Score[1]	16.7 (Low)
Score Momentum[2]	+0.6
Last Updated	26 May 2021
Controversy Score[3] (Updated: 21 Apr 2015)	0 – No Reported Incident

ESG@MKE

Business Model & Industry Issues

- KREIT draws on its available funds to invest in commercial real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Made efforts to improve the scope of reporting and formalisation of targets with the formation of its sustainability committee in 2017. It is the only office S-REIT with all Singapore assets certified with the highest Platinum status under the Building and Construction Authority's Green Mark Scheme.
- Maintained its Green Star status and A rating for public disclosure in the Global Real Estate Sustainability Benchmark in 2020. It retained its Prime status in ISS-oekom's ESG corporate rating, and remains a constituent in the two key iEdge SG ESG Indices (the iEdge SG ESG Transparency Index and iEdge SG ESG Leaders Index).

Material E issues

- All three Singapore assets maintained Platinum status under BCA's Green Mark Scheme as of end 2020, and in Australia, all four operational buildings achieved the 5 Stars National Australian Built Environment Rating System Energy rating.
- Expanded its carbon emissions tracking in 2020 to include Scope 3 emissions from business air travel, waste disposal.
- Long-term targets are explicit and based on a 2010 base year, to reduce (a) energy intensity by 30% by 2030 (was -12.7% YoY in 2020), (b) GHG emission intensity by 30% by 2030 (was -11.3% YoY in 2020), and (c) water intensity by 60% by 2030 (was -32.3% YoY in 2020).
- Secured first two green loan facilities in 2019 - SGD505m to refinance its OFC property and SGD150m to finance and fund growth of its green buildings portfolio, and AUD300m in 2020 to partly fund the Pinnacle Office Park.

Material S issues

- Leverages its sponsor's centralised human capital platform to support its talent management, leadership renewal and training and development initiatives e.g. Keppel Leadership Institute (launched in 2015), Keppel Young Leaders and Advanced Leaders Programme (with INSEAD).
- Average training hours per full-time employee fell to 13.2 hours in 2020, from 33.5 in 2019, and compares to 22.1 in 2018 and 27.8 in 2017.
- Gender diversity is high, with female representation at 74% amongst all employees (in 2020), 40% at the management level, and the Chairman's seat on the board.
- Dedicated 790 hours with Keppel Capital to community outreach activities in 2020 ,down from 1,380 hours in 2019 due to COVID movement restrictions, as this had risen from 1,200 hours in 2018 and >700 hours in 2017.

Key G metrics and issues

- Managed by Keppel Capital, the asset management arm of its sponsor Keppel Corp, which supports its growth via a pipeline of assets from its development activities, and access to capital markets.
- Board independence is high – it does not comprise any members with executive functions, and 4 of its 7 members are independent.
- Management fee structure, with the base fee at 0.5% of its deposited property, performance fee at 3.0% pa of NPI, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The cumulative remuneration of its key management team including the CEO has never represented >3.0% of the REIT's distributable income since its IPO.
- Payout ratio for taxable income has been consistently maintained at 100%, above the minimum 90% threshold for tax transparency.
- Has scaled up via DPU-accretive acquisitions from its sponsor's pipeline. The deal process is rigorous; involving a review by the board's audit committee, and if valued >5% of NAV, unit holders' approval at an EGM.
- Has generated significant value from its divestment of Bugis Junction Towers in 2019 - its lowest yielding asset with minimal rental upside potential given its long 6.2-year WALE - at 243.2% above its 2006 purchase price, with the property delivering 19.4% pa asset-level returns during a 13-year holding period.
- Gearing improved in 2008 after rights issuance but rose from acquisitions since 2011, with look-through leverage (including off-balance sheet debt) higher at c.40%.
- Ranked 15th out of 45 S-REITs and business trusts in the Governance Index for Trusts 2020, which assesses governance and business risks.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Suntec REIT (SUN SP)

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Risk Rating & Score[1]	14 (Low)
Score Momentum[2]	-0.1
Last Updated	14 April 2021
Controversy Score[3] (Updated: 22 Sep 2013)	0 – No Reported Incident

Business Model & Industry Issues

- SUN draws on its available pool of funds to invest in commercial real estate, undertake asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Has made efforts to improve the scope of reporting and formalisation of targets since its inaugural sustainability report in 2017, including engaging an independent external consultant in 2019 to help determine and finalise material ESG matters presented to and approved by the board. Achieved the Global Real Estate Sustainability Benchmark's highest 5-star rating in its inaugural participation in 2020.

Material E issues

- Four Singapore assets maintained their status under BCA's Green Mark Scheme as of end 2020; Suntec City Mall and Suntec Singapore rated Gold, and ORQ, MBFC, and 9 Penang Road (new) at Platinum. Its Australia properties achieved 5-6 Stars (out of 6) for energy and 3.5-4 Stars for water on the National Australian Built Environment Rating System.
- Renewable energy and lower overall usage led to 23.4% YoY reduction in carbon emission intensity in 2020, ahead of its -1.5% YoY target, while water efficiency initiatives helped lower water consumption intensity by 38.6% YoY.
- Introduced an explicit 2024 target to reduce energy intensity by 3.0% and to maintain water intensity, both from a 2019 baseline.
- Secured maiden AUD450m green loan facility in 2020 to finance or refinance eligible assets based on a green finance framework.

Material S issues

- Achieved average training per employee of 36 hours in 2020, up from 35 hours in 2019 and from 55 hours in 2018, and ahead of its target of 26 hours, despite unavailability of large-scale in-person trainings during the pandemic.
- Gender diversity is high, with female representation at 65% for all employees in 2020 (from 74% in 2019), 60% at the management level (in 2019-20), and the Chairman's seat on the board.
- Set up end-of-trip facilities at 177 Pacific Highway to provide amenities for cyclists travelling to work.
- Suntec City Convention Centre in 2020 sponsored over 21k sf of event space for its volunteers to prepare care packs for patients of Singapore's National Cancer Centre.

Key G metrics and issues

- Externally managed by subsidiaries of its sponsor ARA, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is fairly high – 4 of its 8 members are independent.
- Management fee structure, with the base fee at <=0.3% of its deposited property, performance fee at 4.5% pa of NPI, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- Does not disclose the cumulative remuneration of its key management team including the CEO.
- Payout ratio for taxable income has been consistently maintained at above the minimum 90% threshold for tax transparency.
- Has scaled up via DPU-accretive acquisitions from its sponsor's pipeline. The deal process is rigorous; involving a review by the board's audit committee, and if valued >5% of NAV, unit holders' approval at an EGM.
- The Suntec City AEI at SGD410m over four phases from 2012-15 resulted in a 14% increase in NLA and SGD848m or 18% increase in valuation at end-2016.
- Diversified into the UK, a new geography, in 2020 with the acquisition of Nova properties, a quality well-sited asset at a favourable valuation of 4.6% NPI yield versus comparable yields of 4.0-4.2%, based on recent market transactions.
- Ranked 37 out of 45 S-REITs in the independent 2020 Governance Index For Trusts Index, with lower governance and business risks scores versus peers.
- Leverage averaged c.37% from 2006-20, but has risen to c.43% after the Nova acquisition, which is the highest among peers.

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ARA Logos Logistics Trust (ALLT SP)

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Risk Rating & Score[1]	21.7 (Medium)
Score Momentum[2]	-2.9
Last Updated	25 Feb 2021
Controversy Score[3] (Updated: 01 Jan 2000)	0 - No Reported Incident

Business Model & Industry Issues

- ALLT draws on its available pool of funds to invest in industrial (logistics) real estate, carry out asset enhancements, and redevelop properties to optimise value for its unit holders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Has rebalanced its portfolio and accelerated overseas expansion following a new sponsor and rebranding in Apr 2020, with the acquisition of five logistics properties and investment in two funds at SGD404.4m.

Material E issues

- Energy consumption rose 0.3% YoY in FY20 but intensity fell 26.3% YoY, with the inclusion of multi-tenanted assets in Australia, and effects from the pandemic.
- Achieved target to reduce carbon emission intensity by 3% from a FY18 baseline, and on track to meeting target of >=1.5m kWh green energy consumption by FY23.
- Joined Sembcorp to install >21k rooftop solar panel arrays with 8.0 MW peak capacity to produce >10k MWh of power and reduce carbon emissions by >4.0m k pa; they were fully-installed in mid-2019 and generated 5.6k MWh.
- Monitors water and waste consumption, although these have not been identified as material issues due to the nature of logistics properties, and may amend future reporting if necessary.

Material S issues

- Reported 35.4 training hours per employee in FY20, down 40.4 hours in FY19 and 45.0 hours in FY18, but ahead of its 26.0-hour pa perpetual target.
- Engages staff via regular employee satisfaction surveys; its sponsor ARA introduced arrangements for flexible work hours due to findings from a recent wellness survey.
- Gender diversity is high, with female representation at 69% amongst employees and 60% at the management level.

Key G metrics and issues

- Externally managed by subsidiaries of its sponsor ARA, which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is fairly high - it does not comprise any members with executive functions, and 3 of its 6 members are independent.
- Management fee structure, with a base fee at 0.5% of its deposited property, performance fee at 1.5% pa of NPI, as well as acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- Does not disclose the cumulative remuneration of its key management team including the CEO.
- Payout ratio has been consistently maintained above the minimum 90% threshold for tax transparency.
- Has further rebalanced its portfolio in FY18, after divesting its only China property (Jinshan Chemical Warehouse) and refocused overseas growth in Australia, which now contributes 35% of its AUM, following a SGD188.3m, nine-asset portfolio deal.
- Divestments in Singapore and China since FY15 have delivered gains and capital distributions.
- Its leverage has increased since 2015, and averaged c.38% between 2015-20. Its balance sheet was strengthened after an 18-for-100 rights issuance in 2017 which raised SGD102.7m to finance its Australian portfolio acquisition in 1Q18.

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4.8 Technology

- **Fair labour practices. Manufacturing faces high risks of labour exploitation/ slavery. Companies under coverage only take in voluntary labour, and have fair labour practices**
- **Environmental. All companies adhere to environmental laws and have not been fined in 2020.**
- **Governance. The industry is also inherently exposed to corruption risks. There are no known cases among our coverage in 2020, and companies enforce whistleblower protection.**

Critical ESG issues in the sector

The key issue among manufacturers involve fair labour practices and labour exploitation (social issue). This may be because these manufacturers have production processes that are labour intensive. Environmental exposure is primarily through water, power and materials usages, and materials disposal. From a governance perspective, the key issue is bribery, corruption and other forms of conflict of interest with stakeholders, e.g. customers, suppliers, regulators, etc.

Mitigation Outlook

The companies under coverage have customers which significant brand equity and are leaders in their respective space and have strong requirements and even audits for various sustainability issues. Aside, Venture has a policy banning all forms of labour exploitation and have safeguards around this. Meanwhile, AEM pays above minimum wage to attract stronger talent. As for environmental risks, all companies covered observe environmental laws and have not been fined in 2020. From a governance perspective, all boards have audit, nominating and remuneration committees that are chaired by independent directors. All also have whistleblowing protection policies against corruption.

Sector Outlook

We are POSITIVE towards the Singapore technology sector. Our preference is for companies with exposure to semiconductor equipment exposure, as they are either i) beneficiaries of WFE expansion and chip shortages (UMS, Frencken), and/ or are ii) leveraged to important technology inflections (UMS, Frencken, AEM). We also favour EMS/ contract manufacturers exposed to consumer (Aztech) and industrial (Venture) end-markets – although a concern is current chip shortages creating production bottlenecks. To be sure, Aztech is not facing material impact from chip shortages currently.

Technology Valuations

Stock	Rec	Price (LCY)	Market Cap (LCY m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
Sarine Technologies	Buy	0.77	199	0.7	19.5	15.7	2.6	3.5	NA	NA
AEM Holdings	Buy	3.91	1,101	5.6	14.1	9.8	1.8	2.6	Medium	23.1
Aztech Global	Buy	1.28	990	1.9	12.0	9.1	2.4	3.3	NA	NA
Frencken Group Ltd	Buy	1.84	784	2.0	13.3	11.6	2.2	2.6	NA	NA
UMS Holdings	Buy	1.53	821	1.8	12.8	11.4	2.6	2.6	NA	NA
Venture	Buy	19.03	5,541	22.0	16.0	14.0	3.9	3.9	Low	10
Valuetronics	Hold	0.60	1,500	0.6	8.1	10.4	5.7	3.8	NA	NA

Source: Factset, Sustainalytics, Maybank Kim Eng

AEM Holdings (AEM SP)

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Risk Rating & Score[1]	23.1 (Medium)
Score Momentum[2]	NA
Last Updated	11 November 2020
Controversy Score[3] (Updated: (9 Feb 2019)	0 - No Reported Incident

Business Model & Industry Issues

- As an equipment maker, AEM is inherently exposed to environmental, workplace safety, and socio-economic risks. AEM has had zero incidences of environmental non-compliance, as well as zero substantiated cases of corruption and legal compliance issues in 2020.
- From an environmental and social perspective, AEM screens all of its suppliers. AEM constantly strives to be more efficient with electricity usage, and ensures employees are well trained and remunerated fairly.
- AEM is recognised for good transparency with shareholders, while still being able to balance business requirements (e.g. respecting non-disclosure agreements).
- AEM has several new products in the pipeline and it is engaging customers for more. In our view, this is the key for economic sustainability, as well as for development of its own employees.

Material E issues

- AEM's environmental exposure is through energy, water and inputs (fabricated parts and electronics).
- AEM adheres to all National Environment Agency laws and regulations and has not had incidences of environmental non-compliance over the past 10 years.
- Emissions intensity ratio improved to 0.007588 MT/SGD'000 in 2020 (FY19: 0.010349)
- AEM screens suppliers for negative environmental and social impacts, including pollutions, biodiversity loss, global warming, incidences of child labour, breaches of customer privacy, and more. All eight key fabrication suppliers and 23 key standard part suppliers were found to have no negative environmental or social impacts.

Material S issues

- AEM values talent retention. One approach is through wages. In Malaysia, where around a-third of production takes place, AEM's entry wage for production workers have been higher than the minimum wage at least since 2017, to retain employees. Entry wages are also higher than minimum wages in the US and China.
- Workforce diversity. AEM is an equal-opportunities employer. Management are hired from local communities and consists of various nationalities. 86% of management are local across AEM's footprint globally.
- Workplace safety. AEM trains its employees on health and safety work practices. In 2018, there was 1 minor injury.
- In 2020, average training per employee was 8.6 hours, or 5016 hours in total, to equip staff with skills across technical, project management and software domains.
- Females comprise 22 of the total work force, and 19-25% of new hires since 2017.
- Turnover rate per month was 0.9% a month, exceeding target of 1.5%. FY21 target is 1.25% a month. Turnover range was 1.1-2.1% in FY17-19.

Key G metrics and issues

- The board has seven directors, of which one is the executive chairman, four are independent directors (57%), and two are non-independent, non-executive. All the directors are male.
- The audit & risk management, remuneration, and nominating committees are chaired by independent directors. The strategy committee, which works with management on long-term strategic planning, is chaired by the executive chairman.
- Key management compensation (comprising the Board and senior management) accounted for 13% of staff costs in 2020 (2019:17%).
- In 2019, AEM won "Most Transparent Company Award, Technology" and was runner up for the "Singapore Corporate Governance Award" by SIAS. AEM regularly updates on its sales guidance and orders received and it's active in engaging with the investment community.
- Zero substantiated cases of corruption or legal compliance issues in 2020. There was one case of whistleblowing in 2020, but upon investigation, it was concluded to be unsubstantiated.
- AEM was granted two patents in 2019, and the staff involved were rewarded. AEM views its considerable engineering development revenue as a positive sign of customer satisfaction and relationship.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

UMS Holdings (UMSH SP)

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Risk Rating & Score[1]	NA
Score Momentum[2]	NA
Last Updated	NA
Controversy Score[3] (Updated: NA)	NA

Business Model & Industry Issues

- Based on stakeholders' feedback, governance, economic performance, product compliance and customer privacy and satisfaction are the most important factors to both UMS and stakeholders. Waste management, water conservation and energy efficiency are among factors that are less material.
- Risks exposure include: i) socioeconomic: employees' wellbeing and equal opportunities; ii) governance: conflicts of interest; and iii) environmental: fines for non-compliance of environmental laws and regulations.
- In 2020, UMS did not incur any significant fines related to environmental laws, and there were no reported incidences of discrimination, whistleblowing, bribery or corruption.
- Human capital is a key input in driving UMS' capabilities vs. competitors. UMS believes in talent management to nurture employees, provide equal opportunities, and recognise and reward achievements to boost retention.

Material E issues

- UMS' environmental exposure is through energy, water and inputs. In 2019, UMS did not incur any significant fines for non-compliance with environmental laws and regulations.
- For its manufacturing process, UMS' target for energy intensity is ≤0.13 KWH/revenue. In 2019/20, UMS' performance was 0.178/0.1558 respectively.
- UMS has taken steps to control water flow in its special process lines, and have switched to NEWater from PUB water. It has a water intensity target of ≤0.0012 m3/revenue. In 2019 and 2020, UMS' performance was 0.0014.
- Hazardous waste largely consists of chemicals and oily water removed from production processes. These are disposed of in compliance with regulations. Where possible, all retrieved metal chip and scraps, as well as packaging are recycled.
- Most delivery trucks are incompliance with EURO V standard.

Material S issues

- UMS' workforce is 518 strong across Singapore and Malaysia as at end-2020. UMS is an equal-opportunity employer and values talent retention. Outstanding employees are rewarded for achievements.
- UMS adopts a localisation strategy for overseas operations to ensure on-the-ground teams have a good grasp of local socio-political and cultural sensitivities. In 2019, locals accounted for 38% of employees based in Malaysia and 75% of managerial positions. 25% of managerial employees are female.
- In 2020, there were no reports of discrimination or exploitative labour practices.

Key G metrics and issues

- The board has five directors, of which one is the founder, executive chairman and CEO (Andy Luong), and three are independent, non-executive (60%). One is an executive director who is also UMS' financial controller (Stanley Loh).
- The audit, nominating, and remuneration committees are chaired by independent directors.
- Workshops on business ethics, anti-bribery compliance and enterprise risk management are held to educate employees on good corporate governance. Guidance is also provided for common ethical issues such as conflicts of interest and confidential information.
- In 2020, UMS did not receive any whistleblowing report regarding the company, and there were no cases of bribery or corruption.
- In 2020, key management personnel accounted for 23% (FY19: 32%)
- In 2012, UMS adopted a policy to declare dividends every quarter. The form and frequency depends on UMS' economic performance and financial position, as well as current and future needs.

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Frencken Group Ltd (FRKN SP)

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Risk Rating & Score[1]	NA
Score Momentum[2]	NA
Last Updated	NA
Controversy Score[3] (Updated: NA)	NA

Business Model & Industry Issues

- The nature of Frencken's business in the electronics and automotive manufacturing supply chains exposes it to risks including environmental, workplace safety, and conflict of interest. Frencken has not faced any fines or non-monetary sanctions pertaining environmental nor socioeconomic laws and regulations in 2019.
- From an environment perspective, Frencken's Eco-PVD offering can be seen as a more environmentally friendly approach for automotive coating. While Frencken does not use recycled materials currently, it may do so in the future subject to customers' requirements.
- From a governance and socioeconomic perspective, Frencken is adopting industry best practices, including those set by customers, as these facilitate smooth business.

Material E issues

- Environmental risks - Frencken's production process involves non-renewable materials and waste generation. Non-compliance of rules and laws may severely impact the environment of local communities.
- In 2020, Frencken had zero fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations.
- Areas for potential improvement include i) increased use of recycled materials, contingent on customer approval; ii) increased efficiency of water and electric usage.
- Opportunities - Frencken's proprietary eco-PVD coating technology is more environmentally friendly than traditional PVD methods. Frencken is optimistic of long-term prospects for this offering.

Material S issues

- Employee health and safety risks. Frencken benchmarks its occupational safety and health practices against industry best practices. E.g. the Bangi (Malaysia) plant is in compliance with Agilent Supplier Environmental, Health and Safety and Social Responsibility guidelines.
- Employee safety remains of paramount importance for Frencken with proper mitigation measures implemented.
- In 2020, Frencken's injury rate was 0.15%. (2019: 0.078%).
- Employees underwent an average of 1.5-14 hours of training in 2020 across technical, occupational health and safety and strategic topics.
- Male employees account for 34.2% of the workforce.
  Socioeconomic risks. To ensure smooth business operations, Frencken i) adheres to all applicable laws and regulations and ii) upholds strong ethical standards. This safeguards trust with stakeholders and avoids liability due to non-compliance.

Key G metrics and issues

- Board consists of six directors, of whom one is an executive director (CEO), one is a non-executive, non-independent chairman, and four are independent (67%). All directors are male.
- The nominating, audit and remuneration committees are chaired by independent directors.
- Chairman Mr. Gooi Soon Chai's deemed stake in the company is c.22%.
- Three independent directors have served more than nine years from date of appointments. Frencken states that their independence is not in any way affected by their length of service.
- Professional background of independent directors includes law, accounting, consultancy and electronics engineering.
- Key management/ directors' compensation accounted for 3.8%/1.3% of total employee compensation in 2020. (2019: 3.6%/ 1.2
- %)
- Related-party transactions were immaterial (<1% of profit).
- Auditor is Deloitte & Touche LLP which was appointed in 2014.
- Former non-independent non-executive chairman Mr. Larry Low resigned in 2016 and pared his stake from 8.14% to 4.74% in 2018. Mr. Low is the father of fugitive Jho Low. However, this development has no impact to the governance nor operations of the company as current management and board are independent of Mr. Low.

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Venture (VMS SP)

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Risk Rating & Score[1]	10 (Low)
Score Momentum[2]	-0.7
Last Updated	19 May 2021
Controversy Score[3] (Updated: 17 May 2018)	0 – No Reported Incident

ESG@MKE

Business Model & Industry Issues

- Venture's business in electronics manufacturing exposes it to risks including labour (fair employment, labour exploitation), conflict of interest, and environmental within the organisation and along the supply chain. Venture has not faced any significant fines, non-monetary sanctions or reports regarding these key exposures in 2020.
- Venture sees economic performance as a key material factor of sustainability. This is in turn driven by constant empowering of employees, pursuit for excellence with customers, and commitment towards environmental and social responsibility.
- Venture is consistently recognised by suppliers for its solid execution, e.g. through awards. Venture also has policies in place such as ban on conflict minerals, anti-bribery and corruption, and whistle-blower protection.

Material E issues

- Venture's environmental exposure is mainly through power, water and materials. Venture has had zero significant fines or non-monetary sanctions related to environmental laws in 2020.
- All of its operational sites are also certified to ISO14001 for Environmental Management Systems.
- Total carbon emissions decreased 1.3% in 2020.
- To manage and mitigate emissions of harmful substances, Venture complies with the Restriction of Hazardous Substances (RoHS) directive, and only uses RoHS-certified equipment.
- All operational sites have management systems to prevent pollution from hazardous effluents, air impurities, wastewater discharge and noise.

Material S issues

- As at 31 Dec-20, Venture employed over 12,000 employees. 41.7% of the workforce is male, and 58.3% are female.
- Venture is an equal-opportunities employer. There remain high risks for worker exploitation by third-party suppliers. Venture bans all forms of labour exploitation, and has put in place safeguards against this.
- In 2019, each employee benefitted from an average of 126.7 hours of formal training. Topics span across technical and non-technical skills.
- Zero reported incidents of significant non-compliance with health or safety laws and regulations in 2020.
- Venture has a stance against conflict minerals. Venture's Conflict Minerals Policy is modelled after the Responsible Business Alliance against the use of conflict minerals. There were no incidences of non-compliance of Venture's policy in 2019. No contracts or suppliers were terminated due to the presence of conflict minerals in their supply chain.

Key G metrics and issues

- The board consist of nine directors, of which one is an executive chairman and CEO (Founder, Mr. Wong Ngit Liong). The remaining directors are all independent and non-executive (88%).
- The audit, nominating and remuneration committees are all chaired by independent directors.
- Three independent directors have served more than nine years from date of appointments. The Board concurred with the Nominating Committee's views that these three directors continue to be independent.
- Professional background of independent directors includes accounting, engineering and technology.
- Key management (incl. directors) compensation accounted for 6.1% of total employee compensation in 2020. (2019: 5.7%).
- Auditors are Deloitte & Touche LLP, appointed in 2015.
- Venture has zero-tolerance towards fraud and corruption, and has policies on anti-bribery and corruption and whistle-blower protection. There are no public legal cases regarding corruption/ termination of contracts, business partners or suppliers relating to corruption in 2020.
- Venture's IT department regularly improves infrastructure and systems to safeguard confidential information. In 2019, there was a data compartmentalisation project to segregate confidential data and a test was done to find potential vulnerabilities. In 2020, there were no substantiated complaints concerning breaches of customer privacy or loss of customer data.
- In recognition of its execution excellence, Venture frequently won awards from customers. In 2019, some awards include "Best Performance Supplier Award", "Platinum Supplier Award" and "Preferred Supplier Award".
- Implemented ISO27001 Information Security Management at the corporate level (received in Jan '21), and aiming to achieve this for key global sites.

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Sarine Technologies (SARINE SP)

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Risk Rating & Score[1]	NA
Score Momentum[2]	NA
Last Updated	NA
Controversy Score[3] (Updated: NA)	NA

Business Model & Industry Issues

- As a leading developer of technologies for the diamond industry, Sarine seeks to improve efficiency and productivity in the sector. Over the years, the group has managed to revolutionise the diamond polishing/manufacturing industry. It introduced various reliable, efficient, yield-increasing, cost/risk-reducing and time-saving technologies.
- The global diamond industry has adopted its innovative technologies, many of which have become de-facto industry standards, improving the yield of the polished stone(s) weight over time by over 25%.
- Its introduction of technology to the industry also contributed to the migration of manufacturing from historic diamond polishing centres in developed countries (e.g., Belgium, Holland, Israel and the US) to lower cost centres (such as India, South Africa, China and others). Today, the midstream diamond industry is concentrated in India.

Material E issues

- The business does not significantly impact the ecological balance of the environment and does not have any material influence on the sustainability of the industry or the human/natural fabric in which the group operates.
- Its technology allows better use of raw materials, efficient production and increased output from the rough diamond. This reduces environmental damage through proper utilisation of natural resources and minimising energy use.
- To ensure proper safety and usage of its products, it complies with the EU directive WEEE, which applies to recycling products/components and provides that no electrical or electronic equipment may be discarded into a city's normal waste disposal system.
- It did not have any incidents of non-compliance with regulations resulting in a fine, penalty or warning in 2019.

Material S issues

- Sarine aims to recruit its senior management from the local communities. About 60% of senior key management in Sarin India are locals, of which, about 50% of its senior management is female.
- The products it develops are proprietary in nature. Hence, its ability to remain competitive in the market is also dependent on its ability to protect its intellectual property in both hardware and software.
- The group has registered and maintain numerous patents, copyrights and trademarks in countries key to its business, and additional patent and trademark applications are pending in various phases in diverse geographies.
- Sarine has initiated litigation in India against certain competitors, whom it believes infringed its patents on laser marking, as well as against those who have infringed on or fraudulently made use of its Galaxy® inclusion mapping patents and Advisor® planning software copyrights.
- The group's entire supply chain consists of over 700 active suppliers with the majority of its operations and business conducted with about 50 of them.

Key G metrics and issues

- The board consists seven directors, the majority (4) of whom are independent. Two of those directors, namely Ms. Valerie Ong Choo Lin and Mr. Yehezkel Pinhas Blum also qualify as "external directors" under Israeli law i.e. they reside in Israel and not related with the controlling shareholders.
- The nominating, audit and remuneration committees are chaired by independent directors.
- Axxion and Ehud Harel's deemed stakes in the company are 9.18% and 7.36% respectively. Executive Chairman, Daniel Benjamin Glinert owns 3.5% interest, while non-EDs - Avarham Eshed (4.3%) and Uzi Levami (3.5%).
- Appointed new independent directors for three-year period in 2020 and the group sees this as an opportunity to bring fresh perspective and ideas to the board.
- Key management/ directors' compensation accounted for 25.2%/8.3% of total employee compensation in 2020.
- Auditor is Somekh Chaikin, an Israeli partnership and a member firm of the KPMG International.
- To protect employees against sexual harassment or the abuse of power in the workplace, Sarine has implemented a prohibition against harassment in the entire Group and established a Sexual Harassment Prevention Policy.
- Diamonds have a number of characteristics that make them vulnerable to corruption, fraud and bribery. No claims or allegations of corruptive practices or actions arose against any member of the Group or its employees during 2019.
- No fines or non-monetary sanctions were imposed on the Group in 2019 in relation to non-compliance with anti-corruption legislation and regulations.

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Valuetronics (VALUE SP)

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Risk Rating & Score[1]	NA
Score Momentum[2]	NA
Last Updated	NA
Controversy Score[3] (Updated: NA)	NA

Business Model & Industry Issues

- In the electronics supply chain VALUE is exposed to risks including corruption and conflicts of interests, workplace safety and fair employment, and environmental.
- In FY20, VALUE continued to comply with applicable environmental rules and regulations, anti-competitive behaviour laws, and requirements on health and safety. There were no significant fines or non-monetary sanctions for non-compliance with these policies. There were also no reported incidents of corruption.
- VALUE's top 100 suppliers are assessed annually on compliance with relevant environmental laws and regulations. The top 100 suppliers are also required to comply with VALUE's strict no-child-labour policy.

Material E issues

- VALUE has achieved ISO 14000 accreditation for environmental management since 2008 for its China operation. ISO 14000 is based on a plan-do-check-act methodology to support environmental protection, preventing pollution, minimising waste, and reducing energy and material use.
- For its leased factory in Vietnam, VALUE intends to obtain accreditation by 2021.
- Recyclable waste is processed by qualified third-party recycling firms.
- VALUE encourages suppliers to be accredited with ISO 14000. VALUE assesses its top 100 suppliers annually on environmental compliance. Most comply with environmental laws and regulations.

Material S issues

- VALUE is an equal-opportunities employer. In FY20, there was no reported incident of discrimination.
- Worker distribution by gender is 42% male and 58% female.
- VALUE has a strict no-child-labour policy and it expects the same from its suppliers. Its top 100 suppliers comply with this policy.
- From an occupational health and safety perspective, there were no fatal industrial accidents in FY20.
- Employees are given regular training on on-job skills and workplace safety, and specialised training tailored to the individual's career advancement. Average hours of training per employee were 18 hours in FY20.

Key G metrics and issues

- VALUE's board consists of five directors, of which two are executives and the remaining three are non-executives and independent (60%).
- The audit, nominating and remunerating committees are chaired by independent directors.
- Key management compensation accounted for 16% of total employee compensation in FY20 (FY19: 17%).
- VALUE does not tolerate corruption in any form. All staff other than production line workers sign an anti-corruption declaration upon joining the company. VALUE has dedicated whistleblowing hotlines and any report is immediately escalated to senior management. There were no reported incidents of corruption in FY20.
- VALUE complied with anti-competitive behaviour laws in FY20, and also has procedures in place to avoid conflicts of interest. VALUE also has measures to protect confidential information for both internal and external stakeholders.
- Policies on whistleblowing and anti-corruption are regularly reviewed to ensure they are effective.

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4.9 Telco

- **Social risk is the most meaningful factor within the sector - it is susceptible to cybersecurity and personal data leakage risks given the nature of its business. This can result in reputational and regulatory consequences.**
- **The industry has been shifting its emphasis towards growing their enterprise business. This is a positive stride towards a more robust EBITDA margins.**
- **We remain positive on the sector, as it should gradually recover back to pre-COVID levels.**

Critical ESG issues in the sector

Social risk is the most meaningful factor within telecommunication sector. The industry is susceptible to cybersecurity and personal data leakage risks given the nature of its business. There have been minor lapses due to IT, process and human errors over the years. While the telcos are penalized for immaterial sum, network security/ data breaches can result in reputational and regulatory consequences.

While telco's role in digital inclusiveness is widely discussed, such social risk is immaterial in Singapore. This is because the country has been ranked 1st in digital inclusiveness.

The industry has limited exposure to environmental risks, as the sector's use of energy to power its network, data centres and systems is generally less intensive than utilities companies or natural resources sector.

Governance and regulatory risks are typically more company and/or region-specific. Jurisdictional uncertainties in emerging markets could lead to regulatory and litigation risk. Singtel represents a relatively higher risk than StarHub due to its exposure in emerging countries through its regional associates. That said, no issue was raised in the past years.

Overall, the industry displays no exceptional ESG risks and it's in line with peers in tackling ESG issues.

Mitigation Outlook

The telco players have been conducting its businesses in strict adherence to the data protection laws – the Personal Data Protection Act – in its key operating countries. At the same time, the players have been educating their staff and improving practices and processes to minimize data breach.

The sector has been facing headwinds from continued carriage erosion due to the entrance of Mobile Virtual Network Operators (MVNOs). However, this structural headwind is likely to ease with the new 5G cycle, as MVNOs will have to renegotiate commercial terms with the existing telcos. Concurrently, we expect ARPUs to gradually recover to close to pre-COVID levels, aided by the lifting of restrictions and 5G take ups.

The industry has been shifting its emphasis towards growing their enterprise business, particularly in the area of ICT, cybersecurity and 5G use cases. We think this is a positive stride towards a more robust EBITDA margins, as connectivity and carriage has always been susceptible to price competition in every network cycle.

Sector Outlook

Positive: We think the worst is over and the sector should gradually recover back to pre-COVID levels. A faster-than-expected COVID-19 recovery could aid the reopening of travel borders and recovery of higher-margin roaming revenues for telcos. In contrast, a slower pace of reopening could cloud the sector's EPS and DPU visibility.

Telcos Valuations

Stock	Rec	Price (LCY)	Market Cap (LCY m)	Target Price (LCY)	PE (x)		Yield (%)		ESG	
					2021E	2022E	2021E	2022E	Category	Score
Netlink NBN Trust	Buy	0.96	3,722	1.1	38.8	35.6	5.4	5.6	Medium	28.1
Singapore Telecommunications	Buy	2.27	36,192	2.8	71.9	14.5	1.3	5.2	Low	19.8
StarHub	Hold	1.21	2,095	1.3	14.6	14.9	5.0	5.4	Medium	24.6

Source: Factset, Sustainalytics, Maybank Kim Eng

Netlink NBN Trust (NETLINK SP)

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Risk Rating & Score[1]	28.1 (Medium)
Score Momentum[2]	NA
Last Updated	15 April 2021
Controversy Score[3] (Updated: 28 May 2018)	0 - No Reported Incident

Business Model & Industry Issues

- NetLink provides fibre network services. This exposes it to environmental risks. In particular, energy is consumed to provide power to co-location rooms but NetLink has no direct control over energy consumed by its customers' equipment.
- Additionally, its densification of network within data centres also exposes it to environmental risks, as many data centres in Singapore, in the middle of its lifespan, were designed without sustainability and energy conservation in mind.
- The National Climate Secretariat under the Prime Minister's Office laid out a roadmap in 2014 to improve data centre sustainability by improving energy efficiency. SS564 aims to benchmark energy efficiency of data centres and provide the best practices for the industry. BCA-IDA Green Mark has also been implemented. It is a rating system to encourage the adoption of energy efficient data centre design.
- Likewise, NetLink will continue to roll out initiatives at its end to improve energy efficiency.
- In terms of governance, NetLink is adopting industry best practices, evidenced by its "Most Transparent REITs & Business Trust" award. Its constant disclosure and engagement with stakeholders helped the market to understand its opportunities and risks perception.

Material E issues

- Generated and disposed an average of 0.44% of fibre scraps (excess fibre too short to be reused) against fibre cables issued. This is below its 2.5% FY21 target.
- Recovered 391.4 tonnes of fibre cables from cable diversion. These recovered fibre cables cannot be reused and will be disposed of at National Environment Agency approved facility for incineration.
- In FY20, NetLink invested SGD0.85m to replace fan coil units in co-location rooms to improve energy efficiency of cooling system by 30%.
- Going forward, more initiatives will be rolled out across its co-location rooms to reduce energy consumption. One example is "blanking" project - reduce power consumed for cooling based on containment concept. This will be gradually implemented across all co-location rooms.
- Motion sensor/LED lights were also introduced in suitable rooms in central offices.

Material S issues

- Achieved 5,413 learning hours with an average of 15.4 learning hours per employee.
- Zero incidents of discrimination during FY19.
- Zero work-related incidents resulting in fatalities or permanent disabilities.
- Staff turnover rate of 17.7% is higher than high-tech industry's norm of 15.9%.
- NetLink aims to achieve annual employee turnover rate lower than industry norm in FY21 by investing in employees' skills development and building internal capabilities.
- 71:29 male to female employee ratio. Females make up 36% of "managers and executive" category.
- 64% of workforce is between 30 and 50 years old.

Key G metrics and issues

- Awarded "Most Transparent REITs & Business Trust" by SIAS 20th Investors' Choice Awards in 2019.
- The board consists of eight directors, of which one is executive director (CEO), one is non-executive, non-independent director and six are independent (75%). Two directors are female (25%).
- The nominating, audit and remuneration committees are chaired by independent directors.
- Seven directors have served on the board since 2017 and one since 2018.
- Professional background of independent directors includes accounting, banking, consultancy and law.
- Total remuneration of CEO and top five key management personnel amounts to SGD4.3m, or 5.5% of FY20 PAT and 15.5% of staff cost.
- Independent auditor is Deloitte & Touche LLP since listing in 2017.
- No material contracts were entered into by NetLink or subsidiaries that involved the CEO, any directors or controlling shareholders.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Singapore Telecommunications (ST SP)

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Risk Rating & Score[1]	19.8 (Low)
Score Momentum[2]	+1.5
Last Updated	15 April 2021
Controversy Score[3] (Updated: 23 Feb 2021)	2 (Moderate)

Business Model & Industry Issues

- Singtel is most exposed to cybersecurity and personal data leakage risks given its nature of business. There have been minor lapses due to IT, process and human errors over the years, and Singtel was penalised for an immaterial sum.
- Going forward, Singtel will continue to educate its staff and improve practices and processes to minimise data breaches.
- As Singtel is in the business of connectivity, it is supporting digital inclusion through connecting communities and supporting the disadvantaged.
- Notably in FY20, the telco supported migrant workers with free remittance service and their WiFi and mobile data needs. It also provided refurbished laptops and data SIMs to disadvantaged students for their home-based learning. In Australia, Optus scaled up "Donate Your Data" to support disadvantaged students by offering them free mobile data access for online learning.
- Singtel displays no exceptional risks for a telco operator for ESG and is in line with peers in tackling ESG issues.

Material E issues

- Achieved carbon emissions intensity reduction of 70% in 2020, well exceeding our 2030 target of 50%.
- Over 84% of waste generated disposed via reuse, recycling or incineration with energy recovered.
- Only Southeast Asian company among a pioneer group of 28 global companies in July 2019 that committed to keeping global temperature increase within 1.5°C and net zero emissions by 2050.

Material S issues

- 28% of female employees in middle and top management.
- Singtel was included in the 2020 Bloomberg Gender-Equality Index and the Refinitiv Global Diversity & Inclusion Index 2019 and named as one of the top 10 employers for Gender Diversity at The Leonie Awards 2019.
- Total training investment of SGD21.9m and pledged SGD45m to boost the digital skills of its workforce through company-wide initiatives over three years.
- Zero fatality rate across Singtel and Optus in FY20.
- To promote digital inclusion, Optus has launched "Donate Your Data" in Australia to help disadvantaged young people bridge the digital divide.
- Singtel also supported 1,000 vulnerable seniors under CareLine 24-hour telephone befriending service with free mobile phone services to promote digital inclusion and well-being.

Key G metrics and issues

- Board consists of 10 directors, of which one is executive officer (MD/CEO), the remaining are non-executive & independent directors (including Chairman). 30% are female directors.
- The nomination, audit, investment and remuneration committees are chaired by independent directors.
- Key management/directors' compensation accounted for 9.4%/1.3% of total employee compensation in 2019.
- There has been no corruption cases reported for the past three years.
- Cyber security and data leakage risks. Conducts its businesses in strict adherence to data protection laws – the Personal Data Protection Act in Singapore and the Privacy Act and Telecommunications Act in Australia.
- There have been minor lapses due to IT, process and human errors. Singtel will continue to educate its staff and improve practices and processes to minimise data breaches.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

ESG@MKE

StarHub (STH SP)

kareenchan@maybank.com

Risk Rating & Score[1]	24.6 (Medium)
Score Momentum[2]	-0.1
Last Updated	14 April 2021
Controversy Score[3] (Updated: 31 March 2021)	1 (Low)

Business Model & Industry Issues

- StarHub is most exposed to cyber security and personal-data-leakage risks given the nature of its business.
- That said, StarHub complies with all applicable laws, including the Cybersecurity Act and the Personal Data Protection Act, as well as sector specific cyber security requirements imposed by the Infocomm Media Development Authority. Audits are also performed to verify its compliance on an on-going basis.
- Internally, it has implemented cyber security and internal data protection frameworks, which govern how StarHub employees should protect systems against cyber threats and treat customer data.
- As StarHub is in the business of connectivity, it is supporting youths, social and digital inclusion. The telco has donated >SGD1m to 15 voluntary welfare organisations and non-profit organisations to support disadvantaged groups in the areas of digital inclusion and employability through community investment.
- StarHub displays no exceptional risks for telco operator for ESG and it's in line with other peers in tackling ESG issues.

Material E issues

- Carbon tax was introduced in 2019 on large direct emitters, which indirectly led to an increase in StarHub's energy costs.
- As such, StarHub is increasing its use of renewable energy to 2% of its energy consumption, and it aims to increase it to 10% by 2022.
- Achieved 23% reduction in direct fuel consumption from non-renewable sources.
- About 60,000 tonnes of e-waste (cables, mobile phones, laptops and CPUs) was generated in Singapore, resulting in loss of valuable resources and greenhouse gas emission.
- StarHub initiated flagship e-waste recycling programme, RENEW, in 2012 to provide avenues for Singaporeans to recycle their e-waste. More than 500 tonnes of e-waste was collected.

Material S issues

- In 2019, no incidents of discrimination were reported directly to StarHub or through Tripartite Alliance for Fair Employment Practices.
- It has also achieved zero workplace fatality in 2019.
- 25% of the board and 42% of the workforce are female. It also has a whistleblowing programme to escalate employee concerns.
- 29,522 hours of training were provided to 71.3% of its employees.
- Started Hello Change campaign in 2018 to highlight its brand promise to put customers first. StarHub continuously enhances its customer service and provides seamless experience across all its touch points. Its simplified and improved services for all its customers through online and app transactions
- 92% of the workforce (exc Board) is under the age of 50.

Key G metrics and issues

- In 2019, StarHub won the Most Transparent Company Award for the Communications category, and was ranked 17th out of 578 Singapore-listed companies in the Singapore Governance and Transparency Index.
- Board consists of 12 independent & non-executive directors, of which 33% are females.
- Independent directors chair the nomination, audit, investment and remuneration committees.
- There were no corruption cases and legal actions taken against StarHub for anti-competitive behaviour in 2019.
- At the most basic level, StarHub complies with all applicable laws, including the Cybersecurity Act and the Personal Data Protection Act.
- Internally, it has implemented cyber security and internal data protection frameworks, which govern how StarHub employees should protect systems against cyber threats and treat customer data.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Appendix 1: Singapore coverage universe classified by ESG Risk Rating

Company	Ticker	Sector	Market Cap (LCY)	Price Rec. (LCY)	TP (LCY)	Upside	Sustainalytics Rating	Sustainalytics Score	Rating Momentum
Venture	VMS SP	Technology	5,541	Buy 19.03	22.00	16%	Low	10	-1
CapitaLand Int. Comm. Trust	CICT SP	REITs	13,659	Buy 2.11	2.55	21%	Low	11	0
Mapletree Commercial Trust	MCT SP	REITs	6,190	Buy 2.15	2.35	9%	Low	11	0
Manulife US REIT	MUST SP	REITs	1,018	Buy 0.80	1.00	26%	Low	12	-2
Ascendas REIT	AREIT SP	REITs	8,599	Buy 2.94	3.65	24%	Low	12	-3
Suntec REIT	SUN SP	REITs	4,210	Hold 1.49	1.25	-16%	Low	14	-0
Frasers Hospitality Trust	FHT SP	REITs	981	Hold 0.53	0.50	-6%	Low	14	-7
CDL Hospitality Trusts	CDREIT SP	REITs	1,494	Hold 1.24	1.30	5%	Low	15	-2
Far East Hospitality Trust	FEHT SP	REITs	1,084	Buy 0.58	0.70	21%	Low	15	-4
Mapletree Logistics Trust	MLT SP	REITs	6,236	Buy 2.04	2.25	10%	Low	16	-4
Keppel REIT	KREIT SP	REITs	4,021	Sell 1.18	0.95	-19%	Low	17	1
SPH REIT	SPHREIT SP	REITs	2,570	Hold 0.93	0.80	-14%	Low	17	-2
AIMS APAC REIT	AAREIT SP	REITs	1,069	Buy 1.54	1.60	4%	Low	17	-2
Singapore Exchange Ltd	SGX SP	Financials	11,874	Buy 11.08	11.48	4%	Low	18	-1
ComfortDelGro	CD SP	Land Transport	3,554	Buy 1.64	1.88	15%	Low	18	2
Mapletree Industrial Trust	MINT SP	REITs	6,629	Buy 2.81	3.24	15%	Low	18	0
Sasseur REIT	SASSR SP	REITs	1,158	Buy 0.96	1.05	9%	Low	19	NA
Ascott Residence Trust	ART SP	REITs	3,208	Buy 1.03	1.25	21%	Low	19	NA
Singapore Telecommunications	ST SP	Telecommunications	36,192	Buy 2.27	2.81	24%	Low	20	2
DBS Group	DBS SP	Banks	77,482	Buy 30.08	33.71	12%	Medium	20	-5
Thai Beverage PCL	THBEV SP	Consumer Staples	17,080	Buy 0.67	0.99	48%	Medium	20	-0
Prime US REIT	PRIME SP	REITs	808	Buy 0.88	1.10	26%	Medium	21	NA
Genting Singapore	GENS SP	Gaming	10,099	Buy 0.84	1.16	39%	Medium	21	-1
ARA Logos Logistics Trust	K2LU SP	REITs	1,118	Buy 0.88	0.80	-8%	Medium	22	-3
AEM Holdings	AEM SP	Technology	1,101	Buy 3.91	5.56	42%	Medium	23	NA
StarHub	STH SP	Telecommunications	2,095	Hold 1.21	1.25	3%	Medium	25	-0
Raffles Medical Group	RFMD SP	Health Care	2,144	Buy 1.15	1.10	-4%	Medium	26	-2
United Overseas Bank	UOB SP	Banks	43,529	Buy 25.85	29.34	14%	Medium	26	-0
Netlink NBN Trust	NETLINK SP	Telecommunications	3,722	Buy 0.96	1.13	18%	Medium	28	NA
OCBC Bank	OCBC SP	Banks	53,179	Buy 11.88	14.17	19%	High	31	-0
Wilmar International	WIL SP	Plantations	21,319	Buy 4.49	6.21	38%	High	37	-3
First Resources	FR SP	Plantations	1,586	Buy 1.35	1.88	39%	High	37	-
Bumitama Agri	BAL SP	Plantations	8,617	Buy 0.46	0.65	43%	Severe	49	-1
Q&M Dental Group	QNM SP	Health Care	664	Buy 0.83	0.87	5%	NA	NA	NA
Frasers Centrepoint Trust	FCT SP	REITs	4,161	Buy 2.45	2.90	18%	NA	NA	NA
Sarine Technologies	SARINE SP	Technology	199	Buy 0.77	0.70	-8%	NA	NA	NA
Aztech Global	AZTECH SP	Technology	990	Buy 1.28	1.86	45%	NA	NA	NA
Frencken Group Ltd	FRKN SP	Technology	784	Buy 1.84	2.00	9%	NA	NA	NA
UMS Holdings	UMSH SP	Technology	821	Buy 1.53	1.80	18%	NA	NA	NA
Valuetronics	VALUE SP	Technology	1,500	Hold 0.60	0.60	0%	NA	NA	NA

Source: Factset, Sustainalytics, Maybank Kim Eng

Appendix 2: ASEAN-6 NDC targets per COP21

Country	Timeframe	Intended Nationally Determined Contributions (INDC) Target	Energy policies and measures
Indonesia	2020 to 2030	**Unconditional:** 29% greenhouse gas emissions reduction by 2030. **Conditional:** Up to 41% of emissions reduction by 2030. BAU scenarios of emission projection started in 2010 with projected emissions of approximately 2,869 $GtCO_2e$ in 2030.	1. Shares of new and renewable energy in the primary energy supply: at least 23% by 2025, and at least 31% by 2030. 2. Mitigation actions and emissions reduction compared to BAU (unconditional; conditional). i) Implementation of clean coal technology in power plants (75%; 100%) ii) Renewable energy in electricity production (7.4GW; 132TWh) 3. Implementation of biofuels in transportation (Mandatory B30) (90%; 100%). 4. Additional gas distribution lines (100%; 100%). 5. Additional compressed-natural gas fuel stations (SPBG) (100%; 100%).
Malaysia	2021 to 2030	**Unconditional:** Reduce the greenhouse gas emissions intensity of GDP by 35% by 2030 relative to the emissions intensity of GDP in 2005. **Conditional:** Reduce the greenhouse gas emissions intensity of GDP by 45% by 2030 relative to the emissions intensity of GDP in 2005.	1. National Petroleum Policy (1975) 2. National Energy Policy (1979) 3. National Depletion Policy (1980) 4. Four-Fuel Diversification Policy (1981) 5. National Forestry Policy (1978, Revised 1992) 6. National Policy on Biological Diversity (1998) 7. Five-Fuel Policy (2001) 8. National Policy on the Environment (2002) 9. National Strategic Plan for Solid Waste Management (2005) 10. National Biofuel Policy (2006) 11. National Energy Policy (2008) 12. National Green Technology Policy (2009) 13. National Policy on Climate Change (2009) 14. New Economic Model, Government Transformation Programme and Economic Transformation Programme (2010) 15. Renewable Energy Policy and Action Plan (2010) 16. Second National Physical Plan (2010) 17. Low Carbon Cities Framework (2011) National Automotive Policy (2014)
Philippines	By 2030	**Conditional:** Undertake GHG (CO_2e) emissions reduction of about 70% by 2030 relative to the BAU scenario for 2000-2030.	1. National Climate Change Action Plan (NCCAP) of 2011 2. Ecological Solid Waste Management Act of 2000 3. Biofuels Act of 2006 4. Renewable Energy Act of 2008
Singapore	2021 to 2030	Reduce the emissions intensity by 36% from 2005 levels by 2030. Stabilise emissions with the aim of peaking around 2030.	1. National Climate Change Strategy 2012 2. Sustainable Singapore Blueprint 2015 3. Promote solar PV deployment which: i) facilitates system integration of intermittent sources to ensure grid stability and security ii) addresses non-market barriers to entry without subsidising the consumption of any form of energy iii) supports continued investment in research, development, and demonstration to reduce the cost of solar PV modules and improve their efficiency, 4. By 2030, it is estimated that renewable energy could potentially contribute up to 8% of Singapore's peak electricity demand
Thailand	2021 to 2030	**Unconditional:** Reduce greenhouse gas emissions by 20% from the projected business-as-usual (BAU) level by 2030 (BAU 2030: approx. 555 $MtCO_2e$). **Conditional:** Reduce greenhouse gas emissions by 25% from the projected business-as-usual (BAU) level by 2030	1. Power Development Plan B.E. 2558–2579 (2015-2036) 2. Thailand Smart Grid Development Master Plan B.E. 2558-2579 (2015-2036) 3. Alternative Energy Development Plan B.E. 2558–2579 (2015-2036) 4. Energy Efficiency Plan B.E. 2558–2579 (2015-2036) 5. Environmentally Sustainable Transport System Plan B.E. 2556–2573 (2013-2030) 6. Climate Change Master Plan B.E. 2558–2593 (2015-2050) 7. National Industrial Development Master Plan B.E. 2555–2574 (2012-2031) 8. Waste Management Roadmap 9. National energy targets: i) Achieve a 20% share of power generation from renewable sources in 2036 ii) Achieve a 30% share of renewable energy in total final energy consumption in 2036 iii) Reduce the country's energy intensity by 30% below the 2010 level in 2036
Vietnam	2021 to 2030	**Unconditional:** Reduce GHG emissions by 8% compared to BAU by 2030, in which: from the energy sector, emission intensity per unit of GDP will be reduced by 20% compared to the 2010 levels **Conditional:** Reduce GHG emissions by 25% by 2030, in which: emission intensity per unit of GDP will be reduced by 30% compared to 2010 levels	1. Law on Economical and Efficient use of Energy (6/2010) 2. National Climate Change Strategy (12/2011) 3. National Green Growth Strategy (9/2012) 4. Decision 1775/QD-TTg on "Management of GHG emissions, management of carbon credit trading activities to the world market" (11/2012) 5. Promote effective exploitation and increase the proportion of new and renewable energy sources in energy production and consumption 6. Improve effectiveness and efficiency of energy use, thereby reducing energy consumption 7. Change industry and transportation fuel structure

Source: ASEAN Centre for Energy

Appendix 3: Major sustainability product and service launches by Singapore Financials

Company	Product	Product Description
OCBC	Loan	OCBC's SME Sustainable Finance Framework allows SME clients to access sustainable financing of up to SGD20m. The SMEs must be involved in activities across eight "green project" categories including clean transport, renewable energy and green buildings.
OCBC	Loan	OCBC has launched "Eco-Care" home and renovation loans, which uses Building and Construction Authority's (BCA) Tropical Home Energy Efficiency Assessment (THEEA) as the criteria to determine an applicant's eligibility. The 'Eco-Care' loans rewards eligible home-owners with lower interest rates, giving them the impetus and incentive to take more concrete measures to make their homes more eco-friendly.
DBS	Loan	DBS has introduced a Green Solution Package. The package is aimed to aid customers in integrating green practices into their lives. These include a green renovation loan, rebates for switching to green utilities, green car loan and rewards for eco-friendly purchases.
DBS	Credit Card	DBS launched a eco-friendly credit card, DBS Live Fresh. Cardholders will get rewards when they patronise selected eco-friendly and sustainable businesses. Other rewards include first-month subscription fee waiver and free rental usage with BlueSG - Singapore's electric car sharing platform
UOB	Loan	UOB has also launched a Smart City Sustainable Finance Framework to make sustainable financing more accessible to companies contributing to the creation of smart cities
HSBC	Loan	HSBC Singapore launched the HSBC SME Green Loan, providing small and medium enterprises with finance to develop sustainable projects by utilising existing 'green' certifications. The Green Loan will draw on existing certifications from Singapore industry authorities to certify the validity of specific green projects or assets, instead of the externally-reviewed bespoke Green Finance Frameworks used by corporates. By doing so, the Loan reduces the time, complexity and cost typically associated with applying for green finance, providing Singapore's SMEs with a straightforward route to a sustainable future, according to HSBC
HSBS	Deposit	HSBC Singapore has launched a HSBC Green Deposit Account for corporate clients . The deposits will be used to finance green initiatives such as renewable energy, energy efficiency and biodiversity conservation.
Standard Chartered	Deposit	Standard Chartered Singapore launched Asia's first Sustainable Deposit. Liquidity raised will be used to help finance activities that support Sustainable Development Goals (SDGs) in developing countries in Asia, Africa and the Middle East

Source: News Articles, Maybank Kim Eng

Appendix 4: Singapore Coverage Universe

Stock	BBG Code	M.Cap SGDm	Rec	Price SGD	TP SGD	Upside %	EPS gr. (%) CY21E	EPS gr. (%) CY22E	P/E (x) CY21E	P/E (x) CY22E	ROE (%) CY21E	ROE (%) CY22E	P/B (x) CY21E	P/B (x) CY22E	Div Yield (%) CY21E	Div Yield (%) CY22E
DBS	DBS SP	57,385	Buy	29.81	33.71	13.1	39.7	7.5	11.5	10.3	12.1	12.1	1.4	1.3	3.7	4.7
OCBC	OCBC SP	40,136	Buy	11.95	14.17	18.6	39.5	6.9	10.9	10.0	9.9	10.0	1.1	1.0	4.2	5.0
UOB	UOB SP	32,384	Buy	25.82	29.34	13.6	37.2	12.3	10.8	9.2	9.2	9.9	1.0	1.0	4.6	5.4
SGX	SGX SP	8,913	Buy	11.18	11.48	2.7	0.7	4.0	24.8	24.3	37.3	36.0	9.2	8.3	2.9	3.0
Financials		138,818					**36.5**	**8.2**	**12.0**	**10.8**	**12.4**	**12.5**	**1.7**	**1.6**	**4.0**	**4.8**
Singtel	ST SP	28,135	Buy	2.29	2.81	22.7	359.9	18.2	14.7	12.4	9.6	11.3	1.4	1.4	5.1	6.0
StarHub	STH SP	1,572	Hold	1.22	1.25	2.5	(11.4)	13.2	14.7	15.1	26.5	22.1	3.2	3.0	4.9	5.3
Netlink NBN	NETLINK SP	2,754	Buy	0.95	1.13	18.9	(0.3)	3.0	35.2	35.2	3.4	3.5	1.3	1.4	5.7	5.8
Telecoms		32,460					**311.4**	**16.7**	**16.4**	**14.5**	**9.9**	**11.1**	**1.5**	**1.5**	**5.1**	**6.0**
AEM	AEM SP	805	Buy	3.83	5.56	45.2	3.6	8.6	13.9	9.6	42.0	35.1	4.0	3.1	1.8	2.6
UMS	UMSH SP	607	Buy	1.52	1.80	18.4	62.2	13.6	12.7	11.3	21.7	21.1	2.8	2.4	2.6	2.6
Frencken	FRKN SP	594	Buy	1.87	1.74	(7.0)	26.0	9.1	13.4	11.7	15.1	14.6	2.1	1.9	1.9	2.1
Venture	VMS SP	4,165	Buy	19.21	22.00	14.5	13.0	6.3	16.3	14.2	12.7	12.8	2.1	1.9	3.9	3.9
Sarine Tech	SARINE SP	199	Buy	0.77	0.70	(8.5)	330.5	24.3	19.5	15.7	16.1	18.5	3.0	2.8	2.6	3.5
Aztech Global	AZTECH SP	990	Buy	1.28	1.86	45.3	43.5	36.3	12.0	9.1	47.5	33.6	3.5	2.7	2.4	3.3
Valuetronics	VALUE SP	1,500	Hold	0.60	0.60	-	(27.1)	6.5	8.1	10.4	14.5	10.3	1.1	1.0	5.7	3.8
Technology		8,859					**20.1**	**11.0**	**13.8**	**12.3**	**20.4**	**17.5**	**2.3**	**2.0**	**3.6**	**3.5**
CDREIT	CDREIT SP	1,123	Hold	1.23	1.30	5.7	(123.4)	59.2	21.6	19.5	2.7	4.4	0.9	0.9	4.5	5.0
Far East Hosp.	FEHT SP	850	Buy	0.58	0.70	20.7	(148.3)	20.6	24.2	23.2	2.9	3.4	0.7	0.7	4.1	4.3
Frasers Hosp Trust	FHT SP	981	Hold	0.53	0.50	(5.6)	(110.9)	169.4	26.9	18.5	1.8	3.0	0.8	0.7	3.1	4.8
Ascott Res.Trust	ART SP	3,208	Buy	1.03	1.25	21.5	30.0	27.6	22.4	20.1	3.1	3.4	0.8	0.8	3.9	4.4
Hospitality REITs		6,162					**(45.0)**	**55.0**	**23.2**	**20.2**	**2.8**	**3.5**	**0.8**	**0.8**	**3.9**	**4.6**
AAREIT	AAREIT SP	759	Buy	1.47	1.60	8.8	50.6	5.4	15.0	14.6	6.9	6.8	0.9	0.9	6.7	6.9
Ascendas REIT	AREIT SP	9,143	Buy	2.95	3.65	23.7	41.9	6.3	18.7	17.7	6.8	7.0	1.3	1.3	5.4	5.7
ARA LOGOS	K2LU SP	899	Buy	0.84	0.80	(4.2)	95.1	3.9	14.2	14.2	10.5	10.1	1.6	1.5	6.5	6.6
Mapletree Ind.	MINT SP	5,599	Buy	2.83	3.24	14.5	103.7	7.6	21.3	20.4	8.7	9.5	2.0	2.0	4.7	4.9
Mapletree Log.	MLT SP	6,541	Buy	2.05	2.25	9.8	(17.8)	2.2	26.6	25.9	6.2	6.1	1.4	1.4	4.0	4.1
Industrial REITs		22,942					**42.4**	**5.3**	**21.3**	**20.5**	**7.3**	**7.5**	**1.5**	**1.5**	**4.9**	**5.1**
CapitaLand Malls	CT SP	10,069	Buy	2.09	2.55	22.0	100.7	7.9	19.0	17.9	5.2	5.5	1.0	1.0	5.3	5.6
Frasers Ct.pt.	FCT SP	3,071	Buy	2.43	2.90	19.3	34.6	8.3	19.4	19.0	6.1	5.4	1.0	1.0	5.1	5.3
Mapletree Comm	MCT SP	5,335	Buy	2.16	2.35	8.8	353.3	3.3	23.0	22.3	5.4	5.6	1.3	1.3	4.4	4.5
SPH REIT	SPHREIT SP	1,801	Hold	0.87	0.80	(8.0)	(302.9)	5.6	14.7	14.7	5.7	5.7	0.9	0.9	6.0	6.1
Sasseur REIT	SASSR SP	852	Buy	0.95	1.05	11.1	57.6	14.0	12.9	12.3	6.7	7.6	1.0	1.0	7.4	7.7
Retail REITs		21,128					**118.7**	**6.9**	**19.5**	**18.6**	**5.5**	**5.6**	**1.0**	**1.0**	**5.2**	**5.4**
Manulife US	MUST SP	1,257	Buy	0.79	1.00	26.6	(300.8)	9.7	15.2	15.2	7.3	7.7	1.0	1.0	7.2	7.3
Suntec REIT	SUN SP	4,210	Hold	1.49	1.25	(16.2)	63.9	1.3	18.9	18.7	-	-	0.7	0.7	5.8	5.9
Keppel REIT	KREIT SP	4,021	Sell	1.18	0.95	(19.4)	2.8	(0.4)	21.3	21.3	-	-	0.9	0.9	5.0	5.0
Prime US REIT	PRIME SP	808	Buy	0.88	1.10	25.6	194.7	15.0	12.5	12.1	8.0	8.3	nm	nm	8.0	8.2
Office REITs		10,297					**5.8**	**2.7**	**18.9**	**18.8**	**1.5**	**1.6**	**0.7**	**0.7**	**5.8**	**5.9**
ComfortDelgro	CD SP	2,644	Buy	1.64	1.88	14.6	251.0	16.0	18.9	14.6	8.0	8.8	1.3	1.2	3.2	5.5
Transport		2,644					**251.0**	**16.0**	**-**	**14.6**	**8.0**	**8.8**	**1.3**	**1.2**	**3.2**	**5.5**
Genting SG	GENS SP	7,513	Buy	0.84	1.16	38.9	295.0	91.5	59.6	26.1	3.5	6.6	1.3	1.3	1.2	2.4
Gaming		7,513					**295.0**	**91.5**	**59.6**	**26.1**	**3.5**	**6.6**	**1.3**	**1.3**	**1.2**	**2.4**
Raffles Med	RFMD SP	1,639	Buy	1.18	1.10	(6.8)	-	-	29.5	29.5	-	-	2.4	2.3	2.1	2.1
Q&M Dental	QNM SP	476	Buy	0.80	0.87	9.4	79.3	5.8	20.4	16.9	29.0	30.3	5.2	5.2	3.8	4.4
Healthcare		2,115					**17.8**	**1.3**	**27.4**	**26.7**	**6.5**	**6.8**	**3.0**	**3.0**	**2.5**	**2.6**
Bumitama Agri	BAL SP	595	Buy	0.46	0.65	42.9	(18.4)	22.5	8.6	6.2	10.0	11.5	0.9	0.8	4.7	6.5
First Res.	FR SP	1,579	Buy	1.34	1.88	40.3	39.4	3.2	12.0	10.8	13.1	12.6	1.4	1.3	4.1	4.6
Wilmar	WIL SP	21,437	Buy	4.50	6.21	38.0	2.3	4.2	13.9	13.4	8.4	8.3	1.1	1.0	4.5	4.7
Plantations		23,611					**4.3**	**4.6**	**13.6**	**13.1**	**8.8**	**8.7**	**1.1**	**1.1**	**4.5**	**4.7**
ThaiBev	THBEV SP	12,614	Buy	0.68	0.99	46.7	11.9	6.5	14.5	13.4	17.6	17.2	2.6	2.3	3.3	3.5
Consumer		12,614					**11.9**	**6.5**	**14.5**	**13.4**	**17.6**	**17.2**	**2.6**	**2.3**	**3.3**	**3.5**

Source: Factset, Maybank Kim Eng

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