

SMRT GROUP

**SUSTAINABILITY BOND
FRAMEWORK**

NOVEMBER 2020

BACKGROUND

Purpose

The Sustainability Bond Framework serves to demonstrate how SMRT Capital Pte Ltd (a wholly-owned subsidiary of SMRT Corporation Ltd (“SMRT”)) will issue bonds to fund new and existing projects and businesses with environmental and social benefits in alignment with:

- [Green Bond Principles \(“GBP”\) 2018](#)
- [Social Bond Principles \(“SBP”\) 2020](#)
- [Sustainability Bonds Guidelines \(“SBG”\) 2018](#)

While the GBP, SBP and SBG, developed by the International Capital Markets Association (“[ICMA](#)”¹), are voluntary in nature, they are well recognised and commonly used by bond issuances in international capital markets. SMRT will also consider projects and businesses that contribute to United Nations’ Sustainable Development Goals (“SDGs”).

About SMRT

SMRT is a public transport services provider. As Singapore’s premier multi-modal land transport provider, we offer a range of transport options designed to suit the diverse needs of commuters.

Our primary business is to operate and maintain train services on the Mass Rapid Transit System along the North-South Line, the East-West Line, the Circle Line and the new Thomson East-Coast Line, as well as the Bukit Panjang Light Rail Transit System – all rail infrastructure based in Singapore. The other core businesses in Singapore are in public bus services, taxi services, private hire vehicle services, charter hire services, automotive repair and maintenance services and urban mobility solutions. Complementing these are our integrated businesses in property and retail management as well as management of media spaces, marketing, and e-commerce.

SMRT also offers rail engineering services, project management services, operations and maintenance (“O&M”) services, consultancy, transit-oriented development and advertising consultancy as well as operational, technical and management training to overseas rail transport owners, operators, and project developers.

Its Role as Asset Operator

Since 2016, Singapore Government authorities have taken over ownership of land transport operating assets to not only improve the services in mass transit, but also to lead in investments in capital expansion, ensure long-term integrated and holistic planning. Moving forward, SMRT will focus on O&M as a Public Transport Operator to provide a safe and reliable rail service for commuters.

SMRT Trains under New Rail Financing Framework (NRFF)

Prior to 2016, SMRT Trains Ltd (“SMRT Trains”) operated under an asset-intensive business model. With the introduction of the New Rail Financing Framework (“NRFF”), the Land Transport Authority (“LTA”) of Singapore owns all operating assets.

SMRT Buses under Bus Contracting Model (BCM)

Similarly, LTA has gradually taken ownership of all public buses and related infrastructure (such as integrated transport hubs) in Singapore since 2016. The BCM model dictates that SMRT will lease the buses and its operating assets (except for SMRT-owned buses and Woodlands Depot, which are leased to LTA) from LTA for availability fees and will operate as an asset-light model.

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

MTN Programme, SMRT Capital as Issuer

SMRT Capital Pte Ltd (“SMRT Capital”) is the treasury arm of SMRT. It has put in place a S\$1.3B Multicurrency Medium-Term-Note (“MTN”) Programme which is guaranteed by SMRT. Under the MTN Programme, SMRT Capital may issue notes from time to time in various amounts and tenors, and may bear fixed, floating or variable rates of interest.

Our Sustainability Objectives

At SMRT, we believe in having a positive impact on the communities we serve. With island-wide operations, we are committed to conducting our business in an economically, socially and environmentally-friendly manner that balances the interests of our stakeholders.

SMRT’s corporate social responsibility (“CSR”) strategy ensures greater affinity between our CSR programmes and our vision of Moving People, Enhancing Lives. Our CSR objectives are to support sustainable development at SMRT, while giving back to society and building an inclusive community. CSR at SMRT is defined by three fundamental principles relating to philanthropy, volunteerism, advocacy and operational practices.

These principles are encapsulated in our three pillars of:

- Enabling mobility
- Empowering through arts and education
- Encouraging environmental sustainability

(collectively known as “Principles”)

Under the pillar of “Encouraging environmental sustainability”, SMRT aspires to be an industry leader in environmental stewardship. SMRT is committed to environmentally sustainability developments in energy reduction, water conservation, waste management and green advocacy amongst our staff, business partners and customers. More detailed and updated information is available at our website (<https://www.smrt.com.sg/Community/Encouraging-Environmental-Sustainability>).

ABOUT THIS FRAMEWORK

Scope

The Framework applies to all activities under SMRT and its subsidiaries (“SMRT Group”).

Use of Proceeds

Based on our asset-light business model, SMRT Group will use the proceeds of each sustainability bond issued to finance and/or refinance, in whole or part, new or existing projects that reasonably demonstrate social and environmental benefits (“Eligible Project”).

The list of Eligible Projects that SMRT could undertake is described in Table 1. The Eligible Projects could be within and/or outside of Singapore, as well as meet the definition of more than one category. If the Eligible Projects are fitting in more than one category, SMRT can choose to attribute that Eligible Project to a specific category that is deemed to have the largest impact.

Table 1: Eligible Projects for sustainability bond issuance.

Eligible Category	Description of Category	Example of Eligible Projects
Low carbon transportation	<ul style="list-style-type: none"> • Low carbon solutions in SMRT's operations 	<ul style="list-style-type: none"> • Purchase of hybrid, electric and hydrogen vehicles ("green" vehicles) • Related R&D activities for its "green" vehicles of buses and train carriages, taxi and automobiles • Operating and maintenance expenses including staff training and development to enable the installation and/or operating of green vehicles
Pollution prevention and control	<ul style="list-style-type: none"> • Installation and maintenance of systems that minimise pollution (e.g. air, water or waste) in its operations 	<ul style="list-style-type: none"> • Examples such as air filtration systems, installation of noise barriers
Energy efficiency	<ul style="list-style-type: none"> • Replacing existing equipment with energy efficient devices 	<ul style="list-style-type: none"> • Replacement of station Luminaires to LED type
Renewable energy	<ul style="list-style-type: none"> • Installation and operation of infrastructure to generate solar energy 	<ul style="list-style-type: none"> • Implementation of solar Power Purchase Agreement (PPA) on existing photovoltaic system in Bishan Depot • Expansion of photovoltaic system in Bishan Depot
Water efficiency	<ul style="list-style-type: none"> • Toilet renovation at SMRT stations • Change out old chillers at stations 	<ul style="list-style-type: none"> • Replacement of old water fixtures and installation of water saving fittings and fixtures • Installation of Smart Panel in toilets to reduce wash frequency • Progressive upgrade of more efficient chillers at stations
Affordable basic transport infrastructure	<ul style="list-style-type: none"> • Provide land transport services to foster inclusivity which will not have access to these services under normal operations or circumstances 	<ul style="list-style-type: none"> • Provision of Inclusive Service Delivery Programme for staff to better recognise and understand the needs of priority passengers such as the elderly and people who have visual and hearing impairments in our networks • Establishment of dementia go-to point at Bus Interchanges and MRT Stations • London taxis to cater to passengers with special travel needs <p><i>(London taxi is the only type of taxi in Singapore that offers ample space for high-backed or motorised wheelchairs. SMRT London taxi drivers undergo on-the-job training on serving passengers with special travel assistance.)</i></p>

Governance Structure

The Sustainability Bond Committee (“SBC”) has overall responsibility for implementing this Framework. The main responsibilities include – but not limited to – amending the scope of financial instruments covered by this Framework, eligibility for use of proceeds, updating the process to align the purpose of this Framework relevant to SMRT business activities, and reviewing and approving nominated Eligible Projects.

The SBC comprises of the following:

- SBC Members: Heads and/or appointed delegates from the Environmental Sustainability Committee (“ESC”) and its sub-committees, relevant Business Units and Group Treasury
- ESC Chairperson
- SBC Chairperson

Process for Selection and Evaluation

All respective business units within SMRT shall consider and nominate any Eligible Project(s) set out as described in Table 1 to the SBC. The shortlisted projects will be reviewed by the SBC to ensure that the nominated Eligible Project(s) meet the criteria under the Framework. If needed, the SBC members will consult with subject matter experts outside of the SBC.

All Eligible Projects will be jointly endorsed and approved by the ESC Chairperson and the SBC Chairperson. After such projects are approved and considered as an Eligible Project in accordance with this Framework, it will be earmarked for the use of proceeds under this Framework.

If no unanimous decision is reached between the members in SBC, the SMRT Group Chief Financial Officer as the SBC Chairperson has the final veto to determine the eligibility of the proposed projects.

Management of Proceeds

SMRT will credit the proceeds of the bonds into a general account. Each sustainability bond will be earmarked as of pending allocation, and with allocations being applied to existing or new Eligible Projects set out in Table 1.

SMRT will also create a sustainability bond register (“Register”) to monitor the allocation of the use of proceeds. The Register will contain (where applicable) the following information for each sustainability bond issued:

- Identifier for the bond: Issuing entity, ISIN, transaction or listing date, principle amount outstanding, pricing (e.g. coupon/interest rate), repayment schedule or amortisation profile, maturity date.
- Allocation details: Eligible category (or categories), amount of investment, other relevant information so that the aggregate of issuance proceeds allocated to Eligible Projects is always recorded.

During the tenure of the issued sustainability bonds, if any Eligible Project ceases to fulfil the requirements in Table 1, we will use our best efforts to reallocate the unused proceeds to replacement assets or operating expenses that comply with requirements of an Eligible Project as soon as reasonably practicable.

Where the allocation of proceeds is pending due to there being insufficient approved Eligible Projects at any given time during tenor of the bond, we will deploy the proceeds at our own discretion in cash instruments in accordance with our approved cash investment policy in the interim.

Reporting on Use of Proceeds

SMRT will prepare a progress report on an annual basis. This progress report will consist mainly information from the Register:

(1) Allocation Reporting

- Amount of allocated proceed by eligible category (as shown in first column of Table 1).
- Amount of allocated proceed for financing and refinancing.
- Remaining balance of unallocated proceeds at the end of reporting period, if any.
- Description of green and/or social projects

(2) Impact Reporting

Where relevant and applicable, SMRT will report the environmental and/or social impact of allocated Eligible Projects. Indicative impact metric that may be used are as follows:

Table 2: List of indicative impact indicators that may be included in impact reporting

Eligible Category	Indicative Impact Indicators
Low carbon transportation	<ul style="list-style-type: none">• Reduction in carbon dioxide emission (tonnes)
Pollution prevention and control	<ul style="list-style-type: none">• Amount of waste recycled / reduced (tonnes)• Amount of paper usage reduced (print count)
Energy efficiency	<ul style="list-style-type: none">• Energy reduction per distance travelled based on the proposed solution (kWh/km)• Reduction in electricity consumption (kWh)
Renewable energy	<ul style="list-style-type: none">• Amount of power generated from renewable energy (kWh)• Amount of Greenhouse Gases avoided (tonnes)
Water efficiency	<ul style="list-style-type: none">• Reduction in water consumption (m³)
Affordable basic transport infrastructure	<ul style="list-style-type: none">• Number of initiatives and number of people served

Note: The examples provided for impact indicators are not an exhaustive list.

The progress report, as well as this Framework, will be published on www.smrt.com.sg.

External Review

Pre-Issuance Review

SMRT Capital has engaged an independent assurance provider, Ernst and Young LLP, to provide an assurance report on SMRT Group's Sustainability Bond Framework. This pre-issuance review is performed to confirm the alignment of this framework with the key features of the Principles.

This review is done on a one-off basis, unless there are material changes to this Framework.

Post-Issuance Review

SMRT will also engage an independent provider on an annual basis to review our progress report – including the internal tracking method, allocation of net proceeds and the impact of our sustainability bonds. This annual review will commence a year from the issuance date of the first sustainability bond, until the full allocation of the net proceeds.

Both the pre-issuance review and the annual review will be made available on www.smrt.com.sg.