



**ASEAN
Capital
Markets
Forum**

ASEAN Green Bond Standards

ASEAN GREEN BOND STANDARDS



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INTRODUCTION

The ASEAN Capital Markets Forum (ACMF)¹ is a forum which comprises capital market regulators from ASEAN countries whose primary task is to promote greater integration and connectivity of regional capital markets.

One of the key initiatives by the ACMF is the development of a green asset class in line with the importance of green finance in supporting sustainable growth in ASEAN, particularly in meeting ASEAN's infrastructure needs.

The ACMF has developed the ASEAN Green Bond Standards (GBS) based on the International Capital Market Association (ICMA)'s² Green Bond Principles (GBP)³ as they are internationally accepted and widely used for the development of national green bond guidelines or standards issued globally.

The GBP are a set of voluntary guidelines elaborated by key market participants under co-ordination of ICMA as its secretariat, which is responsible for advising on governance and other matters, as well as providing organisational support. The GBP were launched in January 2014 with the support of a consortium of investment banks as voluntary process guidelines intended for broad use by the market. The GBP recommend transparency and disclosure, and promote integrity in the development of the green bond market.

¹ About ACMF – http://www.theacmf.org/ACMF/webcontent.php?content_id=00001

² About ICMA – <https://www.icmagroup.org/About-ICMA/>

³ GBP–ICMA – <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

The ASEAN GBS intend to enhance transparency, consistency and uniformity of ASEAN Green Bonds which will also contribute to the development of a new asset class, reduce due diligence cost and help investors to make informed investment decisions.

While the GBP have provided broad principles on green bonds, the ASEAN GBS aim to provide more specific guidance on how the GBP are to be applied across ASEAN in order for green bonds to be labelled as ASEAN Green Bonds. In this respect, Issuers who wish to issue and label green bonds as ASEAN Green Bonds must demonstrate compliance with the ASEAN GBS. Thus, the ASEAN GBS will provide certainty to investors that green bonds labelled as ASEAN Green Bonds have met uniformed standards while providing Issuers with guide rails on best market practices for green bonds.

Key additional features of the ASEAN GBS

The ASEAN GBS are aligned and guided by the four core components of the GBP, i.e. use of proceeds, process for project evaluation and selection, management of proceeds and reporting. The key additional features of the ASEAN GBS include:

- **Eligible Issuers**
To create a green asset class for the ASEAN region, the Issuer or issuance of the green bond must have a geographical or economic connection to the region.
- **Ineligible Projects**
Fossil fuel power generation projects are excluded from the ASEAN GBS, so as to provide further guidance to investors and Issuers as to what qualifies as green in order to mitigate green washing of projects and protect the ASEAN Green Bonds label.

- **Continuous Accessibility to Information**

The ASEAN GBS further set out how investors can access information continuously by requiring the Issuers to disclose information on use of proceeds, project evaluation and selection, and management of proceeds to investors in the issuance documentation, as well as ensuring such information is publicly accessible from a website designated by the Issuer throughout the tenure of the ASEAN Green Bonds.

- **Encourage More Frequent Reporting**

In addition to annual reporting, Issuers are encouraged to provide more frequent periodic reporting which would increase transparency on the allocation of proceeds and investor confidence on the ASEAN Green Bonds.

- **External Review**

In line with the GBP, the appointment of an external review is voluntary under the ASEAN GBS. However, considering the nascent stage of green bond market development in ASEAN, the ASEAN GBS nonetheless require the external reviewer to have the relevant expertise and experience in the area which they are reviewing. The external reviewers' credentials and scope of review conducted must be made publicly accessible from a website designated by the Issuer throughout the tenure of the ASEAN Green Bonds. Such disclosure will contribute to increased investor confidence.

The ASEAN GBS have been developed in consultation with ICMA as well as capital market regulators and industry players in the ASEAN region. The ASEAN GBS have been endorsed by the ACMF and will be implemented for the issuance of ASEAN Green Bonds.

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DEFINITIONS

In these standards, the following terms shall have the following meanings, unless the context otherwise requires:

ACMF	means ASEAN Capital Markets Forum
ASEAN	means Association of Southeast Asian Nations
ASEAN GBS	means the ASEAN Green Bond Standards as applicable and as revised from time to time
ASEAN Green Bonds	means bonds and sukuk which comply with the ASEAN GBS, where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects. In the case of Islamic bonds or sukuk, it must also comply with the relevant laws and requirements applicable for the issuance of Islamic bonds or sukuk. In such instances, the Islamic bonds or sukuk may be labelled as ASEAN Green Sukuk
ASEAN Issuer	means an Issuer that is incorporated in any of the ASEAN countries
Non-ASEAN Issuer	means an Issuer other than an ASEAN Issuer

GBP

means “Green Bond Principles” which are voluntary process guidelines issued by the ICMA, as revised from time to time, that recommend transparency and disclosure, and promote integrity in the development of the green bond market

Green Projects

means the broad categories of eligible green projects as listed in the ASEAN GBS. The list of eligible green projects is not an exhaustive list

Issuer

means a corporation that issues ASEAN Green Bonds and includes an ASEAN Issuer and Non-ASEAN Issuer

1.0 SCOPE OF ASEAN GBS

- 1.1 The ASEAN GBS shall apply to issuance of ASEAN Green Bonds.
- 1.2 The ASEAN GBS are aligned with the GBP. Any guidance issued by ICMA on the GBP should also be considered, where relevant.

2.0 OBJECTIVE OF ASEAN GBS

The ASEAN GBS are intended to provide additional guidance on the application of the GBP as well as to enhance transparency, consistency and uniformity of ASEAN Green Bonds.

3.0 CRITERIA FOR ASEAN GREEN BONDS

3.1 Issuer

- (i) Must be an ASEAN Issuer; or
- (ii) In the case of a Non-ASEAN Issuer, the eligible Green Projects must be located in any of the ASEAN countries.

3.2 Issuance

ASEAN Green Bonds issuances must be originated from any of the ASEAN member countries.

4.0 GUIDANCE ON THE FOUR CORE COMPONENTS OF THE GBP

4.1 Use of Proceeds

- 4.1.1 The utilisation of proceeds from the ASEAN Green Bonds must be described in the documentation for issuance of the ASEAN Green Bonds.
- 4.1.2 In relation to 4.1.1, the Issuer must disclose the following information:
- (i) The categories of eligible Green Projects to which the ASEAN Green Bonds proceeds will be allocated; and/or
 - (ii) The information on specific Green Projects in the case where the Issuer has identified the specific Green Projects to which the ASEAN Green Bonds proceeds will be allocated.
- 4.1.3 All designated Green Projects must provide clear environmental benefits, which will be assessed and, where feasible, quantified by the Issuer.
- 4.1.4 In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced Green Projects. "Look-back" refers to a maximum period in the past that an Issuer

will look-back to identify assets/earlier disbursements to such eligible Green Projects that will be included in the green bond reporting.

4.1.5 There are several broad categories of eligibility for Green Projects that address key areas of environmental concern such as climate change, natural resources depletion, loss of biodiversity and air, water or soil pollution. The following list is intended to be indicative and captures the most commonly used types of projects supported or expected to be supported by the green bond market. Green Projects may relate to more than one category. The categories, listed in no specific order, include, but are not limited to–

- (i) renewable energy;
- (ii) energy efficiency;
- (iii) pollution prevention and control;
- (iv) environmentally sustainable management of living natural resources and land use;
- (v) terrestrial and aquatic biodiversity conservation;
- (vi) clean transportation;
- (vii) sustainable water and waste water management;
- (viii) climate change adaptation;

- (ix) eco-efficient and/or circular economy adapted, production technologies and processes;
- (x) green buildings which meet regional, national or internationally recognised standards or certifications.

4.1.6 For clarification purposes, fossil fuel power generation projects are excluded from the ASEAN GBS.

4.2 Process for Project Evaluation and Selection

4.2.1 The Issuer of ASEAN Green Bonds must clearly communicate to investors–

- (i) the environmental sustainability objectives;
- (ii) the process by which the Issuer determines how the projects fit within the eligible Green Projects categories identified above; and
- (iii) the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green Projects.

4.2.2 The Issuer must establish the process for project evaluation and selection prior to the issuance of the ASEAN Green Bonds and disclose the same to investors in the documentation for the issuance of the ASEAN Green Bonds.

- 4.2.3 Issuers are encouraged to position this information within the context of the Issuers' overarching objectives, strategy, policy and/or processes relating to environmental sustainability. Issuers are also encouraged to disclose any green standards or certifications referenced in project selection.
- 4.2.4 It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.
- 4.2.5 The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Green Bonds:
- (i) The process for project evaluation;
 - (ii) The use of proceeds; and
 - (iii) External review report on the process (if any).

4.3 Management of Proceeds

- 4.3.1 Prior to the issuance of the ASEAN Green Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the process for managing the net proceeds from the ASEAN Green Bonds.
- 4.3.2 The net proceeds from the ASEAN Green Bonds, or an amount equal to these net proceeds, must be credited into a sub-account, moved to a sub-portfolio

or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process linked to the Issuer's lending and investment operations for Green Projects. The total amount deployed from the net proceeds for the eligible Green Projects need not occur simultaneously.

- 4.3.3 As long as the ASEAN Green Bonds are outstanding, the balance of tracked proceeds must be periodically adjusted to match allocations to eligible Green Projects made during that period.
- 4.3.4 The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the intended types of temporary placement for the balance of unallocated proceeds.
- 4.3.5 It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party to verify the internal tracking method and the allocation of funds from the ASEAN Green Bonds proceeds.
- 4.3.6 Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of the issuance of the ASEAN Green Bonds.

4.4 Reporting

- 4.4.1 Issuers must report to investors at least on an annual basis and encouraged to make more frequent reporting on the use of proceeds until full allocation,

and as necessary thereafter in the event of material developments. This should include a list of the projects to which the ASEAN Green Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated and their expected impact.

- 4.4.2 Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the Issuer may present the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).
- 4.4.3 It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, number of people provided with access to clean power, decrease in water use, reduction in the number of cars required, etc.) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.
- 4.4.4 It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.
- 4.4.5 The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Green Bonds.

5.0 EXTERNAL REVIEW

- 5.1 Issuers are recommended to appoint external review providers for their ASEAN Green Bonds issuances.
- 5.2 The external review may be partial, covering only certain aspects of the Issuer's ASEAN Green Bonds framework or full, assessing alignment with all four core components as stated in the ASEAN GBS.
- 5.3 The external review provider must have the relevant expertise and experience in the components of the ASEAN Green Bonds which they are reviewing.
- 5.4 The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.
- 5.5 There are a variety of ways for Issuers to obtain outside input into the formulation of their ASEAN Green Bonds process and there are several levels and types of review that can be conducted. Such guidance and external reviews might include–

(i) Consultant Review

An Issuer can seek advice from consultants and/or institutions with recognised expertise in environmental sustainability or other aspects of the issuance of ASEAN Green Bonds, such as the establishment/review of an Issuer's ASEAN Green Bonds framework. "Second party opinions" may fall into this category.

(ii) Verification

An Issuer can have its ASEAN Green Bonds, associated ASEAN Green Bonds framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the Issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.

(iii) Certification

An Issuer can have its ASEAN Green Bonds or associated ASEAN Green Bonds framework or use of proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/certifiers.

(iv) Rating

An Issuer can have its ASEAN Green Bonds or associated ASEAN Green Bonds framework rated by qualified third parties, such as specialised research providers or rating agencies. Green bond ratings are separate from an Issuer's environmental, social and governance rating as they typically apply to individual securities or ASEAN Green Bonds frameworks/programmes.

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