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IMAS DIGEST

IMAS QUARTERLY NEWSLETTER

IMAS DIGEST

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imas
INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE

One Phillip Street, Royal One Phillip #10-02 S(048692)
+65 6223 9353 | enquiries@imas.org.sg

www.imas.org.sg

FOREWORD

GREETINGS FROM IMAS

Dear members,

The first quarter of 2021 has been a hectic one for IMAS. Our IMAS-Bloomberg Investment Conference and IMAS Digital Summit virtual event in March was a resounding success, and we saw more than 800 delegates from around the world in attendance, representing regions such as Asia, Europe, and the Middle East.

A key theme that was consistently discussed during the Conference was ESG and sustainability, as investors worldwide have become increasingly environmentally conscious. Indeed, during a panel session, prominent speakers such as Ravi Menon, Managing Director, Monetary Authority of Singapore; Lim Chow Kiat, CEO, GIC Pte Ltd; Sue Brake, Chief Investment Officer, Future Fund; and Mark Konyn, CIO, AIA, all reiterated the rising importance of green finance for asset managers.

IMAS began our ESG journey back in 2016, when we expressed support for the Singapore Stewardship Principles (SSP) for Responsible Investors, an initiative aimed at fostering good investor stewardship in Singapore. We are a member of the SSP Steering Committee, and have served as one of the five advisory board members of the Advisory Group to the Asian Sustainable Finance Initiative (ASFI) by Worldwide Fund for Nature (WWF). Together with these partners, we created various masterclasses and workshops to build capability within the industry.

However, the task is far from over: as sustainability continues to gain momentum in the finance industry, IMAS is stepping up efforts to ensure that our members remain up-to-date on the latest developments in the ESG space. Most recently, we launched our first ESG module on iLearn, "Sustainable Investing & MAS Guidelines on Environmental Risk Management" on 23 April. This module was created with the support of the IMAS Environmental Risk Management Working Group, which comprises of representatives from fund management companies who had previously worked with the MAS to co-create the Guidelines on Environmental Risk Management.

Looking forward, IMAS will be organising a series of ESG-themed events for our members. In addition, IMAS is leading the Capabilities and Training Working Group in the Singapore Funds Industry Group (SFIG), which will collaborate with tertiary institutions, professional bodies and training providers to upskill professional standards and build deep capabilities for industry professionals, including in emerging but important areas such as green finance and ESG solutions.

Susan Soh
Chairman

IMAS- BLOOMBERG INVESTMENT CONFERENCE & IMAS DIGITAL SUMMIT 2021

The IMAS-Bloomberg Investment Conference 2021 was held virtually for the first time on 9th March 2021, together with the inaugural IMAS Digital Summit 2021 on the 10th of March.

As a virtual event, IMAS was able to invite a global audience, and we saw a strong turnout of almost 900 delegates, more than double the participation rate from the 2019 Conference, and a significant representation from other countries such as Abu Dhabi, Azerbaijan, Brunei, Cambodia, Thailand, Hong Kong, Taiwan, Japan, Malaysia, Philippines, Indonesia, the US, and the UK.

To engage the entire investment management ecosystem, IMAS brought together a wide range of attendees, including asset managers, insurance firms, consultants, fintechs, banks, governmental agencies, regulators, and asset owners.

In the wake of the COVID-19 pandemic, the Conference theme of “Future of Capital” brought forth new perspectives on investors’ responsibilities to shareholders and new investing approaches centered on making 2021 a reset for the better – towards a more resilient, inclusive and sustainable economy.

Throughout the event, distinguished speakers shared insights on issues affecting the sector's future – from the geopolitics of markets and new technologies in asset management to sustainable investments.

At the event, Ms Susan Soh, IMAS Chairman, emphasised the importance of rethinking investment approaches as the world economy recovers from the pandemic. She stated "the strength of the recovery is projected to vary significantly across countries. Against this environment, we believe that 2021, will see a re-balancing of geopolitical and economic forces, polarizing the world of global investing, which could become increasingly political."

It was a treat for the audience to hear from Mr Lim Chow Kiat, Chief Executive Officer of GIC Pte Ltd. He shared on the long-term trends that would investors should look out for, including the impact of government stimulus and inflation on bond yields, Special Purpose Acquisition Companies (SPACs), as well as Environmental, Social, Governance (ESG) investments. GIC's investment focus would be on companies' transitions to become more sustainable, from "brown to green".

Guest of Honour, the Managing Director of the Monetary Authority of Singapore, Mr Ravi Menon, in his keynote address, emphasized the importance of sustainability in the future of investment, declaring that the "future of capital is green". He shared three powerful driving forces: the growing recognition of climate

change as a global priority, the advances in approaches to sustainable investing, and the changing investor preferences.

Participants had the opportunity to download useful resources in the virtual exhibition booths within the conference site, chat and socialise in the IMAS-Bloomberg Networking Pavilion, as well as participate actively in the panel discussions through polls and Q&A.

With IMAS taking the lead and forging ahead with new initiatives, members can look forward to what promises to be an even bigger and more exciting conference next year.

RECENT ESG INITIATIVES BY IMAS

Sustainable Investing & MAS Guidelines on Environmental Risk Management

Created with the support of the IMAS Environmental Risk Management Working Group

- **IBF-Accredited FTS/ Core SFA CPD Module**
- **Eligible for up to 95% FTS Funding Support & Training Allowance Grant of $30 for 2 hours of training**

Click here to learn more or you can scan the QR code below.

E- LEARNING - LAUNCH OF ESG MODULE

We recently launched our ESG eLearning module "Sustainable Investing & MAS Environmental Risk Management Guidelines" on iLearn! This was created with the support of our Environmental Risk Management Working Group (EnRM WG), who also co-created the MAS Guidelines on Environmental Risk Management for Asset Managers. A big thank you to the EnRM WG and also, IMAS members for your enthusiastic response to the module!

HERE'S WHAT MEMBERS OF THE IMAS ENRM WORK GROUP HAVE TO SAY ABOUT OUR ESG MODULE:

Climate risks will be significant and inescapable. IMAS's ESG module is an important contribution to help asset managers understand the rationale and expectations behind the MAS's Environment Risk Management Guidelines. The asset management industry needs to rapidly accelerate our learning, to manage and build portfolios that are resilient to climate change.

WONG DAN CHI, ASIAN ESG SPECIALIST,
SCHRODER INVESTMENT MANAGEMENT

Capacity building on sustainable investment is a key pillar of the MAS's Green Finance Action Plan and has been an area of focus for us at BNP Paribas Asset Management. We are glad to have contributed to this new ESG module developed by IMAS, helping to equip asset managers operating in Singapore with sound foundations on sustainable investment, before zooming in on what the MAS EnRM guidelines mean for them.

PAUL MILON, HEAD OF STEWARDSHIP, ASIA PACIFIC,
BNP PARIBAS ASSET MANAGEMENT

WEBINAR - ALPHA WITH IMPACT: PRACTICAL ESG APPLICATIONS TO INVESTMENT RISK & PERFORMANCE

Subsequent to the launch of our ESG eLearning module, we also held a webinar on "Alpha with Impact: Practical ESG Applications to Investment Risk & Performance" on 19 May 2021.

This is also the first of a series of workshops launched by the industry for the industry under the Green Finance Industry Taskforce (GFIT)'s Capacity Building Series over the next 12 months. IMAS is a strategic partner to GFIT, which is a financial industry task-force convened by MAS.

We are excited to introduce more training programmes over the next 12 months to strengthen the industry's ESG capabilities. Stay tuned and we look forward to your continued support!

UPCOMING EVENTS

DIGITAL ACCELERATOR PROGRAMME 2021 - TRACK 2 CHALLENGE

Application period: 2 June to 30 July 2021

IMAS DAP 2021 is back for round two! Track 2 challenge focuses on discovering new approaches and solutions for blockchain technology and creating efficient and scalable non-standard trade matching and settlement. Click here to apply now.

AUTOMATED WEALTH MANAGEMENT: OPPORTUNITY OR DISRUPTION?

23 June 2021 (Wed), 4pm to 5.30pm (SGT) | Webinar

Join us as we unwrap the world of wealth tech and explore how recent innovations have enhanced digital customer journeys and provided new exciting channels to deliver more efficient, cost-effective services to customers. Discuss lessons learnt during the pandemic and discover how the asset management community can leverage on different digital platforms to expand their market outreach, improve risk management models, provide unique investment solutions to investors and adapt business models to the evolving landscape.

Panellists
Dharmo Soejanto, *Chief Investment Strategist, UOBAM Invest; Head of Investment Partnerships & Solutions*, UOB Asset Management
Kevin Hardy, *General Manager Asia Pacific and Member of the Group Executive Board*, additive
Joanna Tang, *Chief Executive Office*, LU Global
Nicolas Huras, *Chairman*, IMAS Digital Innovation Committee (moderator)

Register now by clicking here.

IN CASE YOU MISSED IT

WATCH ON IMAS.ORG

IMAS- MAS ROUNDTABLE FOR OVERSEAS FUND DISTRIBUTION

12 Apr & 12 May 2021 | Roundtable

Through two intimate small group discussions, IMAS members provided feedback to MAS on the opportunities and challenges in overseas fund distribution efforts, discussing the ASEAN CIS, ARFP, and bilateral MRFs.

ALPHA WITH IMPACT: PRACITCAL ESG APPLICATIONS TO INVESTMENT RISK & PERFORMANCE

19 May 2021 | Webinar

As part of the Green Finance Taskforce (GFIT) initiative to build capacity in green finance, IMAS jointly organised a webinar with the Life Insurance Association (LIA) on investment performance, attribution and risk measurement from an ESG perspective. To watch a replay, click here.

IMAS 7TH REGULATORY/LEGAL ROUNDUP FORUM

28 May 2021 | Forum

The annual Regulatory/Legal Roundup Forum featured a keynote address by Mr Tan Keng Heng, Executive Director & Head of Capital Markets Intermediaries Department II at MAS, and included presentations on the key regulatory developments in Singapore and in key overseas jurisdictions that fund managers should be aware of. To watch a replay, click here.

THE GROWING LOCAL DEMAND FOR SUSTAINABLE INVESTING & SOLUTIONS

Feature article from UOB Asset Management

While Europe has had a head start in sustainability, Asia is catching up quickly and offers robust growth potential. Government policies, changing investor attitudes and increasing awareness of the importance of sustainable investing have led to a growing local demand for sustainable investing and solutions.

Top-down efforts from public authorities in countries such as Japan, South Korea and China to meet net-zero carbon emissions targets have enabled asset owners and managers in Asia to recognise the importance of sustainable investments. For example, China's Green Investment Guidelines were issued in 2018 to address ESG challenges with regards to disclosure and green investment products, and these efforts have persisted, as evidenced by the 14th Five Year Plan's (2021-2025) focus on sustainable development.

Here in Singapore, the government recently unveiled the SG Green Plan 2030 to tackle climate change through quadrupling the deployment of solar energy by 2025, expanding electric vehicle infrastructure across the country and so on. In this “Whole of Nation sustainability movement”, one of the key aspects of the SG Green plan is to be a leading centre for Green Finance in Asia and globally.

There has been consultation by regulators and participation by financial institutions to support ESG investing and sustainable finance - In 2020, the Monetary Authority of Singapore (MAS)’s Environmental Risk Management Guidelines for Asset Managers were co-created with financial institutions and the Investment Management Association of Singapore (IMAS), through the Environmental Risk Management Working Group (ENRM WG). More recently, the Environmental Risk Management Handbook was issued by the Green Finance Industry Taskforce (GFIT) convened by the MAS to offer guidance to banks, insurers, and asset managers on best practices in environmental risk management.

The push from governments and regulators has catalyzed the adoption of sustainability practices by many Asian companies, and there are also keen opportunities developing in the space of smart sustainable cities, alternative energy sources, and electric vehicles. Clients and investors are becoming increasingly conscious of, and attentive to the impact of their investments. Large asset owners in Asia, including pension funds and insurance companies, have made their own commitments to prioritizing sustainability and some have made net-zero commitments of their own.

Investment managers too have started taking notice. As fiduciaries of clients’ funds and monies, it is imperative for us to allocate capital sustainably, create long-term value for our investors, and allow them to invest for both profit and purpose. IMAS did an outlook survey of 58 asset managers in Singapore this year and found that 86% of respondents believe that ESG factors will drive the industry’s growth, compared to 68% last year.

At UOB Asset Management, Sustainable Investing complements our focus on quality in our investment philosophy. Being rooted in Asia and with our regional footprint, we see that top-down commitments and increased demand from investors and asset owners in Asia are increasingly driving capital towards sustainable investments. We expect this momentum to continue, paving the way for Asia to become a global hub in ESG.

HEDGE FUNDS AND ESG - FINDING THEIR PLACE ON THE ESG SPECTRUM

Feature article from BNP Paribas

A BNP Paribas survey has found that 40% of hedge funds include environmental, social and governance (ESG) considerations in their investment process. Though many institutional investors do integrate ESG into their investment process, ESG integration headlines are most typically associated with asset managers and some of the world's largest pension funds. Hedge funds for the most part, prefer to keep their investment and trading strategies very private. Therefore little research has been conducted on hedge funds and ESG integration to date.

REPORT METHODOLOGY

The research is based on a survey of 53 individual hedge fund management organisations along with in-depth interviews with prominent leaders from within the industry, conducted in spring/summer 2020. The global survey sample represents a broad cross-section of hedge funds, in terms of sizes, primary strategies, geographies, and client types. As a group, their combined AUM is over half a trillion dollars – approaching 20% of the total hedge fund industry's AUM.

KEY FINDINGS INCLUDE

- **Tipping point & drivers:** 40% of hedge funds surveyed integrate ESG into their investment process, driven by client demand (71%) and investor requirements (67%). Consequently, a variety of ESG investment styles have been added to traditional hedge fund strategies. ESG integration is reaching a tipping point; by mid-2022, 57% of surveyed funds will be incorporating ESG, and likely to be earlier given market dynamics.
- **Characteristics challenges:** 60% of participants do not currently integrate ESG. Some remain sceptical that ESG-related products/data sets can improve risk-returns and question whether they can be successfully combined into existing hedge fund investment strategies.
- **Barriers:** Of the surveyed funds integrating ESG, only 48% are driven by the belief that it will improve their risk-return profile. 67% of them cite social factors as the most difficult to analyse and incorporate. There was also an ‘action gap’ between the familiarity of sustainable products and uptake.
- **Corporate sustainability:** Hedge funds are becoming increasingly aware of their responsibilities to the environment and society. Currently 55% of all respondents use ESG principles in the management of their companies driven by firm leadership, and 62% are measuring their operational carbon footprint.
- **Mainstreaming in the future:** Over 50% of respondents believe there will be increased demand for ESG-integrated investments post-COVID. Furthermore, 85% of funds integrating ESG expect more regulatory disclosure requirements in the next year, with the majority taking a greater role in ESG consultations.

Similar to the 2019 BNP Paribas asset managers and owners’ survey, social factors and data remain the current challenges as 1 in 5 hedge funds do not integrate ESG due to lack of data.

“As we have seen across the investment landscape, hedge funds are evolving to integrate ESG into their decision making. It is clear that hedge funds are starting to measure and manage certain ESG considerations - especially within their operations.”

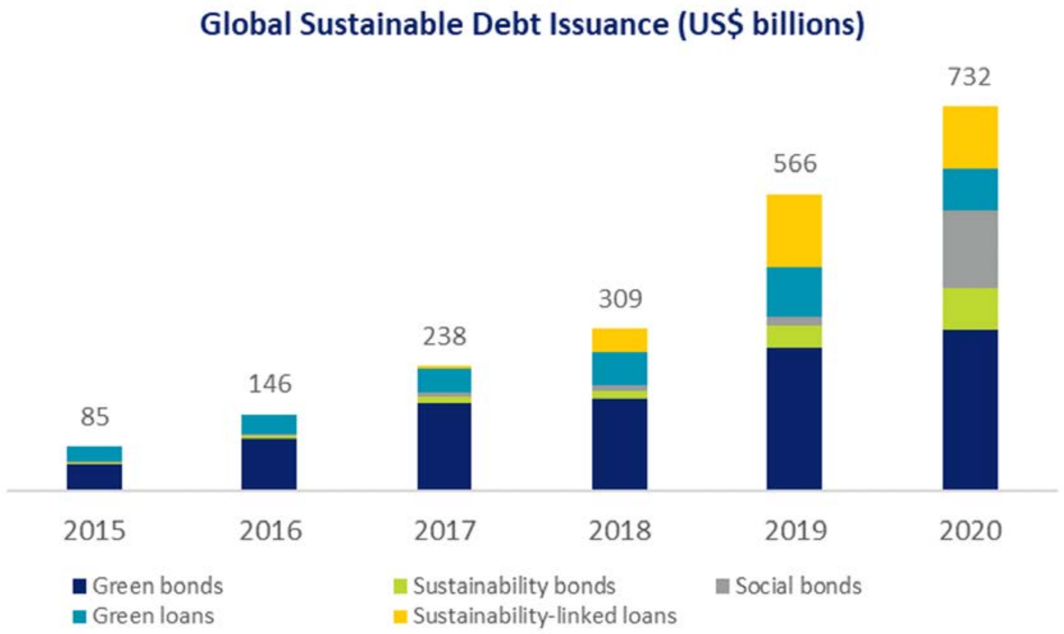
SANDRINE FERDANE, BNP PARIBAS GLOBAL HEAD OF FINANCIAL INSTITUTIONS COVERAGE

For more details, read the full report “Hedge Funds and ESG” available on https://securities.cib.bnpparibas/hedge-funds-and-esg/

S-REITS SECURED CLOSE TO S$3 BILLION OF GREEN AND SUSTAINABILITY-LINKED LOANS SINCE 2020

Feature article from SGX

In 2020, global sustainable debt issuance surpassed US$700 billion, up from US$566 billion in 2019 (according to Bloomberg). The notion of sustainable debt, which started off with an initial focus on green bonds, has evolved tremendously in the last few years. The scope of sustainable debt has expanded to include instruments such as sustainability-linked and social bonds, as well as green and sustainable-linked loans.



To encourage corporates to adopt sustainable business practices, provide them with access to green financing and anchor deep green finance expertise in Singapore, the Monetary Authority of Singapore (“MAS”) introduced a new Green and Sustainability-Linked Loan Grant Scheme (“GSLS”), effective since January 2021. The first of its kind globally, the GSLS supports corporates of all sizes to obtain green and sustainable financing by defraying the expenses of engaging independent sustainability advisory and assessment service providers to validate the green and sustainability credentials of the loan (click here for more information on the GSLS).

- Green loans are generally structured in the same way as standard loans except that proceeds from green loans are tracked and used for specific green projects which met certain benchmarked criteria.
- Sustainability-linked loans generally do not restrict the use of proceeds but borrowers will have to commit to sustainability performance targets, and are awarded a reduction in interest rates if their sustainability targets are met. Therefore, sustainability-linked loans align companies to broad investor sustainability expectations and allow access to a wider range of companies who might not have specific green projects or funding needs.

While green or sustainability linked loan opens more avenues of funding, it also serves as a signal to investors on the firm's commitment towards environment and sustainable business practices.

As many as 12 Singapore REITs and Property Trusts have secured new or refinanced their green and/or sustainability-linked loans since the start of 2020 to 30 March 2021. Together, the 12 S-REITs obtained close to S$3 billion in loan amount, of which close to 41% are in the form of green loans while the other 59% are sustainability-linked loans.

RECENT GREEN AND SUSTAINABILITY- LINKED LOANS BY SINGAPORE REITS AND PROPERTY TRUST

In March 2021, Manulife US REIT ("MUST") obtained its first sustainability-linked loan of US$250 million from DBS and OCBC. Loan terms incorporate interest rate reductions linked to the achievement of predetermined sustainability performance targets, including efficient use of energy and water, and management of greenhouse gas (GHG) emissions, in relation to MUST's nine office properties in the U.S. Back in May 2020, MUST also obtained its maiden green loan of US$100 million of which proceeds will be primarily used to refinance Peachtree, a 27-storey Class A office building located in Midtown, Atlanta.

Ascott Residence Trust ("ART") also secured its maiden green loan in January 2021. The S$50 million five-year green loan from DBS made ART the first hospitality trust in Singapore to secure a green loan. ART noted that proceeds from the green loan will be used to finance its maiden development project and co-living property, lyf one-north Singapore. lyf one-north Singapore is one of ART's 15 properties that attained green certifications in 2020, bringing the total number of ART's green properties to 21.

All four of Mapletree-sponsored REITs have existing green and/or sustainability-linked loans. More recently, in 2021, both Mapletree Logistics Trust ("MLT") and Mapletree North Asia Commercial Trust ("MNACT") have secured new green loan facilities while Mapletree Industrial Trust ("MIT") obtained its inaugural S$300 million sustainability-linked loan back in December 2020. Mapletree Commercial Trust ("MCT") entered into a green loan facility in June 2020 to refinance loans relating to MCT's properties which have been certified BCA Green Mark Gold or better. This follows MCT's first S$670 million green loan in 2019 to part finance its acquisition of Mapletree Business City (Phase 2).

List of Singapore REITs and Property Trusts with new Green and/or Sustainability-linked loans since Jan 2020

Name	Code	Loan Types	Aggregated Loan Amount	Mkt Cap S$M	Dividend Yield (%)
Ascott Residence Trust	HMN	Green Loan	S$50m	3,363	2.8%
CapitaLand Integrated Commercial Trust	C38U	Sustainability-linked[1]	S$200m	13,853	5.4%
Far East Hospitality Trust	Q5T	Sustainability-linked	S$125m	1,237	5.3%
Frasers Logistics and Commercial Trust	BUOU	Sustainability-linked[2]	S$798m	4,903	4.8%
Keppel REIT	K71U	Green Loan	A$300m	4,505	3.1%
Manulife US REIT	BTOU	Sustainability-linked & Green Loan	US$350m	1,553	7.6%
Mapletree Commercial Trust	N2IU	Green Loan	Not Available[3]	6,997	3.9%
Mapletree Industrial Trust	ME8U	Sustainability-linked	S$300m	6,442	4.4%
Mapletree Logistics Trust	M44U	Green Loan	S$200m[4]	8,267	4.1%
Mapletree North Asia Commercial Trust	RW0U	Green Loan	Not Available[3]	3,503	7.0%
Soilbuild Business Space REIT	SV3U	Green Loan	S$80m	683	7.3%
Suntec REIT	T82U	Green Loan	A$450m	4,455	4.7%

[1] Loan made under CapitaLand Mall Trust before merger

[2] Includes loans made under Frasers Commercial Trust and Frasers Logistics & Industrial Trust before merger

[3] Actual loan amount not disclosed

[4] Two new green loans made during the period, loan amount unavailable for most recent loan in Mar 2021

Source: Company Announcements, Bloomberg (Data as of 30 Mar 2021)

UNLOCKING SUCCESSFUL ESG INVESTMENT WITH CREDIBLE DATA

Feature article from Bloomberg

Originally published in Raconteur's Sustainable Investing report in The Sunday Times

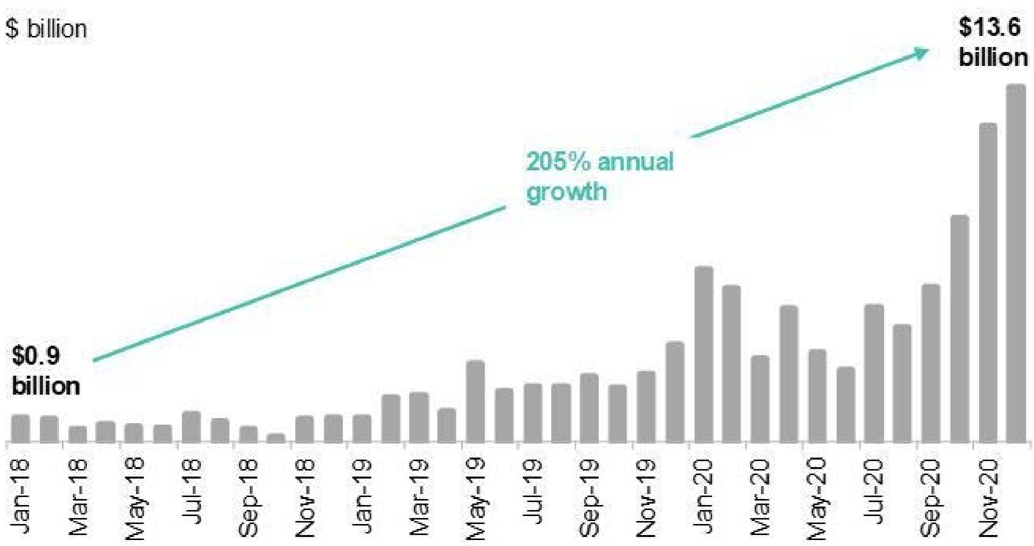
Investors are placing vast sums of money into products they view as having strong environmental, social and governance credentials, but problems remain around data accessibility and quality. More consistency, reliability and transparency is urgently needed.

Environmentally and socially conscious stocks or bonds have been touted as delivering positives for the planet while growing wealth for investors. But only more recently, with $38 trillion of environmental, social and governance (ESG) assets under management in 2020 – estimated by Bloomberg to grow to $53 trillion within five years – has sustainable investing gone genuinely mainstream.

While investments have soared, serious concerns have hampered trust in the market. Perhaps the most obvious problem is greenwashing, through sometimes highly misleading corporate environmental claims. Another concern is the relative lack of pertinent, comparable information. Investors have been beset by disparate corporate reporting practices, as well as by market research reports based on estimates and industry averages.

"Investors are increasingly demanding the financial industry focuses on sustainability initiatives that support better long-term, risk-adjusted portfolios," says Patricia Torres, Global Head of Sustainable Finance solutions at Bloomberg. "The lack of good data makes it hard for fund managers to explain why they have taken certain decisions from an ESG perspective and it leads to investor criticism."

ESG ETFs net flows, by month



Source: BloombergNEF, Bloomberg Intelligence, Bloomberg Terminal. Note: Growth figure represents compound growth between 2018 and 2020 annual inflows.

The rate of growth of ESG markets presents its own challenges too and can result in marketing promises outpacing impact realities. While investors initially simply blocked their money going to companies deriving too much of their profits from fossil fuels, for example, they soon moved on to demand much more specific ESG ratings as a basis for investment choices.

“At this point in ESG’s evolution, the rush for data often uncovered massive inconsistencies, inaccuracies and even misleading claims,” says Torres. “Investment managers suddenly faced questions about whether their ESG strategies were really as positive as promised.”

The gap between investor expectations and the promises made by corporations and institutional investment funds is in the sights of market regulators. Several rule-makers are now seeking to establish clear standards around definitions, metrics and disclosure.

Leading the way is the European Union, which has incorporated recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), proposing clear taxonomy for classifying sustainable operations, regular disclosure by investment firms on how ESG fits their strategies, consistent metrics and governance, and benchmarks to help investors track their portfolios.

“The first focus has been on directing capital to more sustainable outcomes that meet countries’ climate pledges, rather than simply comparing companies against each other,” says Nadia Humphreys, Business Manager for Sustainable Finance at Bloomberg. “Equally, regulators want to ensure institutional investors appropriately assess the systemic risk from climate change.”

With the more than 40% growth in ESG investment expected in the next five years, asset managers, pension funds and others will face ever-stronger expectations from both investors and regulators. Fund success depends on rapidly securing access to accurate information that is highly comparable, fully consistent and quickly actionable.

"Investors are increasingly demanding the financial industry focuses on sustainability initiatives that support better long-term, risk-adjusted portfolios. The lack of good data makes it hard for fund managers to explain why they have taken certain decisions from an ESG perspective and it leads to investor criticism."

PATRICIA TORRES, GLOBAL HEAD OF SUSTAINABLE FINANCE SOLUTIONS
BLOOMBERG

imas
INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE

One Phillip Street, Royal One Phillip #10-02 S(048692)
+65 6223 9353 | enquiries@imas.org.sg

www.imas.org.sg