

# M&T Investments Pte. Ltd.

**Type of Engagement:** Sustainability-Linked Bond Annual Review

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## Introduction

Lion City Rentals Pte. Ltd. (“LCR” or the “Company”) is a mobility company that provides car rental and leasing solutions and related services, such as ride hailing and car sharing in Singapore, with a fleet of 4089 passenger cars as of 31 December 2022.

In April 2022, M&T Investments Pte. Ltd. (“M&T”) issued a Sustainability Linked Bond (SLB) where the coupon rate of the SLB is associated with Key Performance Indicator (KPI) tied to a Sustainability Performance Target (SPT) which is a material sustainability-related issue to LCR. M&T Investments Pte. Ltd. is a Special Purpose Vehicle Company that was the issuer of the SLB with LCR as the originator of the transaction. The issuance comprised of following tranches; (i) rated Class A1 Notes, (ii) unrated Class A2A Notes, and (iii) contingent unrated Class A2B Notes. If the SPT is not achieved by the observation date set forth in the SLB’s documentation, an adjustment in financial characteristics will be implemented on the SLB in the form of coupon rate step-up by 0.10% (10 basis points) effective from the first interest payment date on or after the date of occurrence of the SPT Step-up Event.

In February 2023, M&T engaged Sustainalytics to review the progress on the achievement against the SPT as of the end of 2022.

## Evaluation Criteria

Sustainalytics evaluated the alignment of the SLB with the following elements as previously mentioned in the bond document:

1. The reporting practice of the issuer on the KPI;
2. Calculation and measurement of the KPI; and
3. The progress toward achieving the SPT outlined in the SLB document;

Table 1 lists the KPI and SPT agreed upon for the SLB.

**Table 1: SPT and KPI**

KPI	KPI Description	SPT 2022	Baseline (2021)
KPI: CO <sub>2</sub> emissions intensity of operational fleet	<p>The KPI is a measure of the CO<sub>2</sub> emissions intensity of the operational fleet (in gCO<sub>2</sub>/km) and covers CO<sub>2</sub> emissions from LCR’s entire vehicle fleet.</p> <p>The KPI is calculated using the local Land Transport Authority’s (LTA)<sup>1</sup> emissions per car model by dividing the total emissions of the fleet (measured in gCO<sub>2</sub>) 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>	1a: Reduce emissions intensity of operational fleet to 101.5 gCO <sub>2</sub> /km by 2022 from a 2021 baseline.	102.34

<sup>1</sup> 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 the details of the KPI calculation and performance.

## 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 of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>2</sup> Sustainalytics notes that M&T has not achieved its target for 2022, while nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, LCR measurement of and reporting on its progress toward achieving its SPT do not conform with its commitments in the SLB document.

## Detailed Findings

In Table 2, Sustainalytics provides the details of its assessment, that formed the foundation of the overall assessment.

**Table 2: Detailed Findings**

Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Sustainability Performance</b>	Review of achieved performance on KPI to determine if it is aligned with the SPT mentioned in the bond document as outlined in Table 1.	M&T has not achieved SPT 1a against 2021 baseline. The Company has reported a 5.49% increase in emission intensity in 2022 instead of the targeted reduction. Please see Appendix 2 for more details and the end of the table for an explanation provided by LCR on non-achievement of the SPT.	Exception identified
<b>Reporting</b>	Review of the reporting practices to make and keep readily available up-to-date information relating to the mentioned in the bond document.	M&T has confirmed that KPI performance including the underlying calculations such as the year’s CO <sub>2</sub> emissions intensity of the operational fleet (in gCO <sub>2</sub> /km), will be notified to Noteholder to enable investors to monitor the progress toward achieving the SPT.	None

<sup>2</sup> 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.

<b>Calculation and measurement of KPI</b>	Review of Calculation and methodology used for 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 are in line with the commitments made within the SLB. Please see Appendix 1 for more details	None
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From the above table, Sustainalytics notes that SPT 1a associated with KPI was not achieved in 2022. LCR informed Sustainalytics that it was unable to meet the target for 2022 due to a rise in demand for rental cars, leading to a higher rate of car use and an increase in the mileage of previously unrented petrol vehicles. The demand for rental cars primarily rose because the premiums for certificates of entitlement increased, resulting in higher costs for car ownership.

To meet the target set for 2023, LCR intends to take the following measures:

- Reduce the emissions of its operational fleet by encouraging customers to rent hybrid vehicles over petrol vehicles through increasing rentals fees for petrol vehicles.
- Reduce the usage of the most pollutive petrol vehicles from its fleet and increase the share of hybrid vehicles. Furthermore, LCR aims to increase the share of hybrid and lower-emission vehicles used for ride hailing, as cars used in this business segment run double or triple the distance covered per car compared to cars used for car sharing.
- Eliminate the most pollutive petrol vehicles from its fleet while replacing them with hybrid or electric vehicles based on the market conditions that affect the certificate of entitlement premium prices for new and used vehicles.

## Appendix 1: LCR’s Carbon Emissions Assessment Methodology

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

LCR has calculated emissions using the local Land Transport Authority’s (LTA) emissions per car model by dividing the total emissions of the fleet (measured in gCO<sub>2</sub>) 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.

LCR reported that it collects the mileage data through GPS tracking system from an external service provider for vehicles that are rented to a car sharing platform while for other vehicles data is collected through odometers by LCR and recorded in a job card. LCR compares the GPS data with the mileage recorded by the odometer and validates the data against the hired vehicles. From the entire fleet, data for 3,984 vehicles is based on GPS tracking and 130 vehicles is based on odometer.

LCR reported that it intends to include the mileage meter as a mandatory input in the system to ensure the completeness of the mileage record going forward.

## Appendix 2: Target Setting Milestones and Sustainalytics’ Findings

KPI	Baseline 2021	SPT 2022)	Performance 2022	SPT 2022 Result
CO <sub>2</sub> emissions intensity of operational fleet	102.34 gCO <sub>2</sub> /km	1a: Reduce emissions intensity of operational fleet to 101.5 gCO <sub>2</sub> /km by 2022 from a 2021 baseline.	107.96 gCO <sub>2</sub> /km	Target not achieved

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