



**ACMF**

**ASEAN Green Bond  
Standards**



# ASEAN **GREEN BOND** STANDARDS

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# INTRODUCTION

The ASEAN Capital Markets Forum (ACMF)<sup>1</sup> 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* (ASEAN GBS) based on the International Capital Market Association (ICMA)'s<sup>2</sup> *Green Bond Principles* (GBP)<sup>3</sup> 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 coordination of the 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.

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

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<sup>1</sup> About ACMF – [http://www.theacmf.org/ACMF/webcontent.php?content\\_id=00001](http://www.theacmf.org/ACMF/webcontent.php?content_id=00001)

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

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

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. 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 greenwashing of projects and protect the ASEAN Green Bonds label.

- **Continuous Accessibility to Information**

The ASEAN GBS further set out how investors are to be given access to information continuously by requiring the Issuers to disclose information on use of proceeds, process for 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 reviewer 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 reviewers 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 towards awareness creation and increased investor confidence.

The ASEAN GBS have been developed in consultation with the 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.

## **The 2018 Edition of the ASEAN GBS**

The 2018 edition of the ASEAN GBS is issued to ensure alignment with the 2018 edition of the GBP, reflecting the development and growth of the green bond market. The 2018 edition of the ASEAN GBS remains framed by the four core components (use of proceeds, process for project evaluation and selection, management of proceeds, and reporting) of the 2017 edition of the ASEAN GBS and GBP. Key enhancements to the 2018 edition of the ASEAN GBS include:

- Additional guidance and updated definitions for external reviews;
- Reference to eligible project categories contributing to five high level environmental objectives (climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control) rather than four key areas of concern as previously; and
- Timely reporting of material developments.

# DEFINITIONS

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

<b>ACMF</b>	means ASEAN Capital Markets Forum
<b>ASEAN</b>	means Association of Southeast Asian Nations
<b>ASEAN GBS</b>	means the <i>ASEAN Green Bond Standards</i> as applicable and as revised from time to time
<b>ASEAN Green Bonds</b>	means bonds and sukuk which comply with the ASEAN GBS, where the proceeds will be exclusively applied to finance or re-finance, 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
<b>ASEAN Issuer</b>	means an Issuer that is incorporated in any of the ASEAN countries
<b>Non-ASEAN Issuer</b>	means an Issuer other than an ASEAN Issuer
<b>GBP</b>	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
<b>Green Projects</b>	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
<b>Issuer</b>	means a corporation that issues ASEAN Green Bonds and includes an ASEAN Issuer and Non-ASEAN Issuer

## 1. SCOPE OF THE 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.
- 1.3 It is understood that certain Green Projects may also have social co-benefits, and that the classification of a use of proceeds bond as an ASEAN Green Bond should be determined by the Issuer based on its primary objectives for the underlying projects. Bonds that combine Green and Social Projects based on the ASEAN GBS and ASEAN Social Bond Standards are referred to as ASEAN Sustainability Bonds, and specific guidance for these is provided separately in the ASEAN Sustainability Bond Standards.

## 2. OBJECTIVE OF THE 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. 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. 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 period" 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 which contribute to environmental objectives such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. The following list of project categories, while indicative, captures the most commonly used types of projects supported by or expected to be supported by the green bond market. Green Projects include other related and supporting expenditures such as research and development, and may relate to more than one category and/or environmental objective identified above. 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 products, production technologies and processes; and
  - (x) Green buildings which meet regional, national or internationally recognised standards or certifications.
- 4.1.6 For clarification, 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 Project 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 Issuer's 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 of 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 the tracked net 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 net 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 are encouraged to make more frequent reporting on the use of proceeds until full allocation, and on a timely basis in the case of material developments. The annual report 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 disclose 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 or programmes.
- 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. 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. It may cover areas such as the establishment of an Issuer's ASEAN Green Bonds framework or the reporting of an ASEAN Green Bonds Issuer. Consultancy or advisory services entail collaboration with the Issuer and differ from independent external reviews. The ASEAN GBS encourage independent review of environmental features of the (types of) assets or activities associated with the ASEAN Green Bonds or ASEAN Green Bonds programme, where applicable.

5.6 Independent external reviews may vary in scope and may address an ASEAN Green Bonds framework/programme, an individual ASEAN Green Bonds issuance, the underlying assets and/or procedures. They are broadly grouped into the following types, with some providers offering more than one type of service, either separately or combined:

**(i) Second Party Opinion**

An institution with environmental expertise that is independent from the Issuer may issue a Second Party Opinion. The institution should be independent from the Issuer's adviser for its ASEAN Green Bonds framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the ASEAN GBS. In particular, it can include an assessment of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the use of proceeds.

**(ii) Verification**

An Issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the Issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an Issuer's internal tracking method for use of proceeds, allocation of funds from ASEAN Green Bonds proceeds, statement of environmental impact or alignment of reporting with the ASEAN GBS, may also be termed verification.

**(iii) Certification**

An Issuer can have its ASEAN Green Bonds or associated ASEAN Green Bonds framework or use of proceeds certified against a recognised external green standard or label. A standard or

label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

**(iv) Green Bond Scoring/Rating**

An Issuer can have its ASEAN Green Bonds, associated ASEAN Green Bonds framework, or a key feature such as use of proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the ASEAN GBS, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

