

Webinar: Environmental Information Disclosure by Financial Institutions and Green Bond Issuers

Session II: Disclosure by Green Bond Issuers



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Green & Sustainable Financing – OCBC’s Journey

- At OCBC, we are committed to developing a comprehensive and innovative range of solutions targeted at promoting sustainable development in **key focus industries** and ultimately supporting the achievement of **our focus SDGs**.
- Our goal is to **double the Sustainable Financing portfolio by 2025** and reduce the financing of coal fired power generation.

Our Focus Areas

Financing Solutions Project Finance Green Loans and Green Bonds Sustainability-Linked Loans Green Capital Instruments

Focus Industries Renewable Energy Green Buildings Water Management Clean Transportation Pollution Control

Focus SDGs



Our Sustainable Finance Market Leadership

APAC (EX-JAPAN) GREEN LOANS (2019)

Bloomberg

Position	Institution	Amount (USD m)	Market Share (%)	No. of Deals
1	OCBC	2,416.53	9.02	21
2	DBS	2,220.54	8.28	17
3	SMBC	1,857.68	6.93	18

Notable Sustainable Financing Deals

 MYR245m ASEAN Sustainability SRI Sukuk	 EUR500.0m Green Bond	 SGD670.0m Green Loan	 USD650.0m Sustainability-linked Loan	 USD2.1b Sustainability-linked Loan	 USD200.0m Sustainability-linked Loan
 <ul style="list-style-type: none"> Sukuk Sustainability Framework Adviser Principal Adviser / Lead Arranger / Lead Manager 	 <ul style="list-style-type: none"> Bookrunner 	 <ul style="list-style-type: none"> Green Loan Adviser 	 <ul style="list-style-type: none"> Mandated Lead Arranger Bookrunner 	 <ul style="list-style-type: none"> Mandated Lead Arranger Bookrunner 	 <ul style="list-style-type: none"> Sole Financier

Green Financing Standards – A Malaysian Snapshot

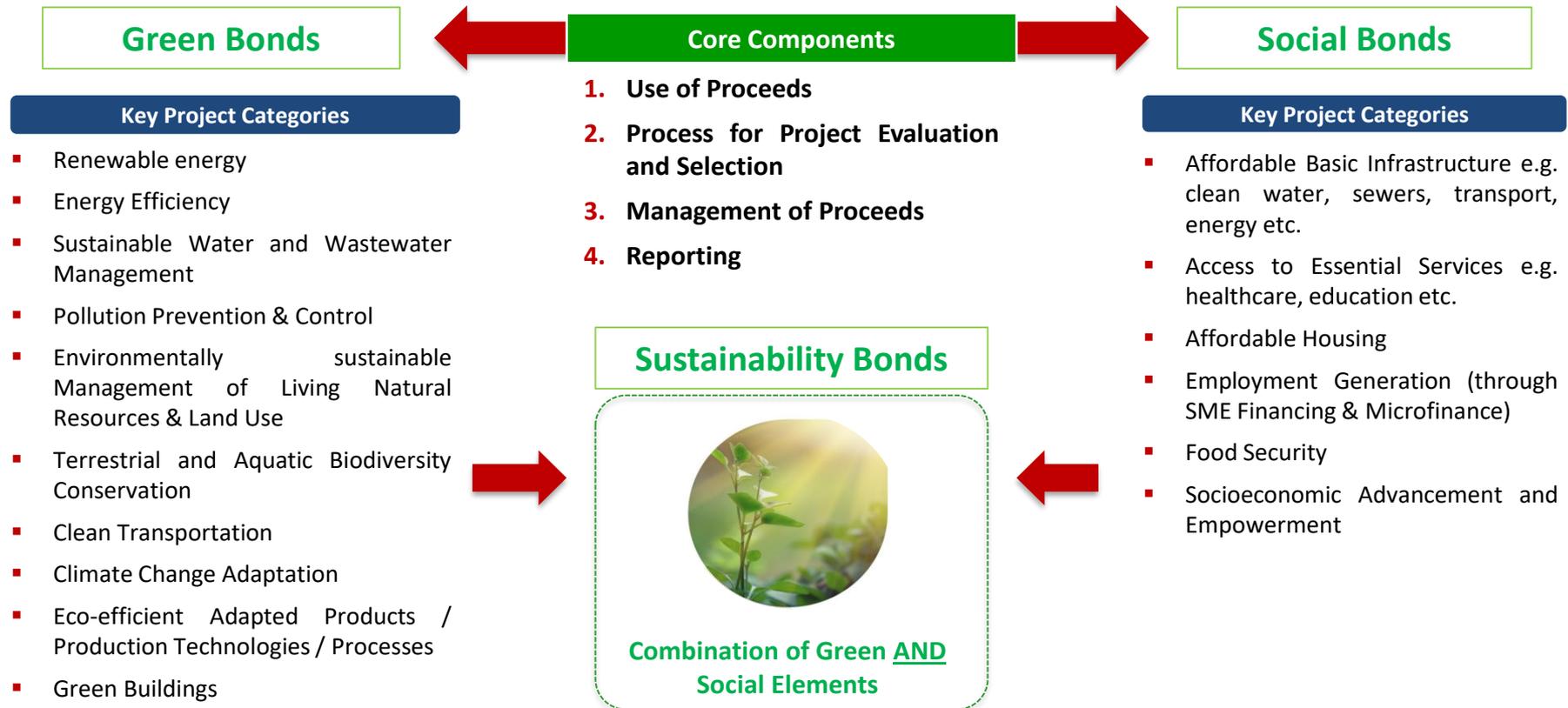
	Global Bond Standards	Developed from ICMA's Standards	
PRODUCT DEVELOPER		 ASEAN Capital Markets Forum	 Suruhanjaya Sekuriti Securities Commission Malaysia
GREEN BOND STANDARD		  	
SOCIAL BOND STANDARD			
SUSTAINABILITY BOND STANDARD			
SUSTAINABLE AND RESPONSIBLE SUKUK STANDARD			SRI Sukuk Framework (under SC's Guidelines on Unlisted Capital Market Products)



Malaysian Corporate Bond / Sukuk issuers are highly encouraged to adopt these standards / frameworks, subject to meeting eligibility criteria

Sustainability Bonds / Sukuk – What Are They?

- Sustainability Bonds / Sukuk are essentially corporate bonds / Sukuk which incorporate features of both **Green Bonds** and **Social Bonds** in one issuance / facility.
- The International Capital Market Association (“**ICMA**”) had developed the Sustainability Bond Guidelines in 2018, which was subsequently adopted by the ASEAN Capital Markets Forum and the Securities Commission of Malaysia (“**SC**”) to develop the ASEAN Sustainability Bond Standards.



Malaysia's Renewable Energy Financing Journey

- Renewable energy financing via Green bonds / Sukuk has been a key segment of Malaysia's capital markets since the first Sukuk issuance to finance a large scale solar photovoltaic plant in 2017.
- Since then, the large scale solar bonds / Sukuk continue to dominate sustainable capital market financing activities, which has largely been driven by the **award of large scale solar (LSSPV) projects** by the Energy Commission, Malaysia – the process has gradually shifted from direct awards towards a more competitive tendering process by promoters / sponsors.
- To date, 3 rounds of competitive bidding have successfully closed, with phase 4 targeted for launch by end 2020.
- The LSSPV scheme is envisaged to support the Government's target to **achieve a 20% contribution of renewable energy sources in the electricity generation mix**, up from the c.2% contribution at present.



**Competitive Bidding process overseen by the Energy Commission*

	Direct Awards	LSSPV 1	LSSPV 2	LSSPV 3
Capacity of Projects Awarded (MW)	Bilateral negotiations with each project sponsor	3 to 50	1 to 30	91 to 100
Total Capacity Awarded (MW)		451	562	491
COD Date		2017 - 2018	2019 - 2020	Expected 2021
Bond / Sukuk Project Financing Transactions		<ul style="list-style-type: none"> Tadau Energy Quantum Solar Edra Solar 	<ul style="list-style-type: none"> Sinar Kamiri UiTM Solar 	TBD

OCBC's Sustainability Sukuk Case Study – Edra Solar

Deal Summary

Issuer/ Project Company	Edra Solar Sdn Bhd (“Edra Solar”)
Sponsor/ Shareholder	China General Nuclear Power Corporation (“CGN”)
Facility	MYR245.0 million ASEAN Sustainability Sustainable and Responsible Investment (SRI) Sukuk (“Sukuk”)
OCBC's Roles	<ul style="list-style-type: none"> ▪ Sukuk Sustainability Framework Adviser ▪ Shariah Adviser ▪ Sole Principal Adviser / Lead Arranger ▪ Joint Lead Manager / Bookrunner ▪ Facility and Security Agent

Deal Highlights

- *First ASEAN Sustainability SRI Sukuk in Malaysia*
- *First Solar Socio-Agricultural Sukuk*
- *First Project Financing Sukuk for a completed solar power plant*
- *First Solar Sukuk via book building mode of issuance*
- *First time participation from high net worth investors in Solar Sukuk*
- *Unprecedented bid to cover ratio of more than 11 times*

- **OCBC's pioneering role in sustainable and responsible financing** has allowed us to work with clients to bring high quality and socially responsible Sukuk to investors and **it is our testament of our pledge to drive towards a low carbon and self-reliant society.**
- The success of Edra Solar's Sustainability SRI Sukuk is evidence that **focusing on sustainability agenda** which combines social and environment as pillars to a project will **allow project sponsors to derive the most cost optimal financing for their projects.**



Best SRI Sukuk
Alpha South East
Awards 2019

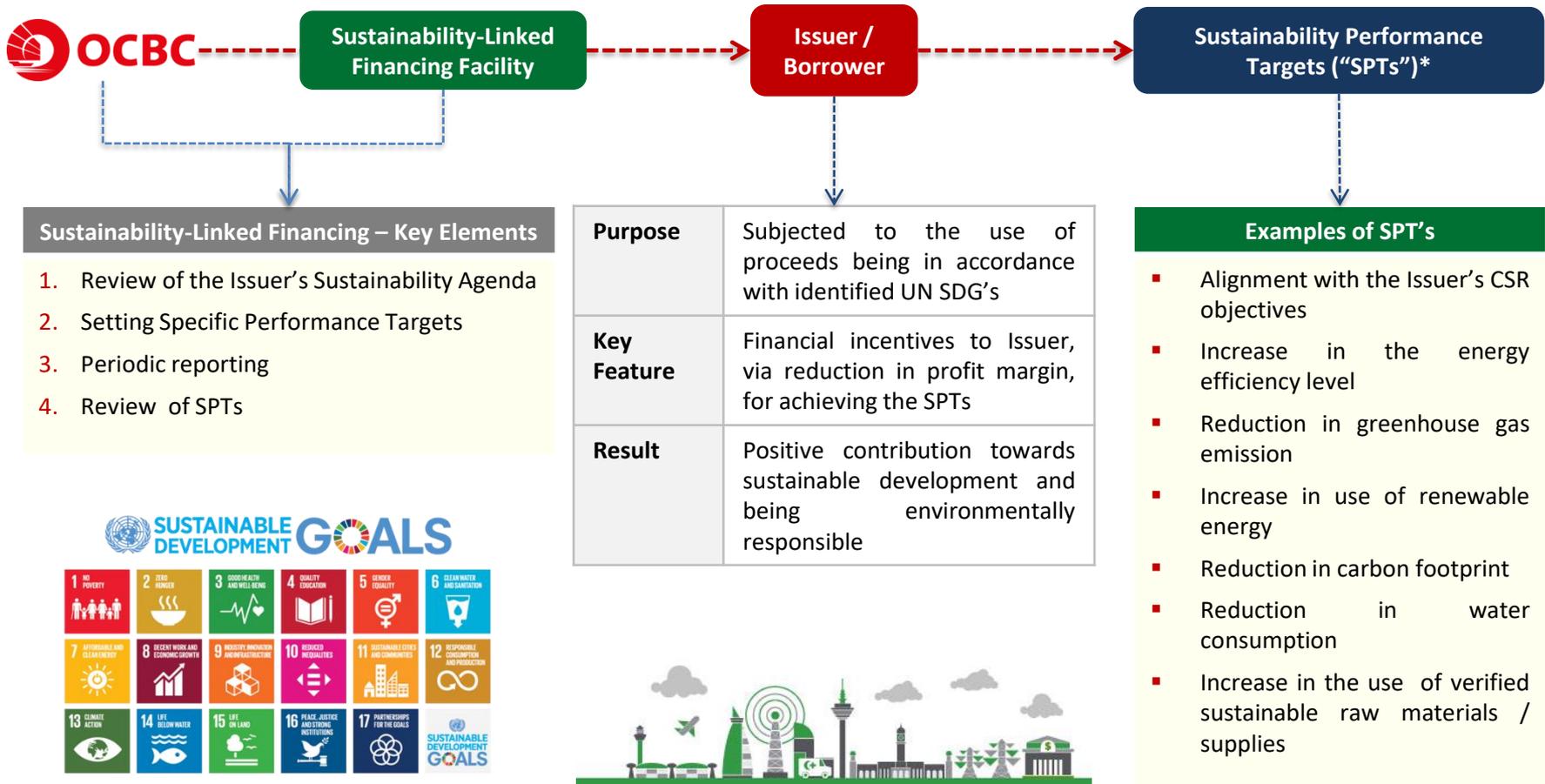


Malaysia Capital Markets
Deal of the Year
IFR Awards 2019

OCBC's Sustainability Sukuk Case Study – Edra Solar (cont'd)

Sustainability 'Pillar'		ASEAN Green Bond Standards	ASEAN Social Bond Standards
1	Use of Proceeds	Development of a 50MWac solar photovoltaic generation facility (" Solar Project ")	Development of a 40-acre fruit farming area surrounding the Solar Project
2	Process for Project Evaluation and Selection	Conducted feasibility and environmental studies on the project site	Conducted studies covering the soil conditions, suitability of fruit farming as well as the social impact arising from the agriculture activities
3	Management of Proceeds	Proceeds generated from the Solar Project will be deposited into the accounts and utilised in accordance with the terms and conditions under the financing documents	The Issuer will enter into a tenancy agreement with a government agency which will:- <ul style="list-style-type: none"> ▪ Provide the land usage to the local farmers without any charges ▪ Manage the farming together with the local farmers through a joint venture with a shared capital commitment of 70:30 between the farmers and the government agency
4	Reporting	<ul style="list-style-type: none"> ▪ Sustainability Sukuk Framework and the external review report will be made publicly available on Edra Group's website ▪ The Issuer shall also provide annual reporting via newsletters, website updates, annual report or any other communication channels on the amounts earmarked and utilized for the Project, impact objectives, and other performance-related reporting 	

Sustainability-Linked Financing – An Overview



**Note: Driven by the Issuer’s overall Sustainability Agenda / Objectives*

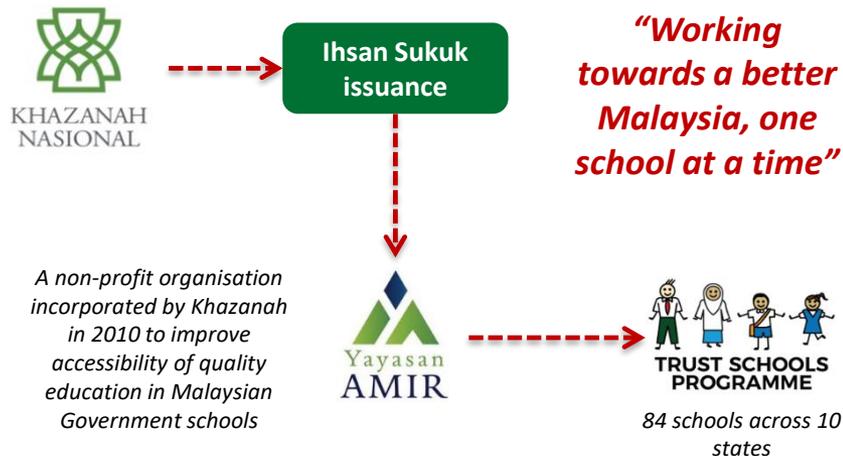
OCBC's Sustainable Investment – Ihsan Sukuk

Deal Summary

Issuer	Ihsan Sukuk Berhad (“Ihsan Sukuk”)
Sponsor/ Shareholder	Khazanah Nasional Berhad (“Khazanah”)
Issuances	Two Sukuk issuances under an MYR1.0B Sustainable and Responsible Investment (SRI) Sukuk Programme:- <ol style="list-style-type: none"> 1. MYR100.0 million (2015) 2. MYR100.0 million (2017)
OCBC's Role	Sukuk investor

Deal Highlights

- *The Sukuk programme was the first programme approved by the Securities Commission under the Sustainable and Responsible Investment (SRI) Framework in 2015.*
- *Proceeds from the Sukuk issuances were channeled to Yayasan Amir (see diagram below) to manage its cash flow under the Trust Schools Programme*
- *This Sukuk presents a new method of funding for the purpose of education and a means for investors to fulfil their corporate responsibility.*
- *‘Pay-for-success’ structure – if at maturity, the KPIs are met, the investors will forego a pre-agreed percentage of the nominal amount due under the SRI Sukuk as part of their social obligation. Investors are given option to waive their rights, benefits and entitlements to interest and principal.*
- *OCBC was the **sole foreign bank** to subscribe to the issuances in 2015 and 2017 – our investment into the SRI Sukuk was part of OCBC's overall CSR programme.*



Sustainability Disclosure Requirements for MYR Bonds / Sukuk

To ensure adherence with each of the **4 Core Components** under the **ASEAN Green / Social / Sustainability Standards**, MYR bond / Sukuk issuers will typically ensure adequate disclosure of information via the following:-

Typical Disclosure Documents		Timeline for Release	Description	Method of Disclosure
1	Green / Social / Sustainability Framework	Prior to deal launch	<ul style="list-style-type: none"> ▪ Framework to be developed and established prior to deal launch, to ensure compliance with applicable sustainability standard / guideline ▪ May be project-specific (i.e. limited to that of the project company) or part of the Sponsors' overall sustainability framework (i.e. group-wide corporate initiatives) 	<ul style="list-style-type: none"> ▪ To be made available on the issuer's / sponsors' corporate website, or a public domain to be identified ▪ Appended to bond / Sukuk marketing documents
2	External Review / Verification / Certification	Prior to deal launch	<ul style="list-style-type: none"> ▪ Optional review on the applicable sustainability framework 	
3	Information Memorandum / Offering Circular	At deal launch	<ul style="list-style-type: none"> ▪ Key marketing documents containing financial and non-financial information with regards to the issuance ▪ Would include the sustainability framework and external review report, if applicable 	<ul style="list-style-type: none"> ▪ Circulated by deal lead managers to prospective investors ▪ Uploaded onto publicly-available domains (i.e. SC's website)
4	Periodic Reports	To be disclosed on a periodic basis	<ul style="list-style-type: none"> ▪ Annual (or more frequent) reporting by issuer to maintain up-to-date information (project details, financing amounts, impact) on use of proceeds ▪ External review / verification / certification highly recommended 	<ul style="list-style-type: none"> ▪ To be made available on the issuer's / sponsors' corporate website, or a public domain to be identified

Thank You

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