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Second Party Opinion

Housing & Development Board's Green Bonds

Aug. 18, 2023

The Housing & Development Board (HDB) is a public authority that plans and develops housing estates in Singapore. In addition to building homes, the authority provides various commercial, residential and social amenities in the housing estates. HDB houses about 80% of Singapore's resident population. The institution was established in 1960 by the Singapore government.

In 2022, HDB issued three green bonds totaling Singapore dollar (S\$) 3.3 billion following the development of its green finance framework in January 2022. It raised S\$1 billion from its inaugural green bond on March 15, 2022, S\$1.1 billion from its July 13, 2022, issuance, and S\$1.2 billion from its Oct. 26, 2022, issuance.

In our view, HDB's three green bonds issued in 2022, are aligned with:

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1) (GBP)
- ✓ ASEAN Green Bond Standards, ASEAN Capital Markets Forum, 2018

Issuer's Sustainability Objectives

HDB's primary mandate is to provide quality and affordable public housing for Singaporeans, create vibrant and sustainable towns, and promote the building of active and cohesive communities. HDB is committed to improving its urban planning and flat design to adapt to changing demographics and lifestyle trends.

HDB has established a roadmap, "Designing for Life," which focuses on "Live Well," "Live Green," and "Live Connected," to guide its development projects over the next 10-15 years. Some initiatives developed under the roadmap include Biophilic Town Framework, Smart HDB Town Framework, and the Green Town Program. The authority carries out research and development on new designs, and has been exploring the use of digital and construction technologies. It aims to achieve better environment quality, while ensuring productivity and efficiency. For example, it has deployed renewable energy, used pre-cast construction and new methods of reclamation.

Through HDB's green finance framework, the authority will align its financing activities with its sustainability priorities--to develop well-designed, sustainable and smart, and community-centric towns. All proceeds raised from HDB's three green bonds have been exclusively allocated to new green building projects.

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Second Party Opinion Summary

Use of proceeds

Alignment  HDB's green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

Score Not aligned Aligned **Strong** Advanced

HDB has allocated an amount equivalent to the net proceeds of the green bonds to exclusively finance and refinance green building projects. HDB intends for these buildings to achieve reductions in energy use and carbon emissions compared with uncertified properties.

Process for project evaluation and selection

Alignment  HDB's green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

Score Not aligned Aligned **Strong** Advanced

HDB outlined the process in which its Design Development Group (formerly known as the Development and Procurement Group) selected and evaluated the eligible projects. The projects were endorsed by the deputy chief executive officer (Building) and then approved by the chief executive officer. HDB conducted environmental studies to manage the environmental and social impacts (e.g. water pollution, construction noise, and health and safety) associated with the financed projects.

Management of proceeds

Alignment  HDB's green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

HDB has managed the net proceeds through its internal system and tracked using its Green Project Register. It has not needed so far to periodically adjust the balance of the tracked proceeds to match allocations to financed projects on a portfolio basis, as all invested projects have preserved their eligibility. If need be, unallocated proceeds will be managed in line with HDB's cash management policies.

Reporting

Alignment  HDB's green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

Score Not aligned **Aligned** Strong Advanced

HDB has reported both the allocation of proceeds, and the estimated expected environmental benefits of financed projects in its green finance report, which is available on its website. HDB will continue to provide annual allocation of proceeds and expected impacts throughout the life of the green bonds.

Transaction Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 HDB's green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

Commitments score

Not aligned Aligned **Strong** Advanced

We consider HDB's overall use of proceeds commitments to be strong.

HDB has allocated an amount equivalent to the net proceeds of the green bonds exclusively to financing and refinancing of new green buildings that have obtained or will be obtaining at least the Building and Construction Authority's (BCA) Green Mark Gold^{Plus}. These projects aim to reduce energy use and carbon emissions, and support the United Nations' (U.N.) Sustainable Development Goal 7 (SDG 7) of affordable and clean energy. These green building projects also contribute to the GBP's environmental objective of climate change mitigation.

Additionally, the green building projects align with Singapore's Green Plan 2030 – Energy Reset Pillar, and the authority's "Designing for Life" roadmap of developing smart and sustainable public housing.

HDB is purely a property developer in Singapore. Accordingly, while the framework does not have an exclusion list, it has no proceeds financing fossil fuel-related projects, thus meeting the requirement of the ASEAN Green Bond Standards.

HDB has disclosed the share of financing and refinancing in its green bonds report's allocation reporting to be 60% and 40%, respectively. Refinanced projects have a maximum look-back period of 24 months. These practices add transparency to the transactions.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our assessment of the process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 HDB's green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

Commitments score

Not aligned Aligned **Strong** Advanced

We consider HDB's overall process for project selection and evaluation commitments to be strong.

As part of HDB's evaluation and selection process, the Design Development Group (formerly known as the Development and Procurement Group) has identified 30 eligible green projects. These projects were then endorsed by the deputy chief executive officer (Building), included in HDB's green project register and finally approved by the chief executive officer.

The authority conducts studies to manage and assess the environmental and social impacts of development activities on the natural and built environment. These studies cover construction noise, water pollution, safety, health and welfare of workers among others. HDB will also comply with all applicable environmental laws, regulations, and other relevant requirements. While we find the wording around identifying and managing potential social risks generic, we note that HDB is state-owned and abides by strict regulations, which we believe cover social risks considerations.

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HDB has incorporated clear eligibility criteria in its selection process of green buildings, specifically the BCA Green Mark Gold^{Plus} or higher certification, aiding in comparability. Finally, the authority has communicated that these financed green buildings align with its “Designing for Life” roadmap. The roadmap guides the development of HDB’s smart and sustainable housing, including its Green Towns Program focusing on environmental sustainability.

Management of proceeds

The Principles require disclosure of the issuer’s management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer’s commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 HDB’s green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

HDB’s Finance Group manages the green projects register through its internal system and monitors the balance of the tracked proceeds. The authority has also, in its green finance framework, committed to periodically adjust the balance of the tracked proceeds to match allocations to the eligible green projects on a portfolio basis.

HDB has fully allocated the net proceeds from its green bonds. Any unallocated proceeds would be managed in accordance with HDB’s cash management policies. This includes short-term balances, which may be held by the Accountant-General’s Department under the Government’s Centralized Liquidity Management Framework for Statutory Boards. These unallocated proceeds will be disclosed as part of HDB’s post-issuance reporting.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider commitments for reporting on the allocation of proceeds to eligible projects and the expected or actual impact of the projects financed, as well as the frequency of reporting.

 HDB’s green bonds are aligned with this component of the GBP and ASEAN Green Bond Standards.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider HDB’s overall reporting practices to be aligned.

In its green finance report, HDB has reported the allocation of proceeds and the financed green buildings’ estimated expected environmental impacts, on a portfolio basis. The report is available on its website. Allocation reporting included the issuance date, maturity date, issuance size and coupon per annum per bond, the allocated amounts, list of financed green projects, brief description of projects, and the share of financing versus refinancing. HDB will continue to provide allocation and impact reporting annually throughout the life of the green bonds.

Likewise, HDB has disclosed the estimated expected environmental impacts of the financed green buildings. Impact indicators included the energy generated from solar panels (kilowatt-hour [kWh] generated per year), energy saved at common areas from smart lighting and elevator energy regeneration system (kWh saved per year), and avoided carbon emissions (kg CO₂ saved per year). The estimated expected environmental impacts have been reported for 14 out of 30 financed projects. The calculations for the remaining projects are in progress and will be reported in subsequent reports.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

HDB's green bonds intend to contribute to the following SDGs:

Use of proceeds	SDGs
Green Buildings	
	7. Affordable and clean energy



*The eligible project categories link to these SDGs in the ICMA mapping.

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