



Climate Journey:
Steering Change in the Palm Oil Sector in Asia

Sustainable Financing in Palm Oil Sector by UOB

Sector Solutions Group

Group Wholesale Banking

12 July 2023

Private and Confidential

Speaker Profile



Ms Susanti Wang

Centre of Excellence
of Food & Agribusiness

United Overseas Bank



Susanti is currently the COE of Food and Agribusiness within Consumer Goods, Sector Solution Group for UOB. She has strategic coverage on Agribusiness with palm oil value chain as a key focus and is responsible for developing sector specific solutions by leveraging on industry insights, data analytics and value chain analysis across UOB's wholesale banking business.

Susanti is also part of the Wholesale Bank's taskforce in driving sustainability related financing.

Prior to joining UOB, Susanti was from Rabobank as soft commodity specialist for Asian market. She started out her career in Sinar Mas and EDF Man of which she acquire ground industry experience in research and trading along the different parts of palm and soft commodity value chain.

Agenda



Topic

1. Introduction to UOB

2. Introduction to UOB's Sector Solution Group (SSG)

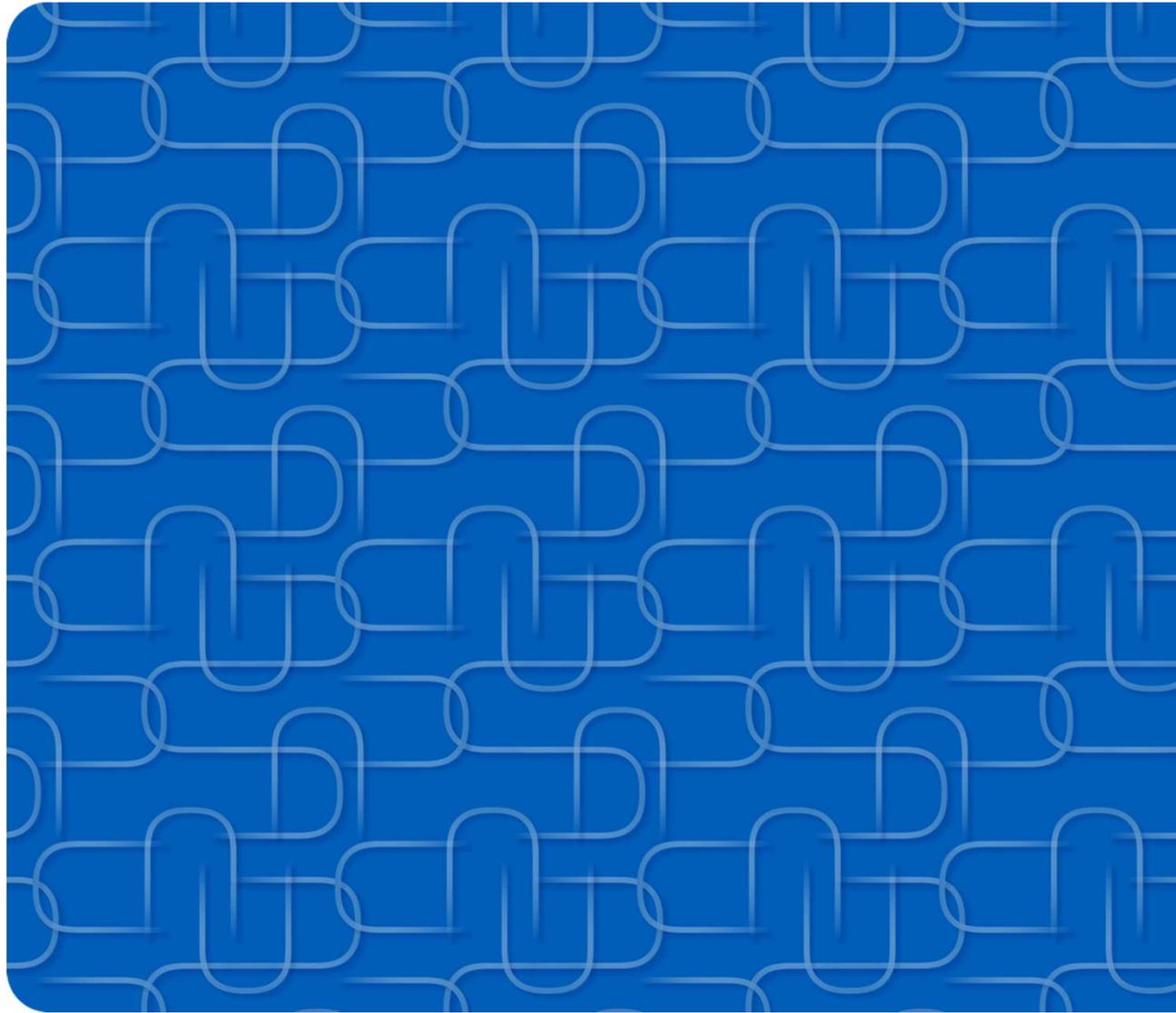
3 UOB's Position on Palm Oil

4. UOB Commitment in the Palm Oil Sector

5. UOB's Sustainable Financing

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Introduction to UOB



Who we are



Established in 1935, United Overseas Bank (UOB) is a leading bank in Asia with:



> 500

Branches and offices



19

Countries and territories
in Asia Pacific, Europe
and North America



> 7

Offices in Asia; Singapore
(Head office), Mainland
China, Hong Kong,
Indonesia, Malaysia,
Thailand, Vietnam



2021

Rated among the world's
top banks; "Aa1" by Moody's
and "AA-" Standard &
Poor's and Fitch Ratings

UOB's global footprint



>500 branches and offices in Asia Pacific, Europe and North America

19 countries and territories globally, with extensive and established presence in **ASEAN region**



Source: UOB Annual Report 2021

Over the years...



2015

- Launched UOB Group Responsible Financing Policy

2017

- Adopted The Association of Banks in Singapore's Haze Diagnostics Checklist

2016

- Started sustainability reporting in accordance with the Global Reporting Initiative Standards

2019

- Strengthened due diligence processes for financing activities with enhanced checklist and climate-related questions
- **Launched the Sustainable Finance Framework for Green Building Developers and Owners**
- Became one of the only four Singapore companies included in the global Bloomberg-Gender Equality Index

2020

- **Launched the UOB Smart City Sustainable Finance Framework**
- Supported more than 1.4 million individuals and businesses, contributing >\$2.7 million to the community under the #UnitedForYou COVID-19 Relief Programme

2021

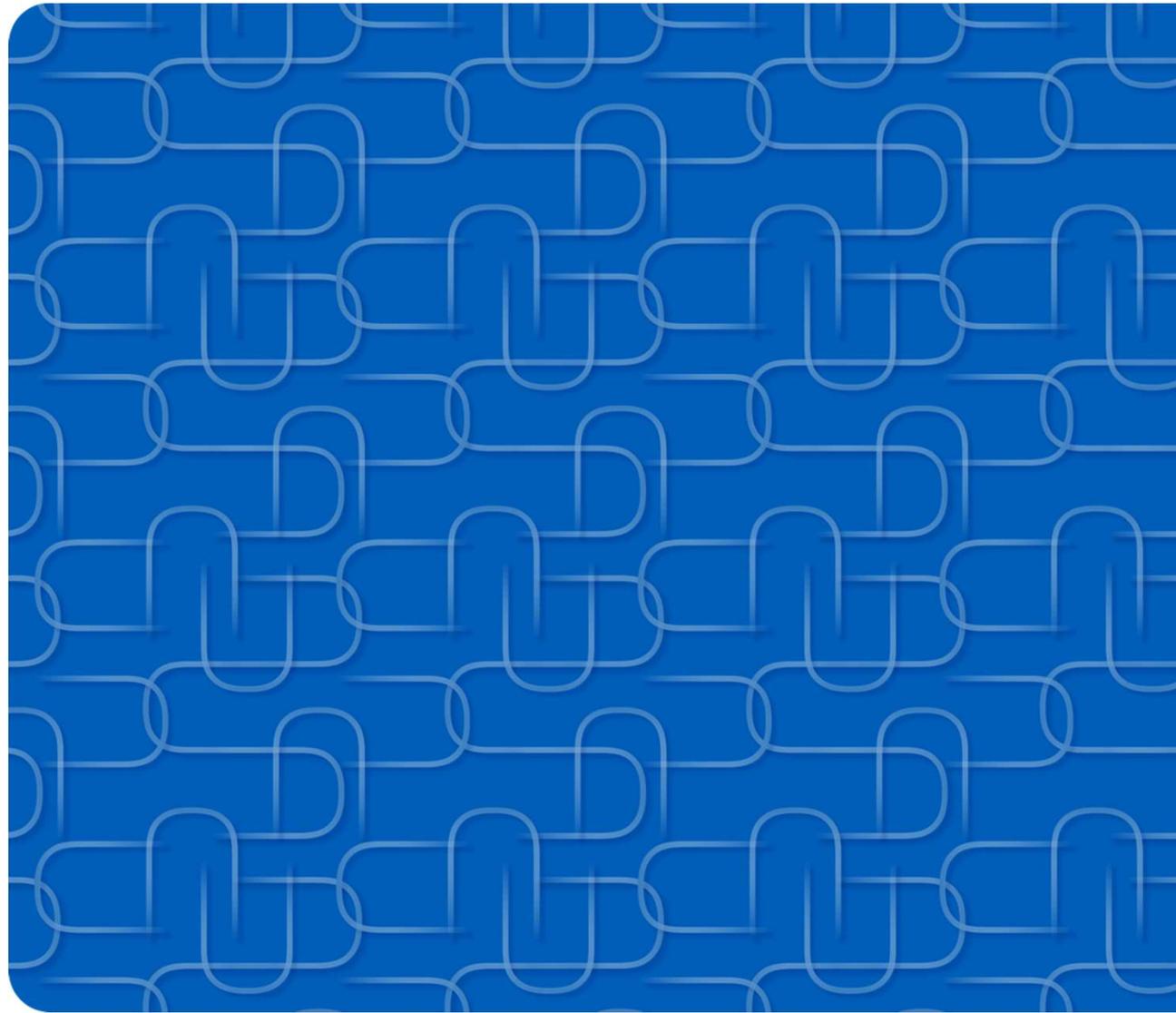
- Appointed Chief Sustainability Officer and set up the Group Corporate Sustainability Office
- Issued the first UOB Sustainability Bond
- Established the UOB Environmental Risk Management Framework, which covers lending and capital market underwriting activities
- **Launched the UOB Green Financing Framework for Circular Economy and UOB Green and Sustainable Trade Finance and Working Capital Framework**
- Achieved carbon neutrality for our operations
- Celebrated 40th anniversary of the UOB Painting of the Year Competition

2022

- Announced commitment to net zero by 2050 for our financed emissions
- **Launched the UOB Transition Finance Framework and UOB Green and Sustainable Liabilities Framework**

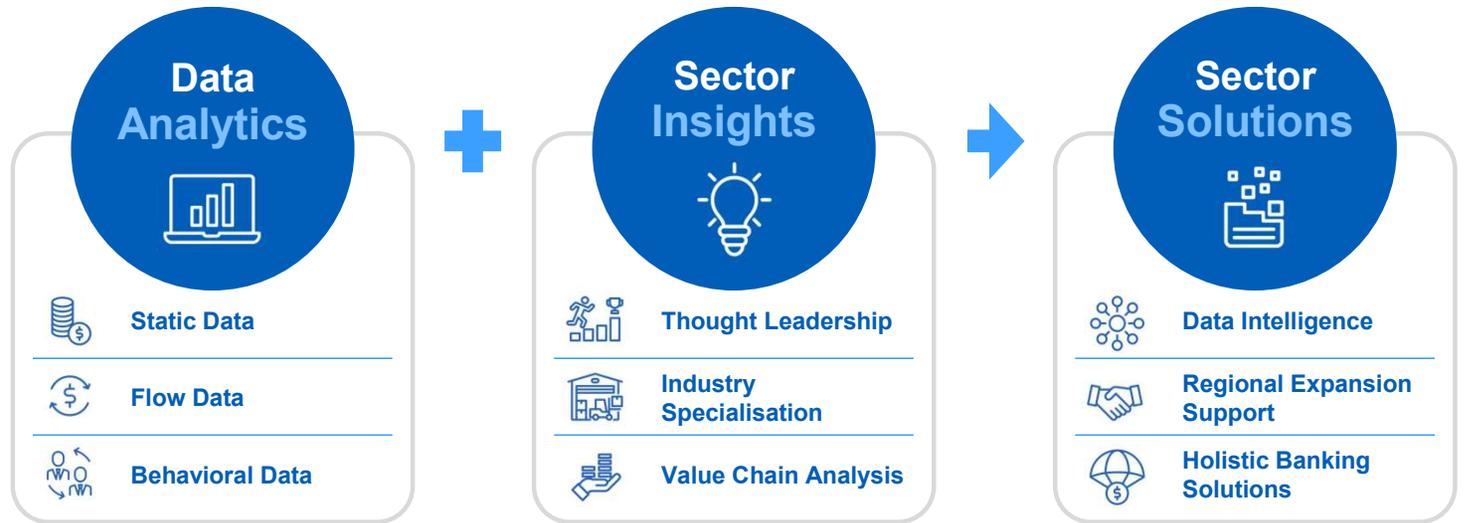
Introduction to UOB's Sector Solution Group (SSG)

What we do



Bringing
UOB and
ASEAN
 closer to you

Introducing Sector-Driven Strategies



Focused on 7 Prioritised Sectors

- Construction & Infrastructure
- Consumer Goods
- Healthcare
- Industrials
- Energy & Chemicals
- Real Estate & Hospitality
- Technology, Media & Telecommunications

Footprint in 7 Major Markets

- Hong Kong
- Indonesia
- Mainland China
- Malaysia
- Singapore
- Thailand
- Vietnam

Recent Notable Publications



Building a safe, secure, sustainable agriculture sector in Asian countries

Agri-businesses should tap innovative ag-tech solutions to modernise operations, boost supply chain resilience.

THURSDAY 11, 2021 - 5:53 AM

RONAR SILALAH
ERNEST TAN



Smart Singapore's limited land resources and dense urban population, the government is seeking innovative solutions to achieve a 50 per cent increase in domestic food production from 100 to 200 tonnes of local food levels by 2030. (BY FILE PHOTO)

Asia's food consumption is undergoing dramatic changes driven by the region's burgeoning population, growing middle class and rapid urbanisation. For the region to feed with capacity constraints in meeting the rapidly rising food demand of its people, given the limited supply of arable land and water per capita compared with regions such as North America.

By 2030, the amount of arable land per person in Asia is expected to fall further by 5 per cent, according to a report published by Intersak in 2019.

While food security may not be unfamiliar for countries in Asia, its importance has never been more apparent than now, as highlighted by the ongoing Covid-19 pandemic.

For example, we understand from UOB's seafood wholesaler clients that during Singapore's circuit breaker period, seafood prices soared nearly 30 per cent due to supply shortages and transportation disruptions.



Fuller your expenses with CG (that not true)



BREAKING NEWS

09:53 AM Singapore stocks slip at Wednesday's open; SSI down 0.1%

09:29 AM Malaysia: Shares open higher on Wednesday

08:19 AM Indonesian consumer confidence climbed by Covid-19 in January survey

08:58 AM World Wide Web investor opposes Australia's new payment plan

08:53 AM Stocks to watch: ESR, Baxi, First Real, Keppel Infra Trust, Sunmagine, ARA Logistics

RECOMMENDED FOR YOU

DES sees 'pre-emptive' policy response to curb higher property prices

Asset-heavy property groups may take the privatisation route

RHB issues S\$500m notes due in 2026

Biden to avoid sweeping immigration reforms

Broker's take: DES sees 'pre-emptive' policy response to curb higher property prices

Industry Perspective
Consumer Goods | Feb 2022

Potential Disruption in Southeast Asian Agricultural Commodities

Scenarios from Russia-Ukraine conflict

RIGHT BY YOU

Industry Perspective
Consumer Goods - Animal Protein and Agribusiness | October 2022

Towards net zero: Harnessing waste to cut costs and emissions

RIGHT BY YOU

Consumer Goods

Emerging from Covid-19: Digitalisation and Sustainability in Foodservice

April 2023

Industry Perspective

Sources: <https://www.straittimes.com/business/companies-markets/singapore-poultry-industry-to-get-first-smart-and-green-factory-with-40m>, UOB Industry Perspective: COVID-19's impact on animal protein in Asia, Asian Meat Magazine September/October 2020, <https://www.businesstimes.com.sg/opinion/building-a-safe-secure-sustainable-agriculture-sector-in-asian-countries>

Specific Sector and Client Insights



Expand your knowledge to understand your client's industry through our Industry Perspectives reports and videos on the 7 strategic sectors.

- 
 Construction & Infrastructure
- 
 Consumer Goods
- 
 Healthcare
- 
 Industrials
- 
 Energy & Chemicals
- 
 Real Estate & Hospitality
- 
 Technology, Media & Telecommunications

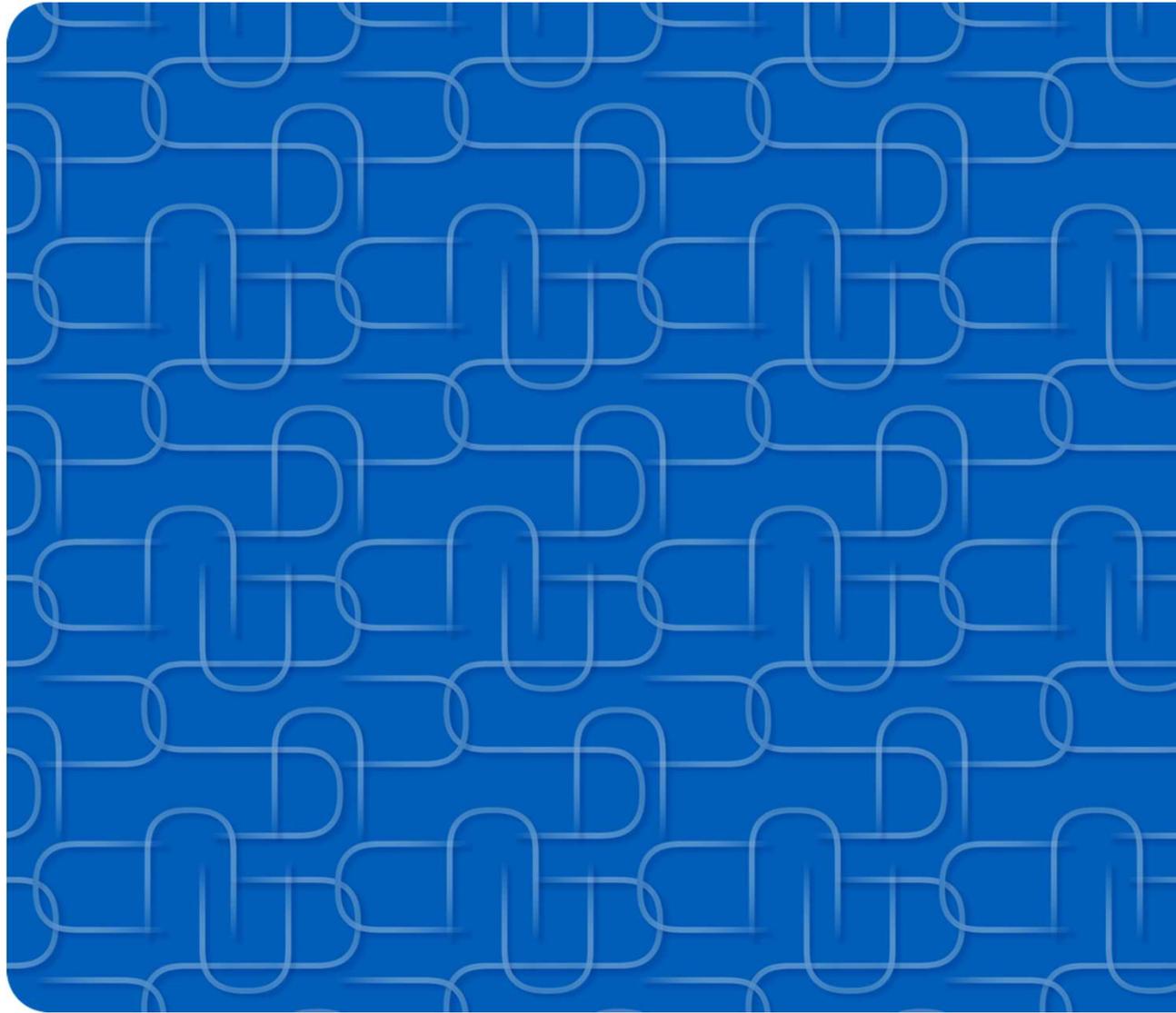


The collage features several pieces of content from UOB's Industry Perspectives:

- Desktop Website:** Shows the UOB website navigation with a 'Leadership Series' banner and category tiles for Construction & Infrastructure, Consumer Goods, Industrials, and Oil, Gas & Chemicals.
- Video Player:** Displays a video titled 'Animal Protein: Modernisation of Livestock' with a subtitle 'Bioscience management across the value chain'.
- Infographic 1:** Titled '7.9% growth per annum in global food electronics', showing a circular chart with segments for 'Animal Protein', 'Food Safety', 'Packaging', and 'Other Chemicals'.
- Infographic 2:** Titled 'COVID-19 impact on animal protein in Asia', featuring a circular chart with segments for 'Pork', 'Chicken', 'Beef', and 'Dairy'.
- Infographic 3:** Titled 'Rise in alternative protein', discussing the impact of COVID-19 on the industry.

UOB's Position on Palm Oil

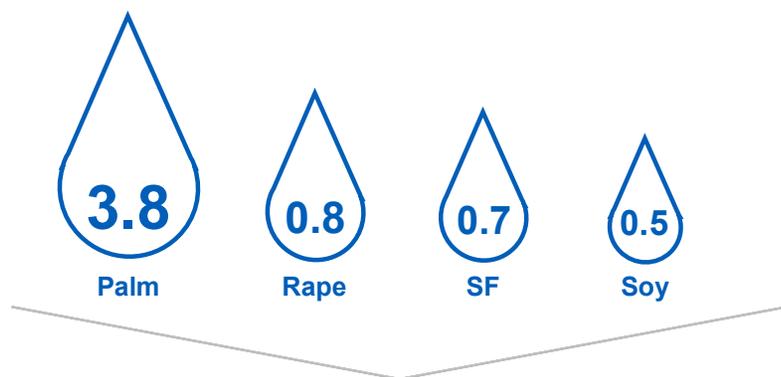
Consumer Goods
– Food & Agribusiness



Palm oil is irreplaceable and remains a key contributor to Indonesia and Malaysia

Palm is the most efficient oil crop

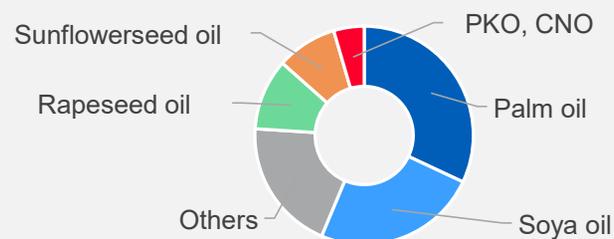
Oil (in tons) per hectare



Palm has many applications



Palm is the most consumed vegetable oil in the world

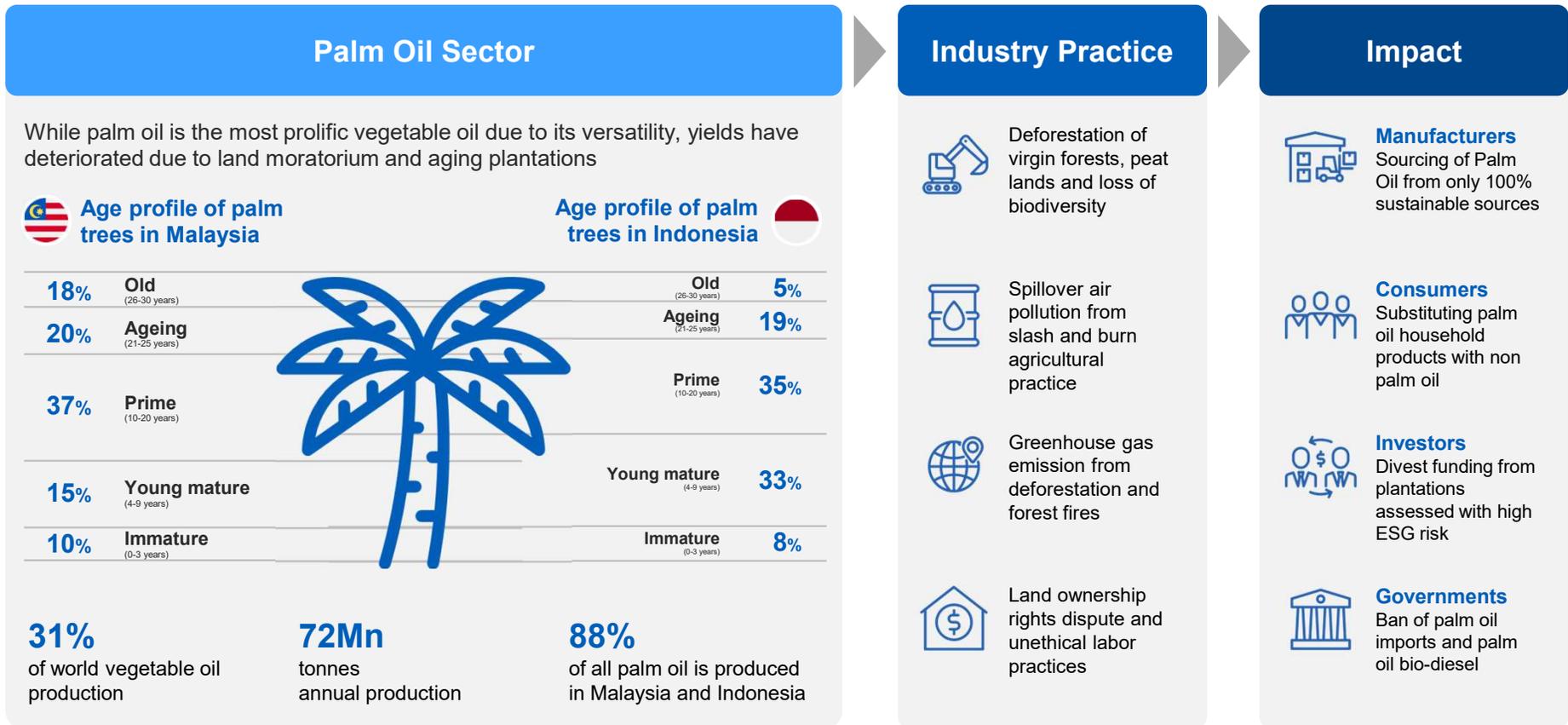


Palm agriculture contributes to economic and social development

	Market Value (USD, 2019)	Employment (# of jobs, 2019)
	11.2bn	437k
	50bn	8.4mn

Source: Oil World (2020), USDA, WHO, Statista, eco-business

Widespread use of Palm Oil increases scrutiny on the industry



Downstream demand is driving changes in supply chain



Downstream players have the largest financial influence over the sustainability effort of the palm value chain

Downstream players directly influence the sustainability efforts

More than 75% of companies*
are publicly committed to use RSPO Certified Sustainable Palm Oil (CSPO)

2 out of 3 of companies*
have committed to use 100% CSPO by 2020

More than 40% of companies*
only purchased CSPO in 2020

Approx. 30% of companies
required suppliers to have traceability to the palm mill

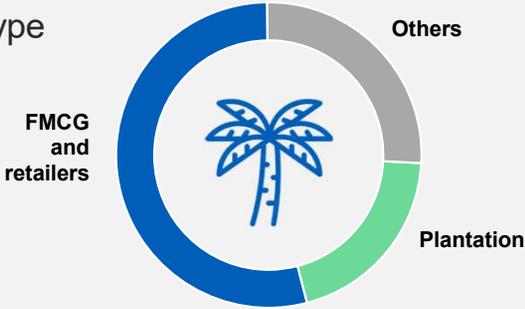


Suppliers with a strong sustainability profile will have an edge over their competitors

Palm oil is a **USD 282 bn** industry

- Accounts for **31%** of world vegetable oil production
- FMCG buyers and retailers account for **more than 50%** of total embedded palm oil value in the entire value chain and **66% of the total gross profit margin**.

Palm oil value by archetype



Source: WWF Palm buyer Scorecard 2020, Chain Reaction Research
*Study is done on assessed 173 retailers, manufacturers and food service companies from Australia, Belgium, Canada, Denmark, Finland, France, Germany, Indonesia, Ireland, Italy, Malaysia, Netherlands, Poland, Portugal, Singapore, Sweden, Switzerland, the United Kingdom (UK) and the United States (USA).

However, the Palm Oil Industry can contribute positively towards UN's SDGs

About 40 percent of the plantation area in Indonesia is owned by smallholders and these (2 million) farmers earn up to 7x more than subsistence farmers.



Palm oil is a critical food ingredient for populous nations like China and India. As the world's population continues to grow, palm will maintain its key role in feeding the world.



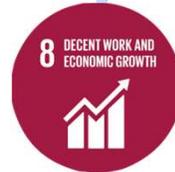
Development of palm oil estates improves infrastructure and facilities in rural areas, thereby improving access to healthcare. Higher earnings from palm oil also allow the rural communities to get better food and nutrition.



Despite the widespread perception of the industry's impact on the tropical forests, palm is most active agricultural sector in promoting sustainability. Palm's high yield per hectare also means arable land can be used more efficiently to mitigate the risks in climate change.



The palm oil industry helps to reduce inequalities by providing better earnings to rural communities. Palm oil contributes up to 3.8% and 2.5% of GDP in Malaysia and Indonesia respectively.

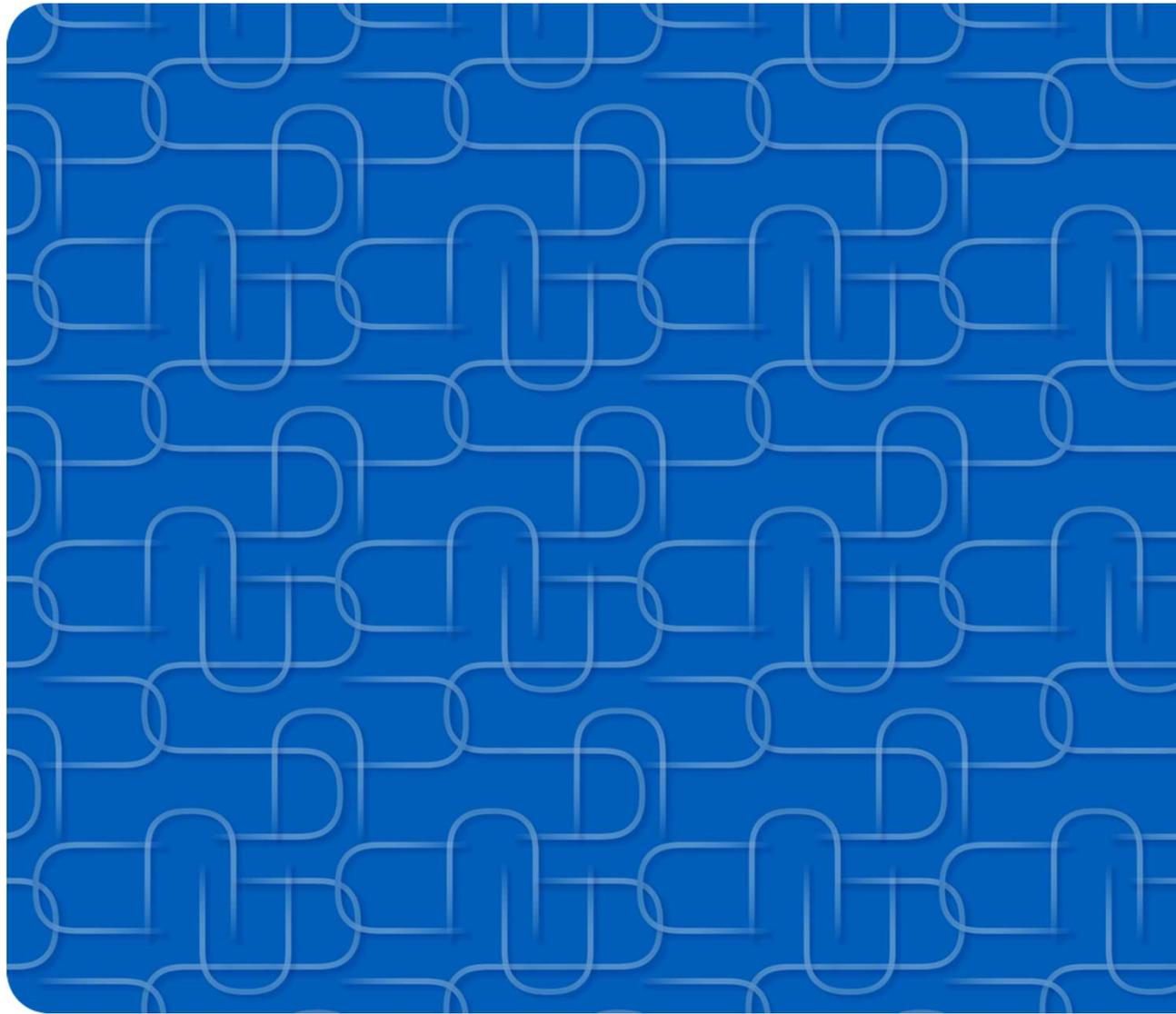


The palm industry provides 5.9 and 0.5 million jobs in Indonesia and Malaysia respectively in 2016. Aside from direct employment in plantations, jobs are also created in downstream processors, R&D, trading and logistics and other supporting industries.

As rural infrastructure and facilities improve, schools are also set up to help children achieve mandatory education. Plantation companies may also help to support them in further education through CSR programs.

UOB's Commitment in Palm Oil Sector

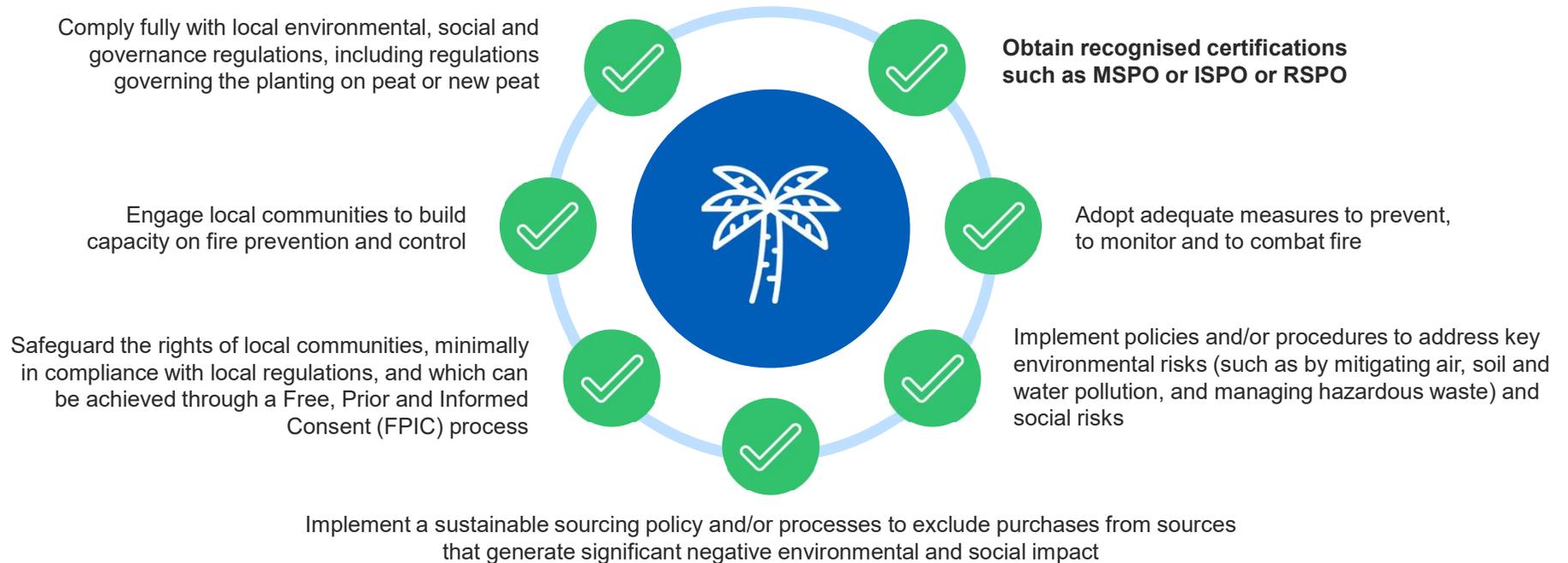
Consumer Goods
– Food & Agribusiness



UOB's Palm Oil Responsible Financing Policy



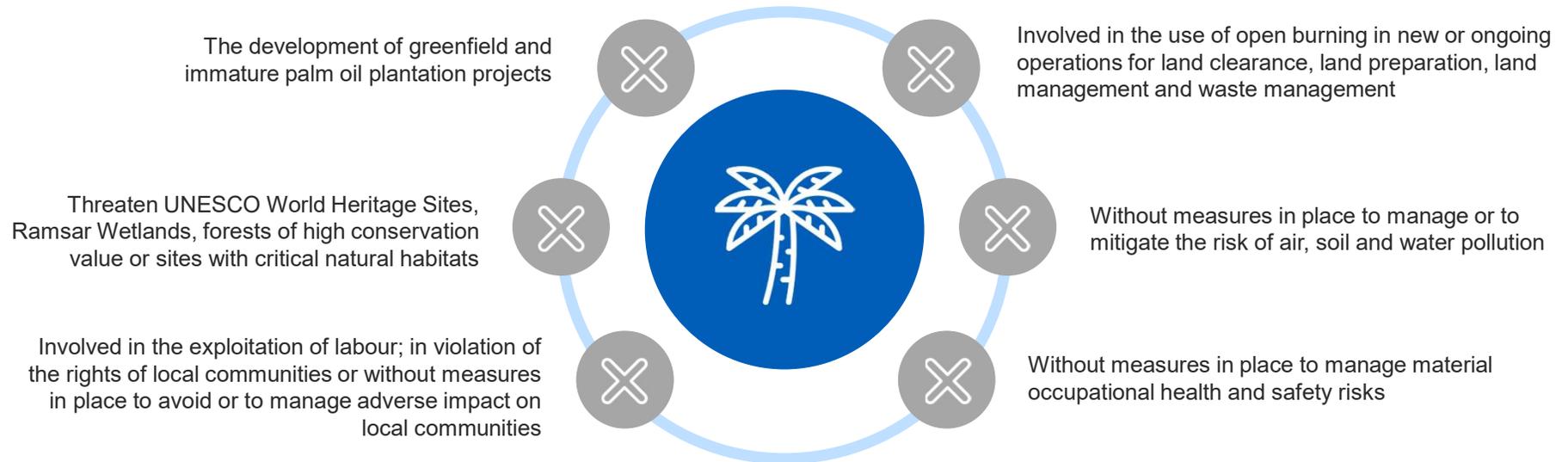
UOB require that companies:



UOB's Palm Oil Responsible Financing Policy

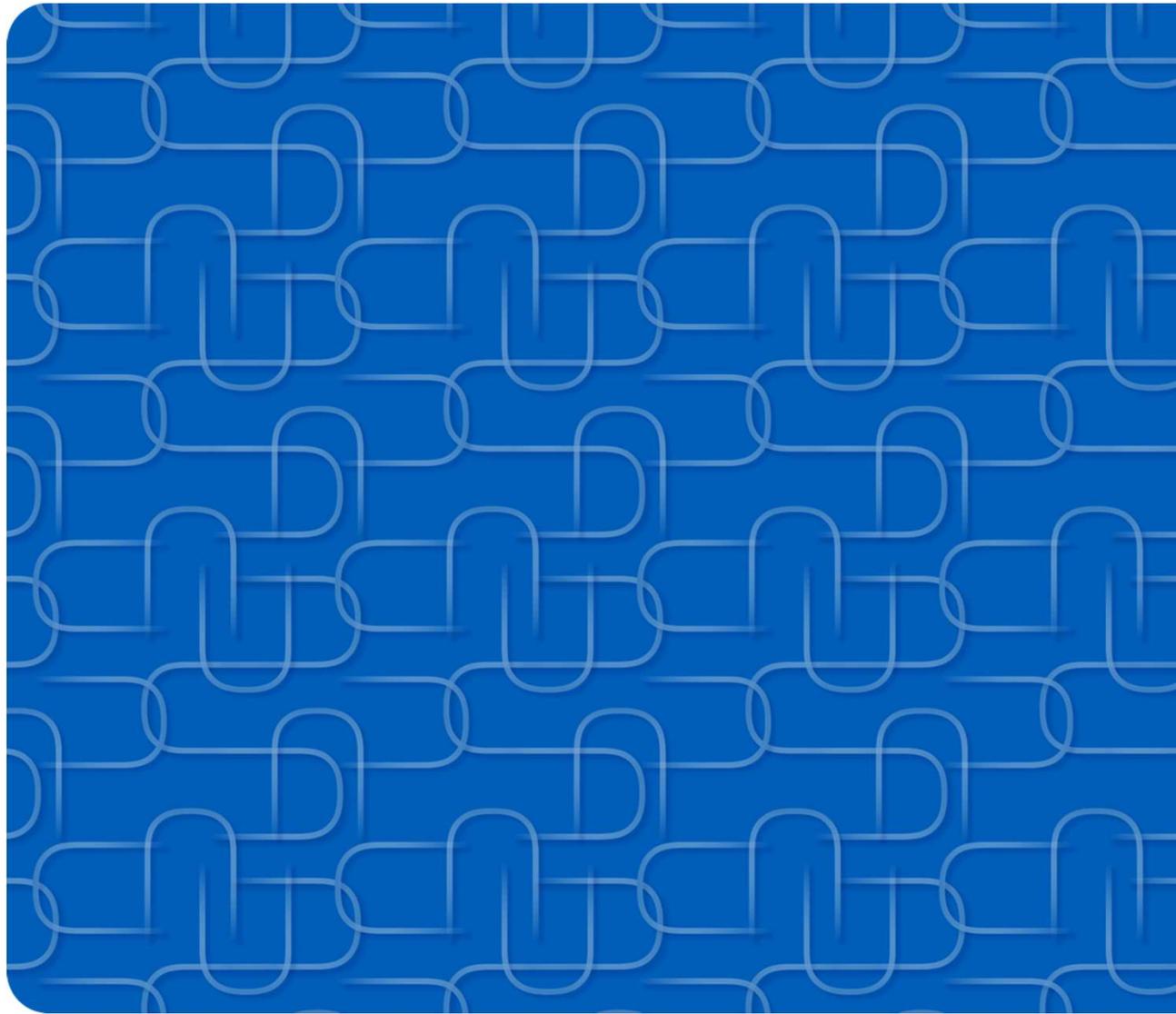


UOB will not provide financing to companies:



UOB's Sustainable Financing

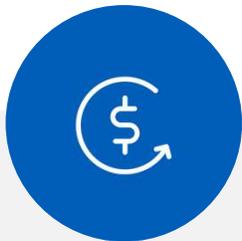
Consumer Goods – Food &
Agribusiness



Sustainable Finance Solutions for Consumer Goods Sector



Sustainability Linked Loans / Bonds



- Financing for general corporate purposes, capex or working capital.
- To improve sustainability management and achieve ambitious targets

Green Loans / Bonds



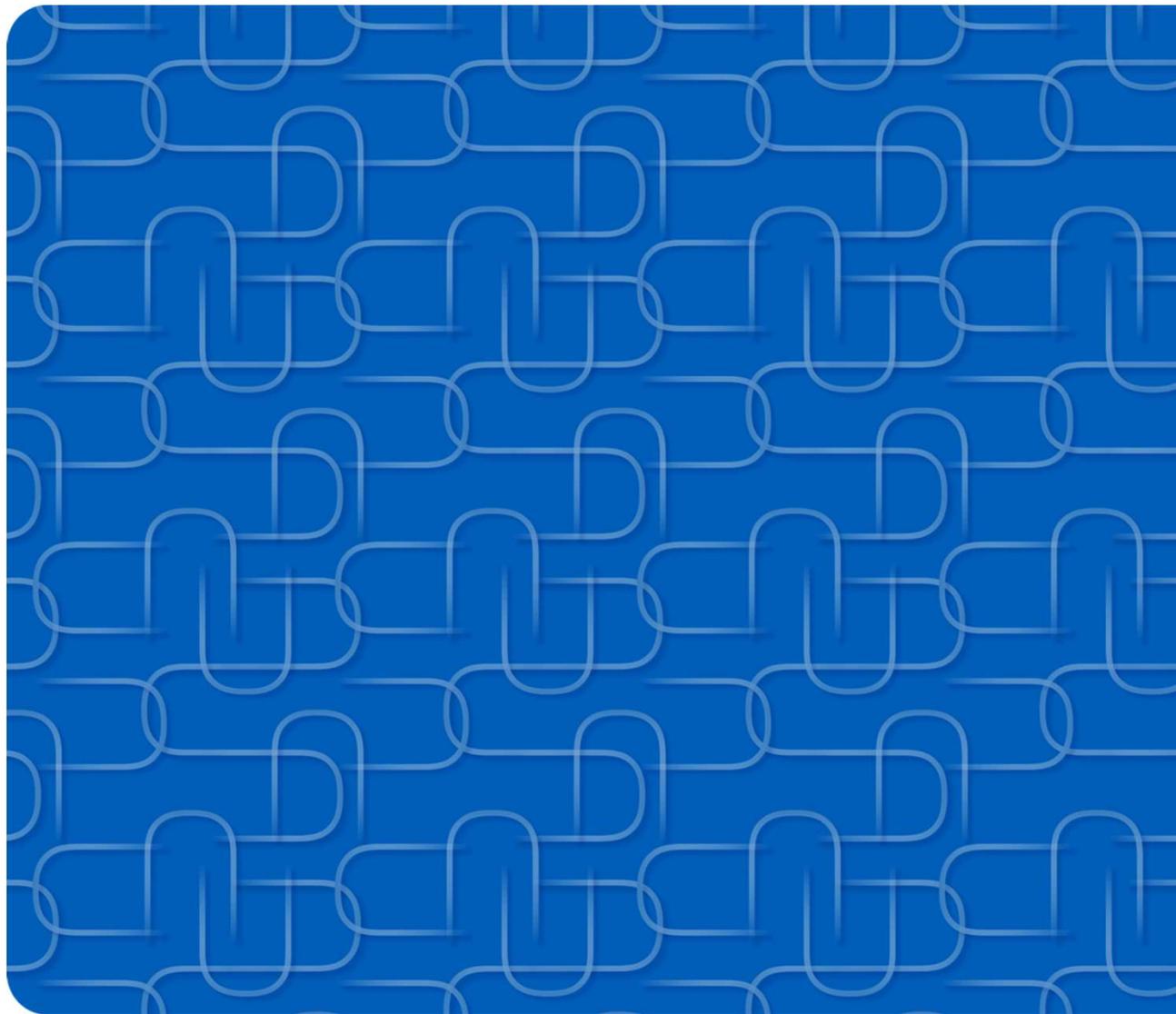
- Financing for specific projects which has positive environmental or climate impacts.
- UOB has five green umbrella frameworks which clients can tap on for eligible projects.

Sustainable Trade Finance

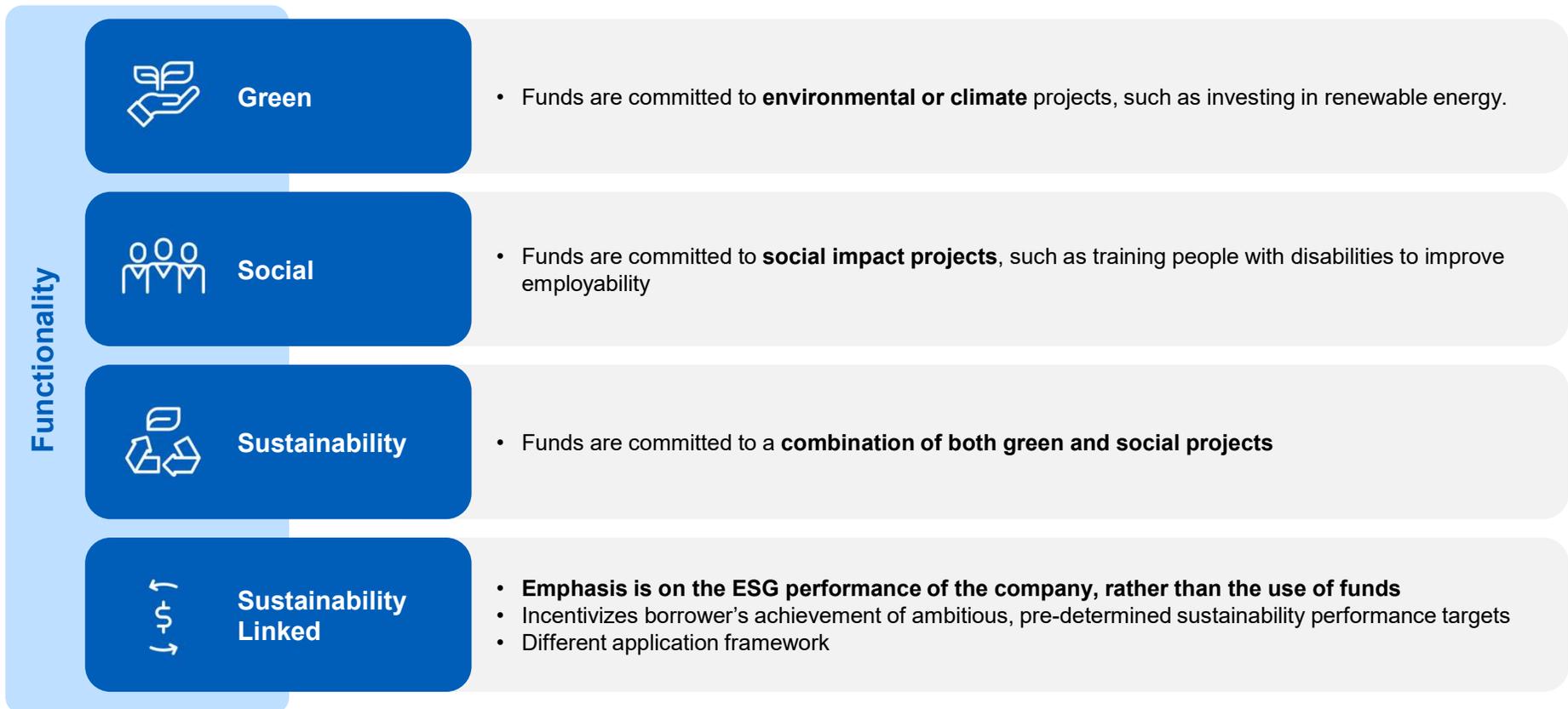


- First green & sustainable trade finance framework in Asia
- Short-term financing of which the proceeds directed to support the purchase and sales of sustainable goods and services

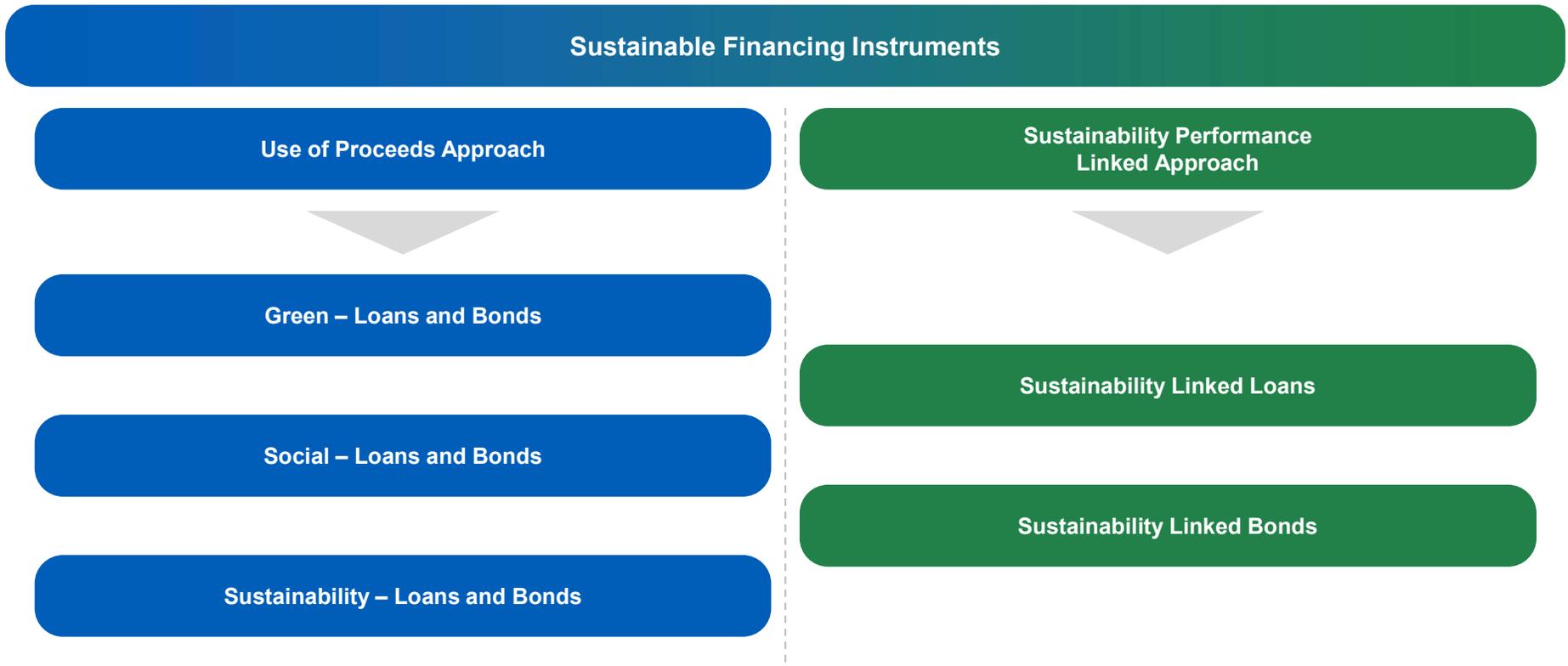
Sustainability Linked Loans & Green Loans



Green vs Social vs Sustainable vs Sustainability-linked



Green vs Social vs Sustainability vs Sustainability-linked



Green vs Sustainability-linked

Functionality

Sustainability Linked



- **Emphasis is on the ESG performance of the company, rather than the use of funds**
- Incentivizes borrower's achievement of ambitious, pre-determined sustainability performance targets or ESG ratings
- 2 main principles:
 - the KPI must be relevant, core and material
 - the SPTs must be ambitious

Common SPTs

- Reduction of GHG emission on Scope 1, Scope 2
- Increase usage of renewable energy
- Increase renewable energy as total energy consumption
- % of reforestation

Green



- 4 core components:
 - Use of proceeds for eligible green projects
 - Clear process evaluation and selection of green project
 - Management of proceeds that is traceable to green project
 - Reporting (allocation & impact)

Eligible green projects

- Installation of solar panel
- Building of biogas plant
- Reforestation
- Water and waste treatment project

Green vs Sustainability-linked

Functionality

Sustainability Linked



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Eligible green projects

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- Reforestation
- Water and waste treatment project

Five UOB Green Umbrella Frameworks

Aligned with internationally recognised ESG principles and independently validated

Sustainable Finance Framework for Green Building Developers and Owners

Framework was supported by MAS GSLS¹ and Carbon Trust provided SPO²

Covers both green and sustainability linked financing for global real estate financing across 8 asset classes:

Data Centres	Hotels	Industrial	Restaurants
Hospitals	Residential	Retail	Offices

Smart City Sustainable Financing Framework

Framework was supported by MAS GSLS¹ and Carbon Trust provided SPO²

Supports companies contributing to the creation of sustainable and smart cities through the following:

Renewable Energy	Green Building Construction	Energy Efficiency	Climate Change Adaptation
Water Management	Waste Management	Green Transport	

Green Financing for Circular Economy

Framework was supported by MAS GSLS¹ and Moody's provided SPO²

Supports companies in the 3R (renew, reuse and reduce) businesses.

Potential applications:

Plastics Recycling	Metals Recycling	Electronics Recycling
Product as a Service	Circular Designs	

Green and Sustainable Trade Finance and Working Capital

Framework was supported by MAS GSLS¹ and Moody's provided SPO²

Supports the needs of companies for shorter term financing (<1 year) using a 'principle based' approach

Eligibility:

- Pure play green companies or green projects.
- Companies with recognised, sustainable industry certifications.

Transition Finance Framework

Framework was supported by MAS GSLS¹ and ISS provided SPO²

Supports the transition of the energy intensive, fossil fuels/ brown sectors, and "hard-to-abate" sectors.

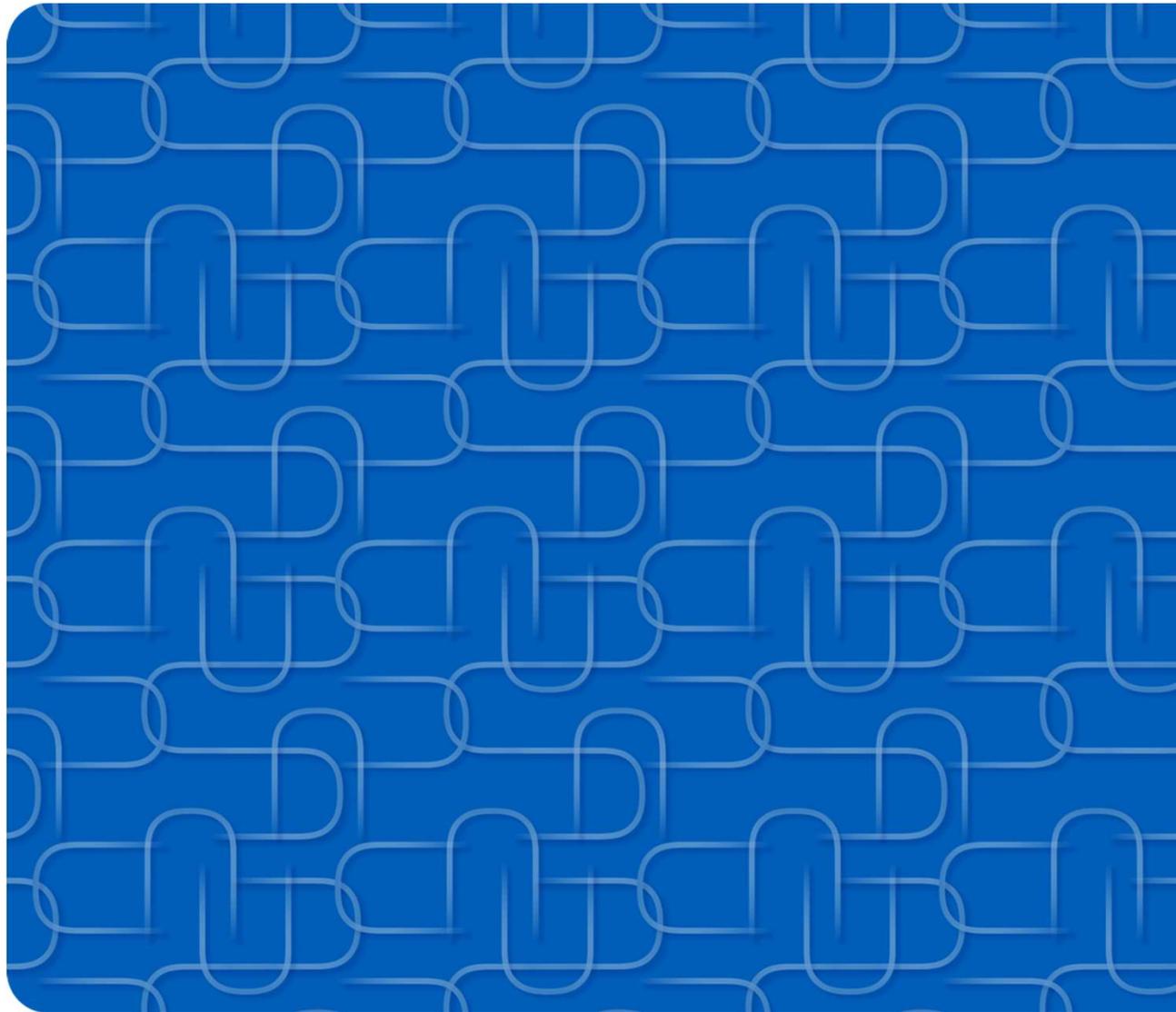
Oil, Gas & Chemicals	Transportation and Logistics*	Fossil Fuels Power Generation
Metals & Mining	CCSI/CCUS	Carbon Credits/Offsets

[1] GSLS: Green and Sustainability-Linked Loan Grant Scheme

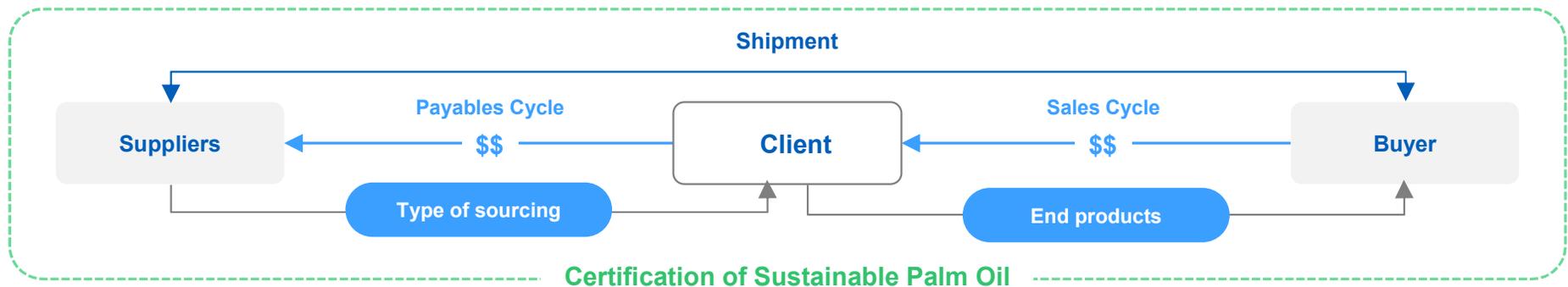
[2] SPO: Second Party Opinion

UOB's Sustainable Trade Finance

Consumer Goods
– Food & Agribusiness



Full suite of Sustainable Trade Finance Facility for clients



GSTF Import

- A. Import LC issuance** for Client to its suppliers calling for **Approved Certificate** covering underlying goods or Invoice from **Pre-Approved Suppliers/ Certified** as Green
- B. Import Finance (PO/ Import Invoice)** to Client to pay its suppliers against Supplier Invoice, Transport Docs, **Approved Certificate** covering underlying goods or PO/ Invoice from **Pre-Approved Suppliers/ Certified** as Green
- C. Payables – Supplier Financing** against Client's Irrevocable Payment Undertaking to pay its suppliers against Supplier Invoice, Transport Docs, **Approved Certificate** for underlying products



**Green
Trade
Finance
Bank**

GSTF Export

- D. Export LC discounting** for Client's sales to its buyers against LC Issuing FI Risk & **Approved Certificate** presented for underlying goods or if source of goods can be **Pre-Approved/ Certified** as Green
- E. Export Finance (DA/ Export Invoice)** to Client for its sales to its buyers against Export Invoice, Transport Docs, **Approved Certificate** for underlying goods or if source of goods can be **Pre-Approved/ Certified** as Green and with greater certainty of collection date
- G. Receivables Financing** with and without recourse to Client against its Receivables from approved buyers against Invoice, Transport Docs, **Approved Certificate** for underlying goods or if source of goods can be **Pre-Approved/ Certified** as Green

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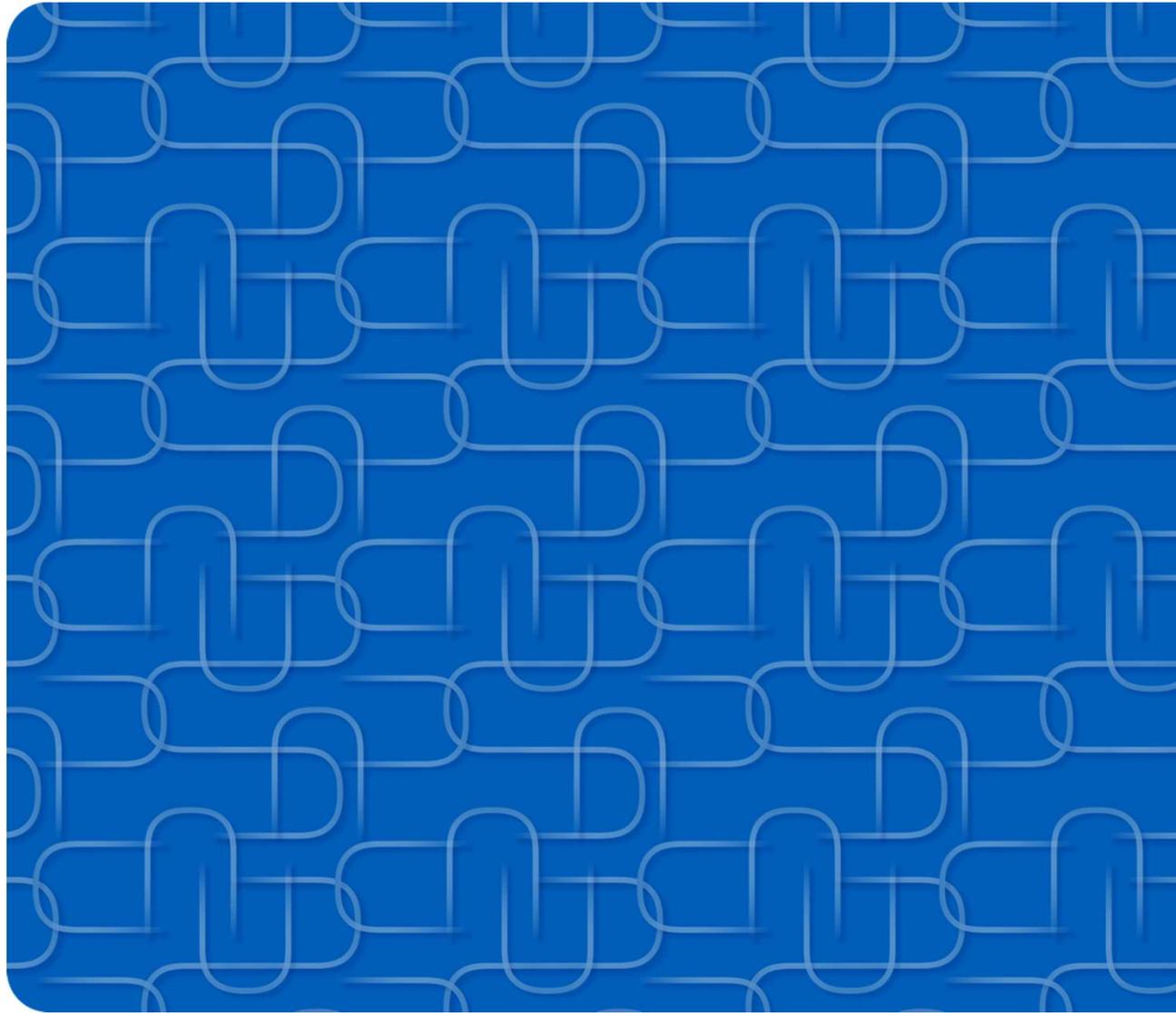
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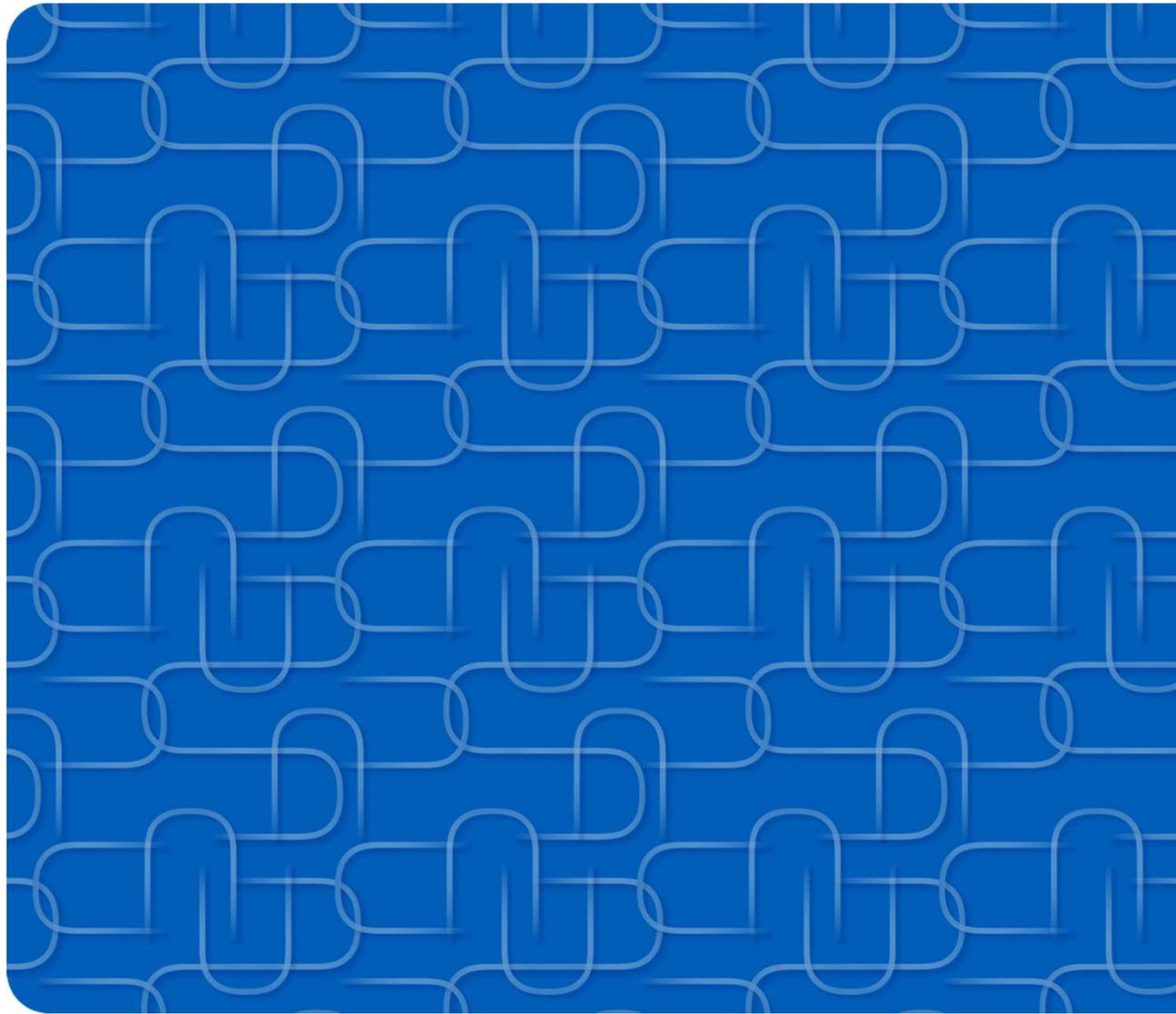
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Appendices

Consumer Goods
– Food & Agribusiness

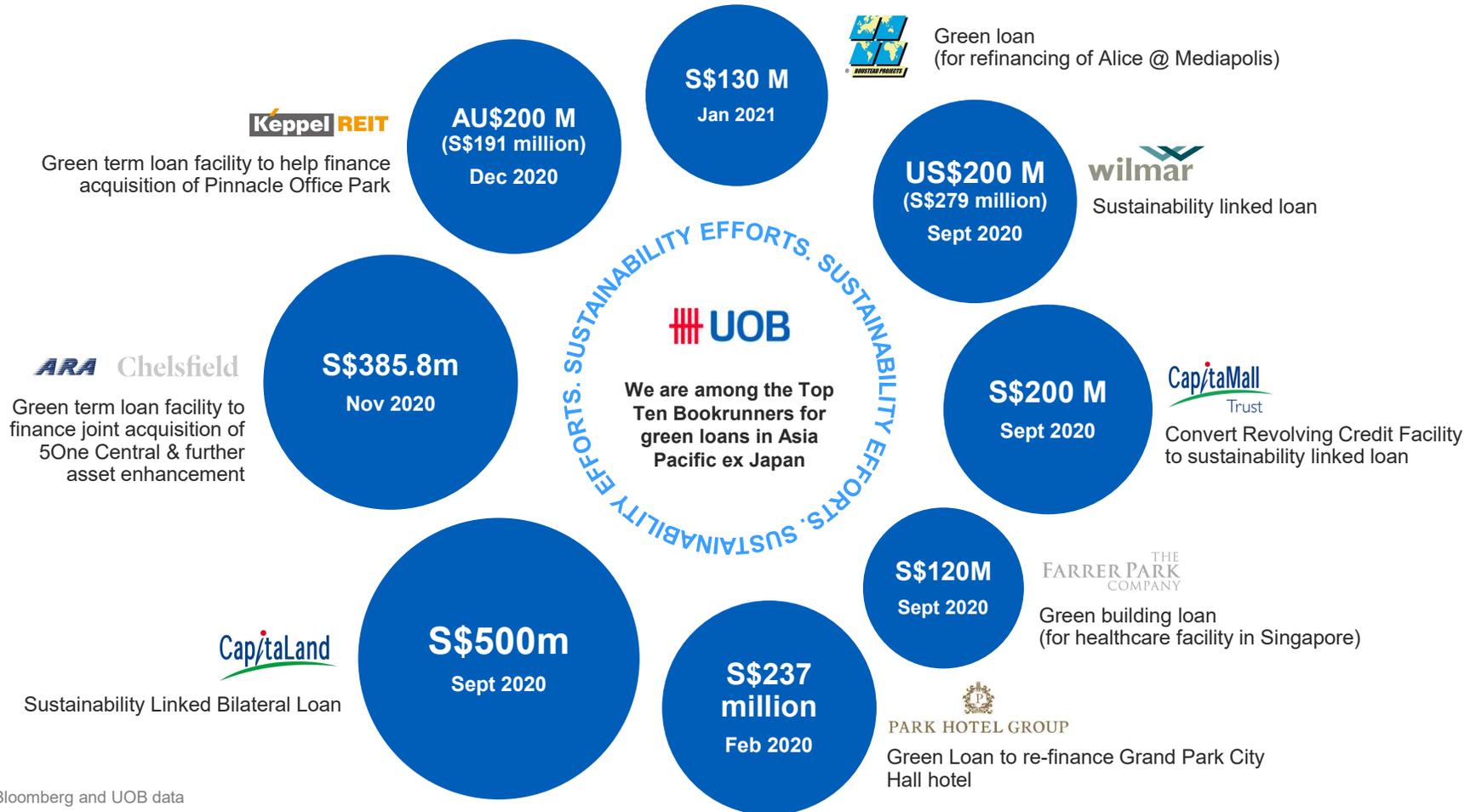


UOB's Sustainability Credentials



UOB's Sustainability Efforts

Key Selected Transactions



Source: Bloomberg and UOB data

UOB's Sustainability Credentials



Hafina Pte Ltd.



USD374.08 Million

Sustainability Linked Term Loan & Revolving Credit Facility

Mar 2021

South Beach Consortium Pte. Ltd.



SGD1,220 Million

Club Senior Secured Green Term Loan

Mar 2021

United Industrial Corporation Limited



SGD300 Million

Green & Sustainability Linked Loans

Mar 2021

Gold Ridge Pte Ltd



SGD900 Million

Secured GreenTerm and Revolving Credit Facilities

Jan 2021

BECIS-Symbior



THB1.26 Billion

Green Project Finance Loan

Oct 2020

HSBC Inst. Trust Services (S) Ltd

as trustee of CapitaLand Commercial Trust



SGD200 Million

Green Loan

Oct 2020

CapitaLand Treasury Limited



SGD500 Million

Sustainability Linked Loan

Aug 2020

Allianz/Gaw Capital



SGD945 Million

Green Loan

Jan 2020

Kenyir Gunkul Solar Sdn Bhd ("KGS")



MYR150 Million

Green Loan

Jan 2020

LYS Energy Holdings One Pte Ltd



SGD14 Million

Green Loan

Jan 2020

Grand Park Property Pte Ltd



SGD237 Million

Green Loan

Nov 2019

MS Commercial Pte Ltd



SGD85 Million

Green Loan

Nov 2019

Agricultural Bank of China



USD200 Million

Green Loan

Aug 2019

Louis Dreyfus Company



SGD48 Million

Sustainability Linked RCF

Aug 2019

Sunseap



SGD43 Million

Green Loan

Jan 2019