

M&T Investments Pte. Ltd.

Type of Engagement: Sustainability Linked Bond Annual Review

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Engagement Team:

Akshay Chandrapure, akshay.chandrapure@morningstar.com

Nachiket Goli, nachiket.goli@morningstar.com

Layla Ng, layla.ng@morningstar.com

Introduction

Lion City Rentals Pte. Ltd. (“LCR” or the “Company”), based in Singapore, is a mobility company that provides car rental and leasing solutions and related services, such as ride hailing and car sharing, with a fleet of 4,095 passenger cars as of 31 December 2023.

In 2022, M&T Investments Pte. Ltd. (“M&T” or the “Issuer”), a special purpose vehicle established by LCR, issued a Sustainability-Linked Bond (SLB), whose characteristics are associated with one Sustainability Performance Target (SPT) for a Key Performance Indicator (KPI), which is a material sustainability-related issue of the Company. If the SPT is not achieved by the observation date outlined in the bond document, a penalty will be applied to the bond. The penalty will take the form of a coupon rate step-up by 0.10%, effective from the first interest payment date on or after the date of occurrence of the SPT step-up event. Sustainalytics provided a Second-Party Opinion based on an extract of the SLB document in November 2021.¹

In June 2024, LCR engaged Sustainalytics to review the progress on the achievement against the SPT at the end of 2023.

Evaluation Criteria

Sustainalytics evaluated the alignment of the SLB with the following elements:

1. The progress towards achieving the SPT;
2. Calculation and measurement of the KPI; and
3. The reporting practice of the issuer on the KPI.

Table 1: SPTs and KPI

KPI	KPI Description	SPT (2023)	Baseline (2021)
CO ₂ emissions intensity of operational fleet (Average gCO ₂ /km for the operational fleet)	<p>The KPI is a measure of the CO₂ emissions intensity of the operational fleet (in gCO₂/km) and covers CO₂ emissions from LCR’s entire vehicle fleet.</p> <p>The KPI is calculated using the local Land Transport Authority’s (LTA)² emissions per car model by dividing the total emissions of the fleet (measured in gCO₂) with the total actual distance travelled (in km). The LTA requires all vehicles imported into Singapore to be tested according to WLTP-Europe or WLTP-Japan.</p> <p>For detailed information, please refer to Appendix 2.</p>	Reduce emissions intensity of operational fleet to 100.0 gCO ₂ /km by 2023 from a 2021 baseline	102.34 gCO ₂ /km

¹ Sustainalytics, “Second-Party Opinion, LCR”, (2021), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/lion-city-rentals-sustainability-linked-bond-second-party-opinion.pdf?sfvrsn=a5631631_1

² LCR commits to calibrate or improve the accuracy of the LTA data by randomly sampling the vehicle log cards of 5 cars per manufacture year. If a car manufacturer reported varying rates of emissions across the years, LCR adopts the emissions rate that is calculated by taking a weighted average across the years.

Issuing Entity’s Responsibility

LCR is responsible for providing accurate information and documentation relating to its progress towards the SPT, KPI calculation and reporting practices.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the SLB. The work undertaken as part of this engagement included collection of documentation from LCR employees and review of documentation to confirm the conformance with the agreed upon details of the SLB.

Sustainalytics has relied on the information and the facts presented by LCR with respect to the KPI and SPT. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by LCR.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Internal Review Committee to provide oversight over the assessment.

Conclusion

Based on the limited assurance procedures conducted,³ Sustainalytics notes that M&T has not achieved its SPT for 2023. Nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, LCR’s measurement of and reporting on its progress toward achieving M&T’s SPT do not conform with its commitments in the SLB.

Detailed Findings

Table 2: Detailed Findings

Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Sustainability Performance	Review of achieved performance on KPI to determine if it is aligned with the SPT as mentioned in the SLB and outlined in Table 1.	M&T did not achieve its 2023 SPT of reducing the emissions intensity of its operational fleet to 100.0 gCO ₂ /km against a 2021 baseline of 102.34 gCO ₂ /km. The Company has reported a 1.92% increase in emissions intensity to 104.30 gCO ₂ /km in 2023.	Exception Identified
Calculation and measurement of KPI	Review of calculation and methodology used for the KPI.	LCR’s approach to measuring the KPI is clear and consistent with its pre-defined assessment methodology as outlined within the documents shared by LCR with Sustainalytics. The calculation and measurement of the KPI	None

³ Sustainalytics’ limited assurance process includes reviewing the documentation relating to the details of the KPIs and SPTs that have been agreed upon, including data on performance of the KPIs, KPI reporting, calculations and verification conducted for the baseline data. The Borrower is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

		are in line with the commitments made in the SLB. Please see Appendix 2 for more details.	
Reporting	Review of the reporting practices to make and keep readily available up-to-date information relating to the SPT as mentioned in the SLB.	M&T has committed to report on an annual basis on its performance on the KPI and relevant figures in the Noteholders' Report at each anniversary of the issuance date.	None

From the above table, Sustainalytics notes that M&T did not achieve its 2023 SPT associated with the KPI. LCR informed Sustainalytics that M&T was unable to meet its SPT for 2023 due to sustained high premiums for the Certificate of Entitlement⁴ in 2023, which resulted in higher costs to replace existing pollutive vehicles with new electric or hybrid vehicles. Nonetheless, Sustainalytics notes that LCR has increased the mileage of its electric and hybrid vehicle fleet from 55.55% in 2022 to 66.57% in 2023.

⁴ The Certificate of Entitlement (COE) is the right to own and use a vehicle in Singapore. To register a vehicle, one must first bid for a COE in its corresponding vehicle category and a successful bid will allow one to own a vehicle for use on the road for 10 years.

Appendix 1: Target Setting Milestones and Sustainalytics' Findings

KPI	Baseline (2021)	SPT (2023)	Performance (2023)	Results
CO ₂ emissions intensity of operational fleet (Average gCO ₂ /km)	102.34 gCO ₂ /km	Reduce emissions intensity of operational fleet to 100.0 gCO ₂ /km by 2023 from a 2021 baseline	104.30 gCO ₂ /km	Target not achieved

Appendix 2: KPI calculation methodology details

The following is a summary excerpt of the carbon emissions assessment methodology used in the bond document and communicated by LCR to Sustainalytics:

LCR has calculated the CO₂ emissions intensity of operational fleet using the LTA emissions per car model by dividing the total emissions of the fleet (measured in gCO₂) with the cumulative distance travelled by the fleet (in km).

LCR reported that it collects the mileage data through GPS tracking systems from an external service provider for vehicles rented to a car sharing platform, while data for other vehicles rented to private hire vehicle drivers is collected through odometers by LCR and recorded in a job card. For rented vehicles, LCR validates the data by comparing the GPS data with the mileage recorded by the odometer. From the entire fleet, data for 1,553 vehicles is based on GPS tracking and 2,542 vehicles is based on odometer.

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