

Sustainable finance developments in Singapore

Making strides with the new and enhanced
MAS Grant Schemes

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The world of ESG is moving swiftly





Today's changing market landscape provides opportunities in the environmental, social and corporate governance (ESG) space, manifesting through net zero and decarbonisation ambitions, regulations, ESG-related expectations and requirements from consumers to investors.

It is important to understand **why** change is happening, and also **how** it is happening. To turn these changes into opportunities, we should consider the entire ESG spectrum with sustainable finance and investment at the core.

What are the drivers of change?			How is change happening?		
These include but not limited to:			These include but not limited to:		
Climate emergency	Resource scarcity	Demographic changes	Net Zero and decarbonisation ambitions (inc. targets)	Alignment to coalition and initiatives (e.g. UNPRI, SDG)	ESG-related regulations (e.g. Carbon tax, waste regulations)
Technological breakthroughs	Shift from shareholder to stakeholder	Investor and consumer expectations	Green and sustainable investment schemes	Green and sustainable finance	ESG risk assessments (e.g. climate risk)
			ESG reporting (e.g. sustainability reporting, TCFD)	ESG-related expectations/requirements by investors	ESG markets (e.g. indices, carbon offsets)

Sustainable finance has been steadily gathering pace in Singapore over the years. Singapore is now ASEAN's largest green finance market, accounting for close to 50% of cumulative ASEAN green bond and loan issuances. A number of regulatory measures have also been announced by the Monetary Authority of Singapore to promote the development of the country as the leading centre for green finance in Asia and globally.

In order to further catalyse green and sustainable finance in the region, MAS has extended new and enhanced MAS Grant Schemes. A timeline of recent updates are highlighted below:

 2015	 2017	 2019	 2020
(October)	(June)	(February)	(June)
ABS release Guidelines of Responsible Financing Practices	MAS release Green Bond Grant Scheme	MAS update Green Bond Grant Scheme to Sustainable Bond Grant Scheme	Consultation paper on Environmental Risk Management for FIs
		(November)	(November)
		MAS release Green Finance Action Plan and US\$2 billion green investments programme (GIP) to invest in public market investment strategies that have a strong green focus	MAS release Green and Sustainability-Linked Loan Grant Scheme and update Sustainable Bond Grant Scheme to include Sustainability-Linked Bonds

New and enhanced MAS Grant Schemes

The Monetary Authority of Singapore (MAS) has recently released:

1. The Green and Sustainability-Linked Loan Grant Scheme (GSLS)
2. An improved Sustainable Bond Grant Scheme (SBGS) to include Sustainability-Linked Bonds

1. Green and Sustainability-Linked Loan Grant Scheme ⓘ

Objectives:

- Encourage corporates to adopt sustainable business practices
- Support corporates of all sizes and sectors to access green financing
- Anchor deep green finance expertise in Singapore

This scheme is presented in two tracks, one specifically aimed at corporates and the other aimed at encouraging the development of frameworks for financial institutions.

Track A: Green and Sustainability-Linked Loans

Facilitating corporates' access to green and sustainability-linked loans

- Up to S\$100,000 per loan over 3 years

The grant will cover expenses incurred by corporates to engage independent sustainability assessment and advisory service providers to develop green and sustainability frameworks and targets, obtain external reviews and report on the sustainability impact of the loan.

Track B: Green and Sustainability-Linked Loan Frameworks

Encouraging banks to develop Green and Sustainability-Linked Loan Frameworks for SMEs and individuals

Tier 1: Green and Sustainability-Linked Loan Frameworks for SMEs and individuals

- 90% co-funding, capped at S\$180,000 over 3 years

Tier 2: Other Green and Sustainability-Linked Loan Frameworks

- 60% co-funding, capped at S\$120,000 over 3 years

The grant will cover expenses incurred by banks to engage independent sustainability assessment and advisory service providers to develop frameworks, obtain external reviews, and report on the allocated proceeds of loans originated under the framework.

2. Sustainable Bond Grant Scheme ⓘ

- The scope of the existing Sustainable Bond Grant Scheme has been expanded to include Sustainability-Linked Bonds.
- Pre-issuance and post-issuance costs can be covered (based on internationally-recognised green/social/sustainability bond principles or framework)
- Cap of S\$100,000 or 100% of the eligible expense per qualifying issuance

Click on links for more details ⓘ



Forms of sustainable finance instruments

The primary difference between Sustainability-Linked Loans and Bonds vs Green, Social and Sustainability Loans and Bonds is the manner in which the proceeds are used.

Type I

Proceeds used to incentivise borrower's achievement of predetermined Sustainability Performance Targets to improve the borrower's sustainability profile

Financial Instruments

- Sustainability-Linked Loans (GSLs)
- Sustainability-Linked Bonds (SBGS)

International Governing Standards

- Sustainability-Linked Loan Principles (SLLP) 2020
- Sustainability-Linked Bond Principles (SLBP) 2020

Type II

Proceeds used for exclusive application to finance or refinance eligible sustainability related projects (i.e. Green Projects, Social Projects, Sustainable Projects)

Financial Instruments

- Green Bonds (SBGS)
- Social Bonds (SBGS)
- Sustainability Bonds (SBGS)
- Green Loans (GSLs)

International Governing Standards

- Climate Bonds Standard (CBS) 2019
- Green Bond Principles (GBP) 2018
- Social Bond Principles (SBP) 2020
- Sustainability Bond Guidelines (SBG) 2018
- Green Loans Principles (GLP) 2018

How PwC can support in green and sustainable finance

1. Determine the reasonable approach

Our Sustainability Advisory team can provide input to the creation and development of your green/ sustainable finance framework, ensuring that it fits with your overall sustainability strategy. We can help you define the objectives for the loan/bond strategy, and ensure it meets the expectations of key stakeholders.

2. Assess the impact

To help the underlying projects meet green and sustainable finance standards and enable you to assess and report the impacts of your green/ sustainability-related projects post-investment, our experienced team can help you develop an appropriate framework.

Assess

- Review issuer's sustainability strategy and the business case for green/ sustainable finance programmes
- Develop internal project selection criteria and processes, and identify eligible green projects
- Conduct environmental and social due diligence
- Develop measurement and reporting frameworks and key performance indicators to demonstrate green/ sustainable impact
- Assess adequacy of governance and internal management systems for tracking and allocation

3. Move with confidence

To give you, your stakeholders and the market the confidence of your green and sustainable finance programme, our Sustainability Assurance team's experience and capabilities can provide the assurance you need for the allocation of proceeds and key performance indicators; in line with the post issuance expectations of your chosen financing tool.

Establish

- Check the eligibility of projects against relevant standards and criteria
- Provide analysis over the governance and internal management processes and controls for tracking and allocation
- Provide analysis in line with internationally-recognised guidelines and frameworks
- Provide periodic analysis over the ongoing eligibility and allocation of proceeds
- Check green/sustainable impact key performance indicators

Sustainability-linked loans and bond verification services

1

Pre-issuance verification

Before committing to originating a sustainability-linked loan/bond, lenders want commitment and comfort that the loan/bond is aligned with internationally recognised sustainability-linked loan/bond principles and that the Sustainability Performance Targets are aligned with the organisational strategy and objectives.

Deliverable

A PwC report validating that appropriate governance and systems are in place, the proposed loan/bond conforms with a specified sustainability-linked loan/bond standard and taxonomy and that the Sustainability Performance Targets are aligned with the organisational strategy and objectives.

2

Post-issuance verification

Over the term of the loan/bond, lenders want assurance that the borrower has met Sustainability Performance Targets as this may have an impact on the terms of the loan/bond such as lower interest rates.

Deliverable

PwC assurance report over the attainment of the Sustainability Performance Targets (limited or reasonable assurance)

Green loan verification services

1

Pre-issuance verification

Before committing to originating a green loan, lenders want commitment and comfort that the loan is aligned with internationally recognised green loan principles and that the funds will be used towards meeting clear environmental/ sustainability objectives.

Deliverable

PwC report validating that appropriate governance and systems are in place, and the proposed loan conforms with a specified green loan standard and taxonomy.

2

Allocation of proceeds

Once invested, lenders want transparency over whether their funds have been allocated according to the commitments made in the prospectus. Issuers are expected to report on how the proceeds of the bond are allocated, on an ongoing basis, typically annual.

Deliverable

PwC assurance report on the reported allocation of proceeds (limited or reasonable assurance).

3

Impact reporting

The most important aspect of issuing a credible green loan is the provision of clear, consistent and comparable impact metrics to demonstrate the green performance of the loan.

Deliverable

PwC assurance report on the environmental and/or social impact metrics associated with the loan (limited or reasonable assurance).

Green, Social and Sustainability Bonds

Verification Services

1

Pre-issuance verification

Before committing to invest in a green/social/ sustainability bond, investors want commitment and comfort that the funds will be used towards meeting clear environmental and/or social objectives.

Deliverable

PwC report validating that appropriate governance and systems are in place, and the proposed bond conforms with a specified green/social/ sustainability bond standard and taxonomy.

2

Allocation of proceeds

Once invested, bondholders want transparency over whether their funds have been allocated according to the commitments made in the prospectus. Issuers are expected to report on how the proceeds of the bond are allocated, on an ongoing basis, typically annual.

Deliverable

PwC assurance report over the reported allocation of proceeds (limited or reasonable assurance).

3

Impact reporting

The most important aspect of issuing a credible green/social/sustainability bond is the provision of clear, consistent and comparable impact metrics to demonstrate the green and/or social performance of the bond.

Deliverable

PwC assurance report over the environmental and/or social impact metrics associated with the bond (limited or reasonable assurance).

PwC credentials – at the forefront of supporting the green and sustainable finance market

Our experience in Green and Social Finance engagements across our international network, providing assurance and advisory services to many of the world's leading financial service providers include:

Sovereign green bond in ASEAN

Provided assurance over compliance of the process for project evaluation and selection with ROI's framework and the allocation of the amount committed to Eligible Green Projects in accordance with ROI's framework. The assurance process was coordinated by the arranging bank.

Singapore bank green bond

Provided pre-issuance agreed procedures in relation to the conformance of the inaugural green bond with the Bank's framework which is aligned with the ICMA Green Bond Principles. Annual assessment of the asset allocation and use of proceeds was performed to check consistency and alignment with the Bank's framework.

Major Spanish retail bank

Provided reasonable assurance over the performance indicators demonstrating the post-investment social and environmental impacts of the bank's Euro 262 million bond, as presented in the 2014 Corporate Social Responsibility Report, and the allocation of proceeds in accordance with the eligibility criteria.

Nigerian bank pre-issuance verification (CBI)

Provided pre-issuance agreed procedures in relation to the conformance of the proposed bond with the Climate Bonds standard. This was Africa's first green corporate bond to be issued using the CBI standard, and proceeds will be used to finance eligible green projects across a range of sectors.

UK bank green bond

Provided on-going assurance over inaugural green bond since 2016. Provided assurance over the selected projects conformity to the Bank's framework which is aligned with the ICMA Green Bond Principles. Ongoing annual re-assessment of the asset allocation and use of proceeds will check consistency and alignment with the Bank's reporting criteria.

UK energy provider post-issuance and impact assurance

Providing ongoing assurance services in relation to the energy providers programme of green bonds, used to finance off-shore wind farms. Provide assurance over carbon saved, and renewable electricity capacity and output as part of wider assurance over SSE's annual sustainability report.

US investment bank green bond assurance

Provided assurance over the bank's \$500 million green bond issue in November 2013, one of the first issues of a corporate use of proceeds green bond. A range of energy efficiency and renewables projects, from street lighting upgrades to solar panel installations, were funded by the bond.

Australian bank programmatic assurance (CBI)

Providing ongoing assurance services in relation to the bank's programme of green bonds. Provided assurance in 2018 over the ongoing conformity of the green bonds in relation to the Climate Bonds standard and taxonomy in the following sectors: solar, wind, low carbon buildings and low carbon transport.

Green investment bank – advisory

Provided ongoing specialist advice to the Green Investment Bank, since its inception in 2011 as a unit within the UK Department for Innovation and Skills to an independent financial institution with £3.8bn of Government funds underpinning it. It's objective is to support UK Government in meeting its 2020 climate change targets.

PwC credentials – our experience and scope of services

We have over 1,000 sustainability and climate change professionals in more than 60 countries, in our global sustainability and climate change network. And that number is growing.

Our dedicated Sustainability and Climate Change team at PwC Singapore work with the public and private sectors to shape policy landscape, develop sustainability strategies, support implementation and provide independent assurance. We help the public and private sector in the following ways which include but are not limited to:

 Advisory	
Climate Risk Assessments - Task Force on Climate-related Financial Disclosures (TCFD)	Carbon Measurement and Accounting (GHG Protocol)
Net zero carbon roadmaps and Science Based Targets (SBTi)	Responsible Investment - ESG policy and tools development
ESG Due Diligence	Sustainable development goals (SDG) alignment and impact assessments
Sustainability strategy and roadmap	Sustainability reporting (e.g. GRI, Integrated Reporting) including metrics
ESG market studies - Sustainable finance, food waste, carbon pricing, carbon verification	Sustainability-related training and capacity building for boards and executives
 Assurance	
Sustainability Reporting Assurance (ISAE 3000 – Limited Assurance)	Green/Social/Sustainability Bonds, Green Loans, Sustainability-linked Bonds/Loans Verification
GHG Emissions Verification (ISAE 3000 – Reasonable Assurance)	GRESB Assurance (ISAE 3000 – Limited Assurance)

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