



Recognition of Global Investment Trends and CSD's Expected Business Transformation

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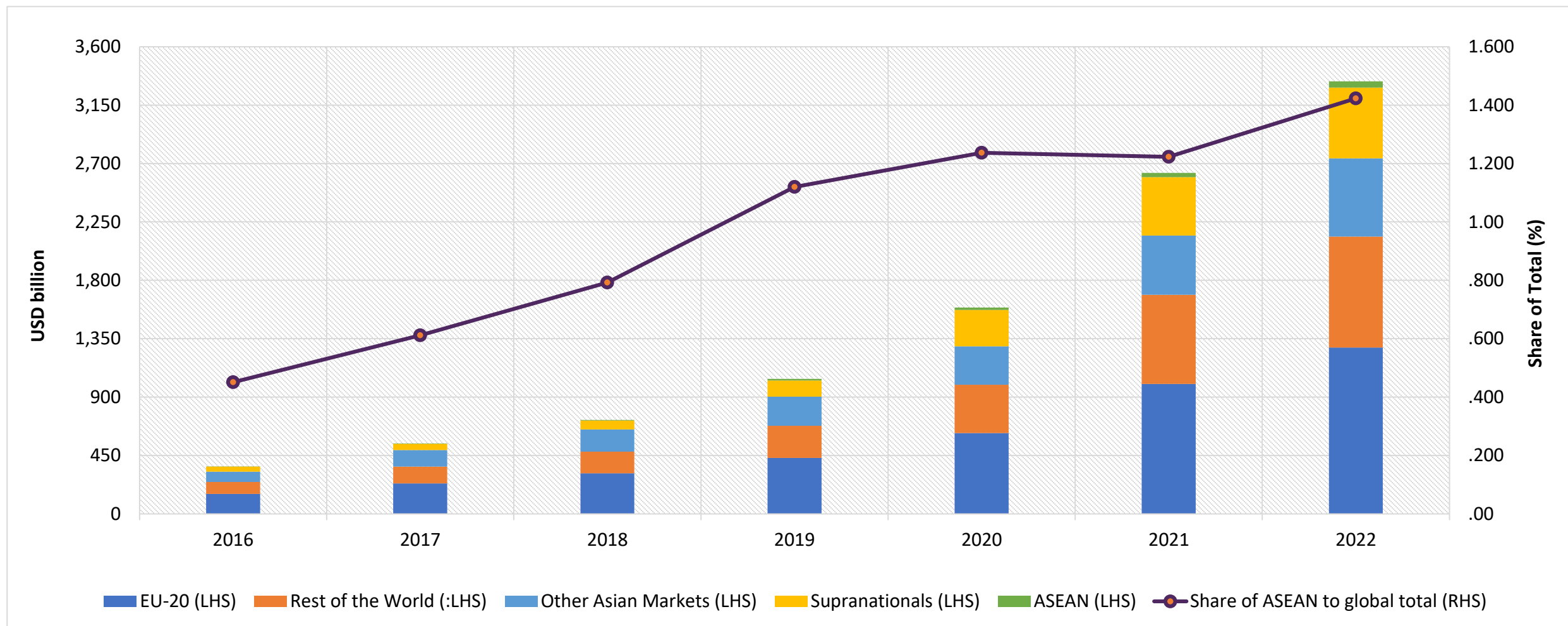




The current state of the sustainable bond market



SUSTAINABLE BONDS OUTSTANDING IN GLOBAL MARKETS



ASEAN = Association of Southeast Asian Nations, EU = European Union, LHS = left hand side, RHS = right hand side, USD = United States dollar.

Notes:

1. ASEAN includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

2. EU-20 includes EU member markets Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

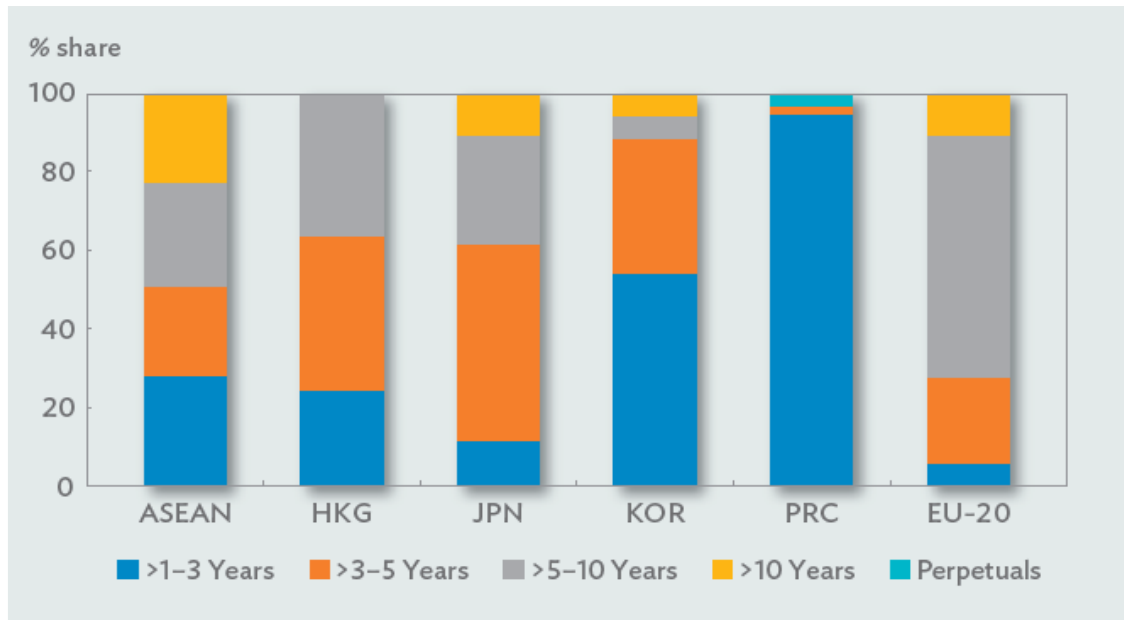
3. Data includes both local currency and foreign currency issues.

Source: AsianBondsOnline computations based on Bloomberg LP data.

IN ASEAN'S GSS+ BOND MARKET, MATURITY PROFILE IS QUITE DIVERSIFIED, BUT THE TYPE OF BOND IS CONCENTRATED IN GREEN AND SUSTAINABILITY BONDS.

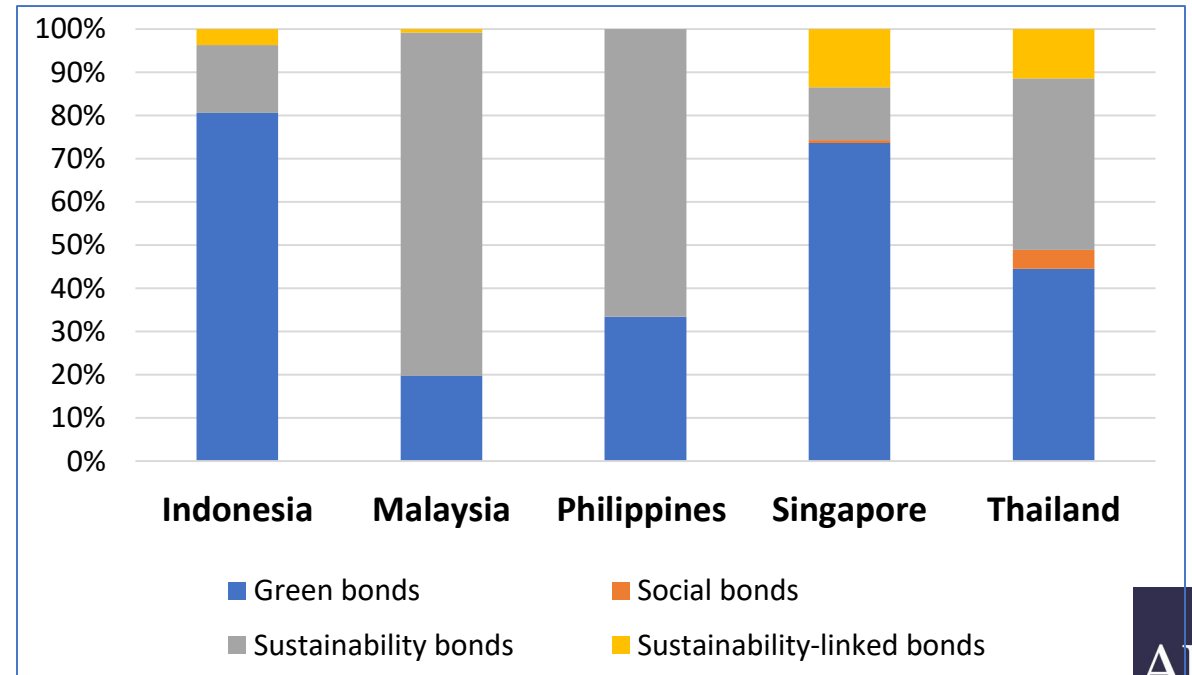
- GSS+ bond issuances in ASEAN+3 mainly comprised relatively short maturity, compared to 9.1 years in the EU-20 GSS+ bond market and 8.7 years in the ASEAN general bond market. ASEAN markets had a relatively larger share of longer-tenor issuances, with 49.2% of sustainable bond issuance comprising tenors of 5 years or more.
- Sovereign issuance in ASEAN is concentrated in sustainability bonds, which enable governments to raise funds for a combination of green and social projects. Thailand (2020, tapped in 2021 and 2022), the Philippines (2022), Malaysia (2021) and Indonesia (2021) make up the list. A significant amount of sovereign green bond issuances has been mainly issued by Indonesia (every year since 2018) and Singapore (2022).

**Maturity Profiles of ASEAN+3 and EU-20
GSS+ Bond Issuances by Economy as of June 2023**



Source: ADB. *Asia Bond Monitor* August 2023. Manila.

**Share of GSS+ bonds outstanding in
selected ASEAN countries.**

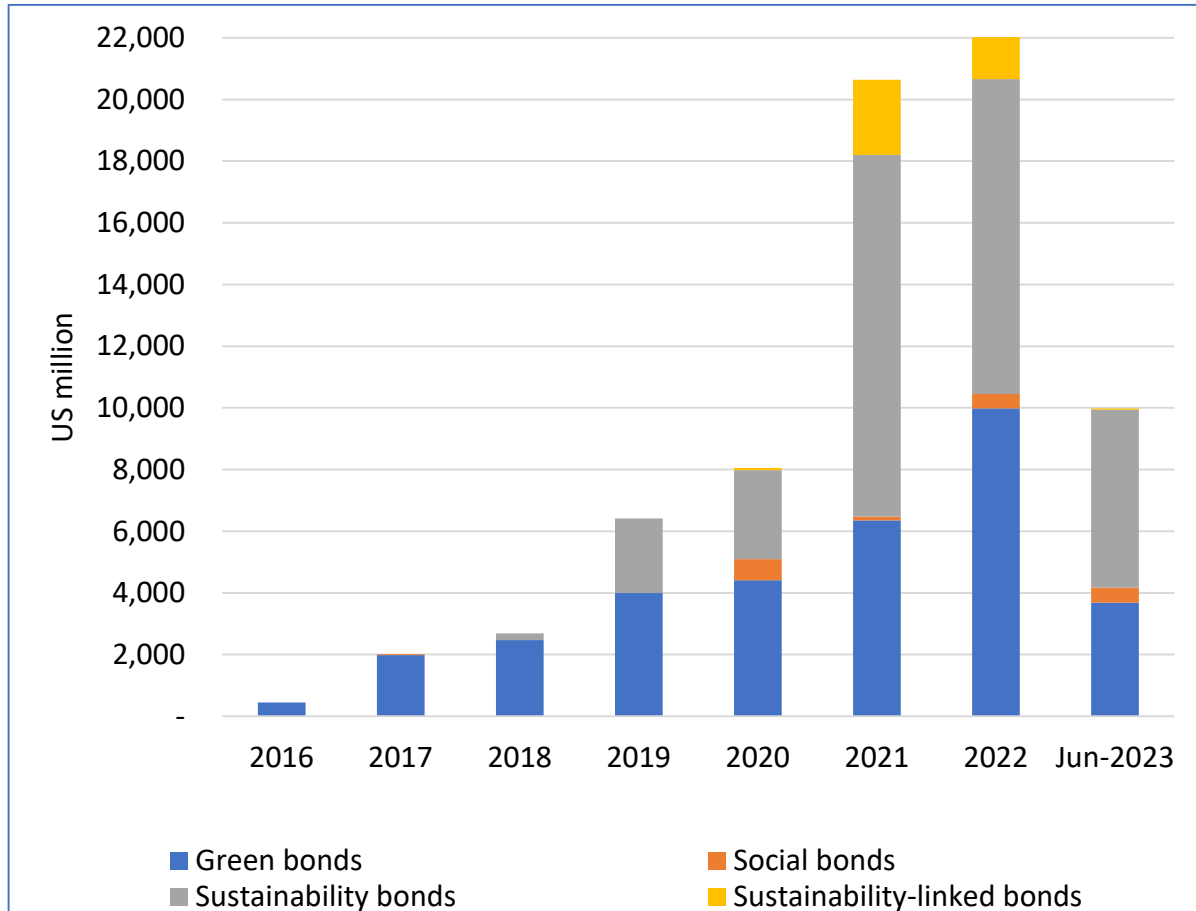


Source: *AsianBondsOnline* computations based on Bloomberg LP data.

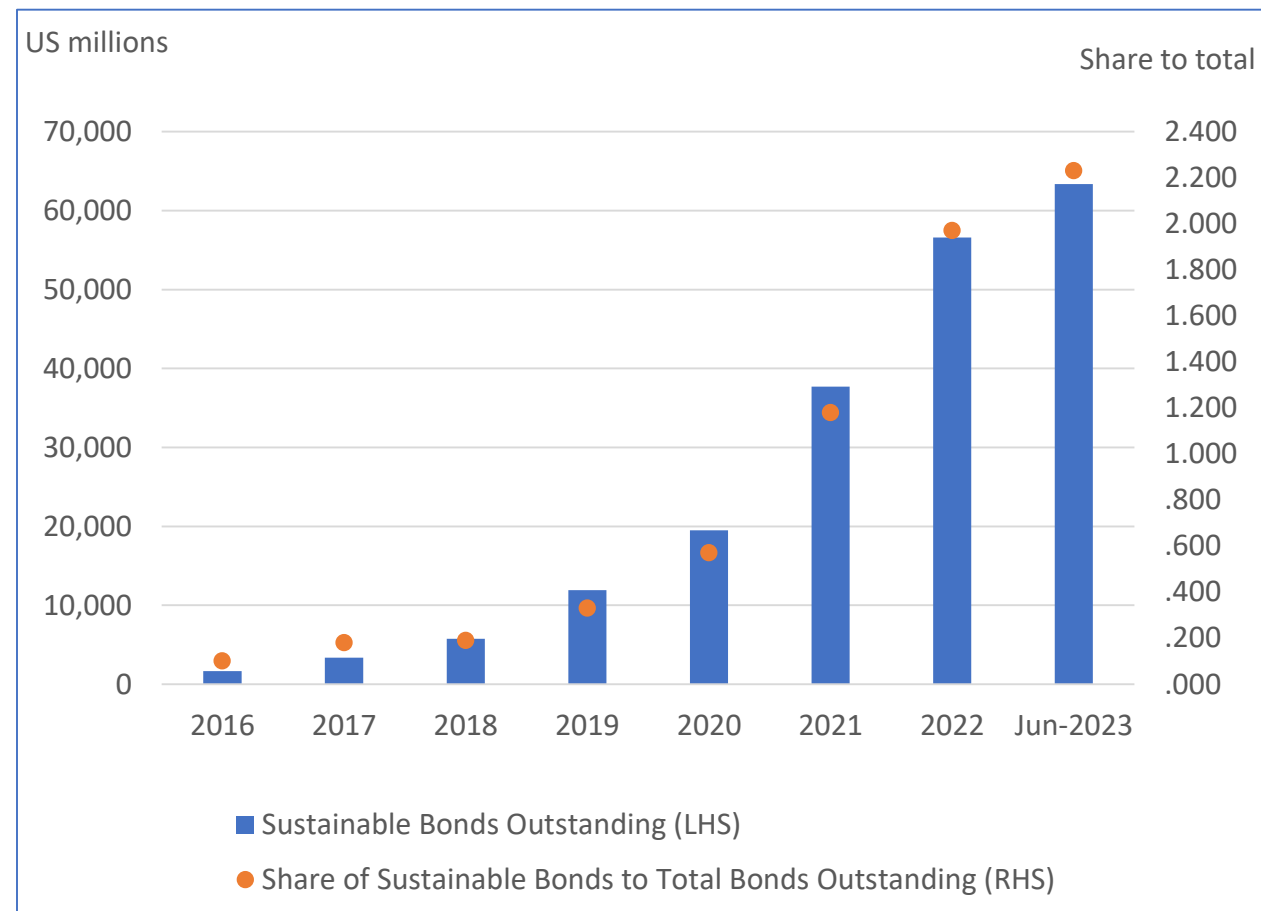


DESPITE SIGNIFICANT MARKET EXPANSION, SUSTAINABLE BOND MARKET IS STILL EXTREMELY SMALL

ASEAN ISSUANCE OF GREEN, SOCIAL AND SUSTAINABILITY BONDS



SUSTAINABLE BONDS OUTSTANDING AND SHARES TO TOTAL BOND MARKET



Source: *AsianBondsOnline* computations based on Bloomberg LP data.



Case studies:

SUSTAINABLE BOND TRANSACTIONS SUPPORTED BY ADB

THE GREEN, SOCIAL, SUSTAINABLE AND OTHER LABELED (GSS+) BONDS INITIATIVE FOR SOUTHEAST ASIA

The GSS+ Bonds Initiative, established under the ADB-ASEAN Catalytic Green Finance Facility, aims to scale up GSS+ bonds issuances across Southeast Asia by \$1 billion within 2025. The GSS+ Bonds Initiative is managed by ADB's Thailand Resident Mission.

Why Now?

Southeast Asia is seeing an increase in the issuance of GSS+ bonds, but the region represents only a small portion of the global total. In the first half of 2022, \$8 billion in GSS+ bonds were issued in the Association of Southeast Asian Nations (ASEAN)—accounting for only 2% of the global total. This calls for increasing capacity and awareness building on GSS+ bonds at the national and subnational levels in the region, especially for cities and SOEs to attract the interest of global investors. Generating more GSS+ bond issuances in the region can enable countries to address investment needs and achieve climate resilience targets.

Objectives

The GSS+ Bonds Initiative aims to deepen and accelerate the development of sustainable capital markets, catalyze signature GSS+ issuances, and create enabling environments for growth. The target is at least \$1 billion worth of GSS+ bond issuances by 2025.

Outcome 1

Creating enabling environments and ecosystems to catalyze signature GSS+ issuances in the region.

Outcome 2

Better leverage public sector funds through derisking vehicles to enhance the flow of private capital funds to GSS+ bond issuance.

GSS+ Bonds (as of June 2022)

GLOBAL \$3.3 trillion

ASEAN \$38 billion

\$ = United States dollar
Note: ASEAN comprises Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. Cumulative outstanding as of June 2022.
Sources: AsianBondsOnline and Bloomberg LP

The 3-Pronged Strategy



- Activity 1**
Capacity and Policy Development for GSS+ Bonds
- Activity 2**
Signature Pilot GSS+ Bonds Development
 - Frameworks
 - Project Selection
 - External Review
- Activity 3**
Propose Enabling Funds and Derisking Mechanisms

Planned Approach and Activities by 2025

- Six origination roundtables with global bond experts
- Technical assistance targeting 4–5 thematic bonds (including at least 1 green municipal bond) totalling \$1 billion in issuances
- Develop and propose at least 3 financial mechanisms for ADB's developing member countries

The initiative aims to create a programmatic capacity building facility over a 3-year period.

ADB's Southeast Asia Department Green Finance Hub has actively supported issuers from developing member countries to develop thematic bonds. For instance, bonds issued by the Government of Thailand and the National Housing Authority in 2020 and 2021 raised around \$6.5 billion from the capital markets.



[The Green, Social, Sustainable and Other Labeled \(GSS+\) Bonds Initiative for Southeast Asia \(adb.org\)](https://adb.org)

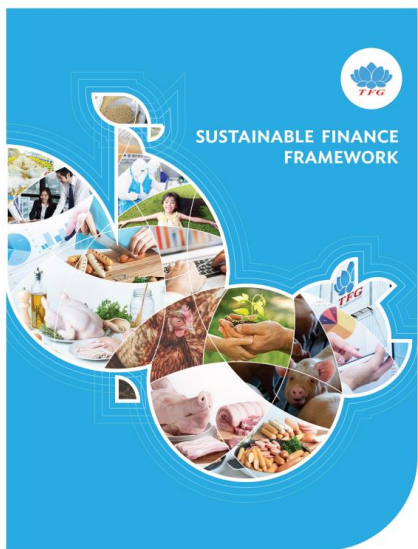
[AsianBondsOnline](https://AsianBondsOnline.org)
[Green Bond](https://AsianBondsOnline.org)





COMPLETED TRANSACTIONS

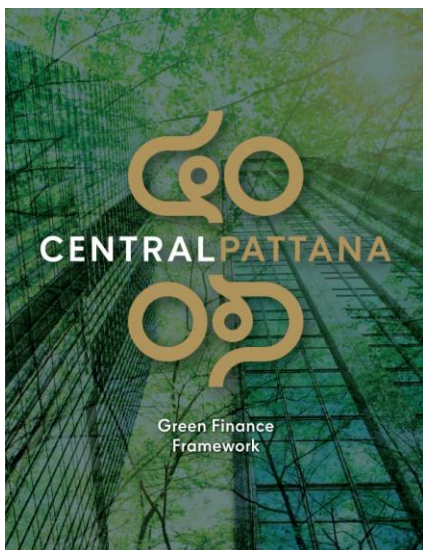
(SOEs and Corporate Issuances)



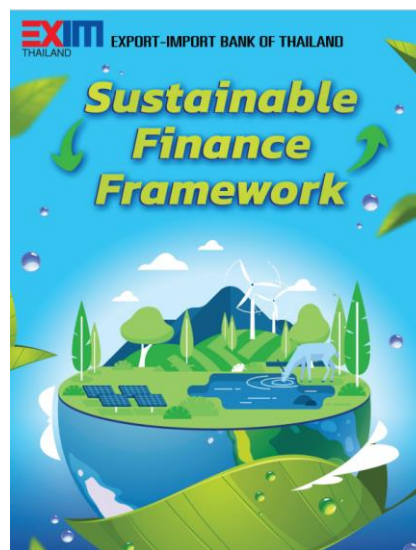
- First social bond under AMBIF and CGIF-guaranteed
- THB 1 billion (\$30 million), 5 years maturity
- Support job creation and economic advancement in local communities.
- Subsequently issued two more social bonds totaling THB 1.5 billion
- Best social bond – deals of the year by The Asset Triple A Sustainable Capital Markets Awards 2021.



- First social bond by state-owned financial institution in Thailand
- THB 10 billion (\$295 million), 3 years tenor
- Support government policies e.g. low-interest loans to grassroots customers to address informal debt; developing occupational capabilities of unemployed etc
- Significant demand from local investors, leading up to 2 times bid-to-cover ratio
- Supported in collaboration with ASEAN Catalytic Green Finance facility
- Included in the ABF index



- First green bond by Thailand's real estate and retail industry developer
- THB 1 billion (\$30 million), 3 years maturity
- Support investments in green projects and achieve the company's 'Journey to Net Zero' plan by 2050.



- First floating-rate green bond by issued under Thai Overnight Repurchase Rate (THOR).
- THB 5 billion (\$150 million), 3- and 4-years maturity
- Support investment in green projects, particularly solar and wind projects



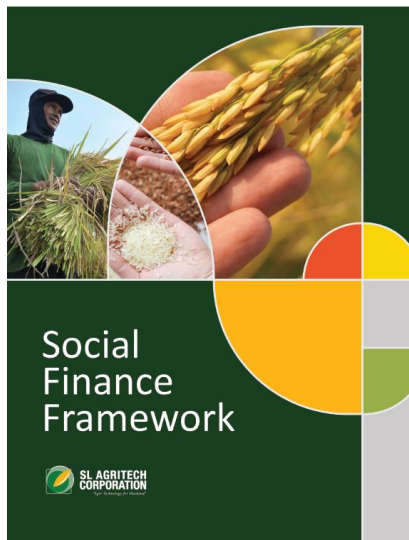


COMPLETED TRANSACTIONS

(SOEs and Corporate Issuances)



- First ever green bond will be issued in Cambodia
- Aligned with the ASEAN green bond standards
- Approximately \$1.3 million in local currency equivalent
- Finance EDGE-certified green office building in Phnom Penh



- First social bond by a corporate issuer (nonfinancial institution) in the Philippines under the ASEAN social bond standards
- PHP 2 billion (≈\$34 million), 3 years tenor
- Support contract growing program: rice and hybrid seeds (buyback scheme for rice and hybrid seeds), farmers education program, plant expansion and employment generation



- First local currency-denominated sustainability bond by a financial institution in Thailand
- Aligned with ASEAN standards
- THB 8.5 billion (≈ \$244 million), 3- and 12-years tenors
- Supported in collaboration with the ACGF's Green, Social, Sustainable, and Other Labeled (GSS+) Bonds in Southeast Asia Initiative

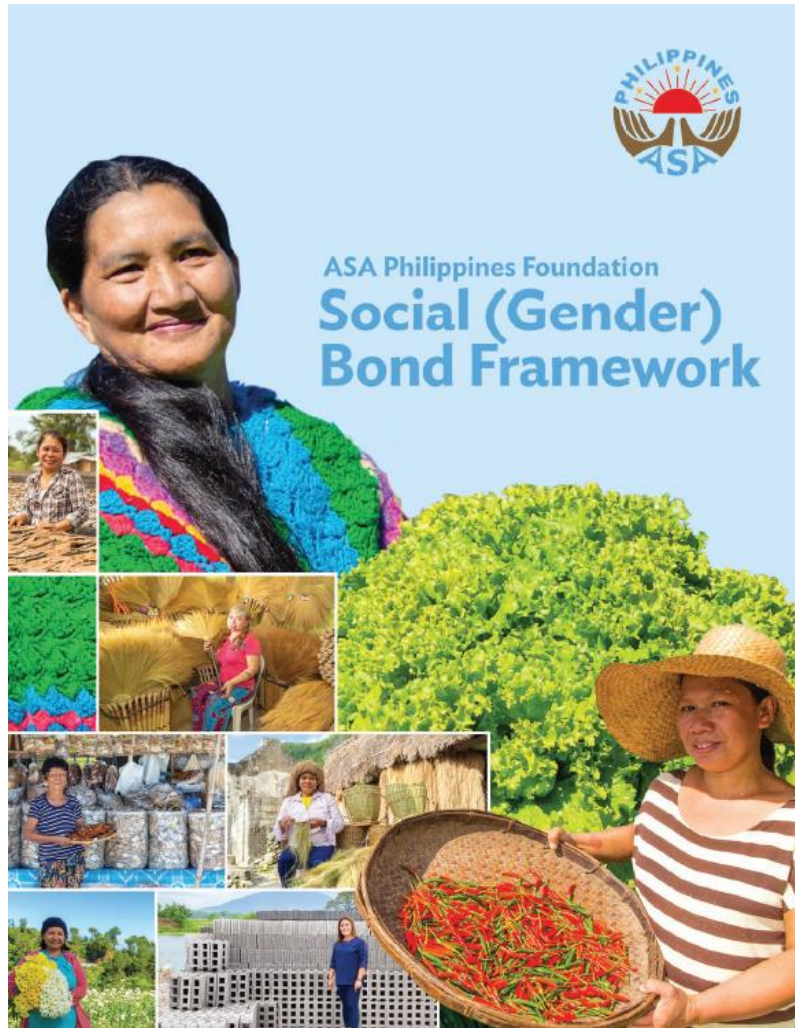


- First ESG deposit program introduced in Thailand
- Aligned with ASEAN standards
- THB 1 billion (≈ \$30 million) deposit program
- Support projects that fall under the government bio circular and green program



COMPLETED TRANSACTIONS

(SOEs and Corporate Issuances)



- **Issuer:** ASA Philippines Foundation
- **Issue Size:** PHP5 billion (\$90 million)
- **Issuance Date:** 5 July 2025
- **Key Features:**
 - 1) The first gender bond issued in the Philippines.
 - 2) Issued under the ICMA Social Bond Principles and ASEAN Social Bond Standards
 - 3) The proceeds from the 5-year gender bond will be used for expansion of ASA's lending business, which targets women as principal borrowers to empower them and achieve financial inclusion for the vulnerable, indigent female sector.

[ADB Supports the Philippines' First Gender Bond Issued by ASA Philippines Foundation](#) | Asian Development Bank



THA: SUPPORT TO ASEAN'S FIRST SOVEREIGN SUSTAINABILITY BOND

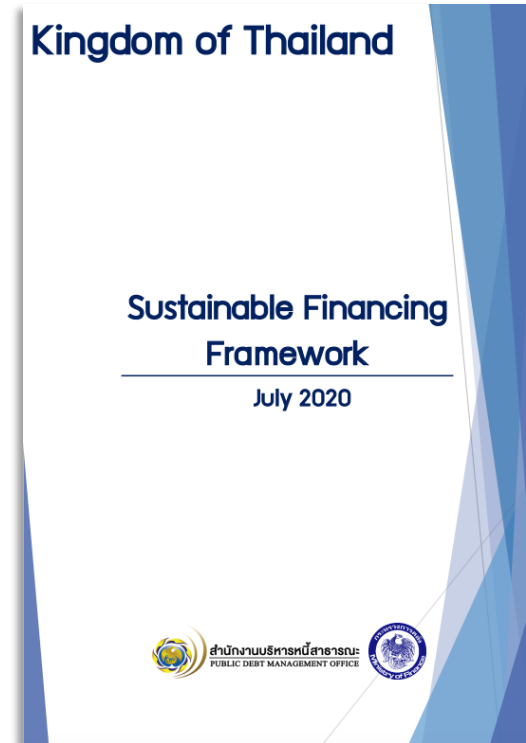
ADB has supported Thailand's Public Debt Management Office to issue ASEAN's first sovereign sustainability bond in 2020

Key Features:

1. 15-year bond, more than 3 times oversubscribed, issued with an interest rate of 1.585%, lower than the market yield of the existing 15-year benchmark bond
2. Reopened several times THB 30,000 --> 212 billion
3. Proceeds were used to finance green infrastructure (24%) and social impact projects supporting the country's recovery from the COVID-19 pandemic (76%)
4. Green bond portion was certified by the Climate Bonds Initiative and was listed on the Luxembourg Green Exchange

ADB/ACGF Support:

- 1) project selection, 2) framework development, 3) external review 4) certification, 5) annual review and 6) bond listing, 7) Green Infrastructure Investment Opportunities report



Awards from The Asset



The Asset
Country Awards 2020
Best Deals by country



The Asset
Country Awards 2020
Best Advisers by country



BEST SUSTAINABILITY
BOND

The Asset
Triple A Sustainable Capital Markets Regional Awards 2020
DEALS OF THE YEAR



LUXEMBOURG
GREEN EXCHANGE

PDMO DG featured in the
**Climate Bonds Initiative
Conference 2020**

THA: SUPPORT TO THAILAND'S FIRST SOCIAL AND SUSTAINABILITY BOND

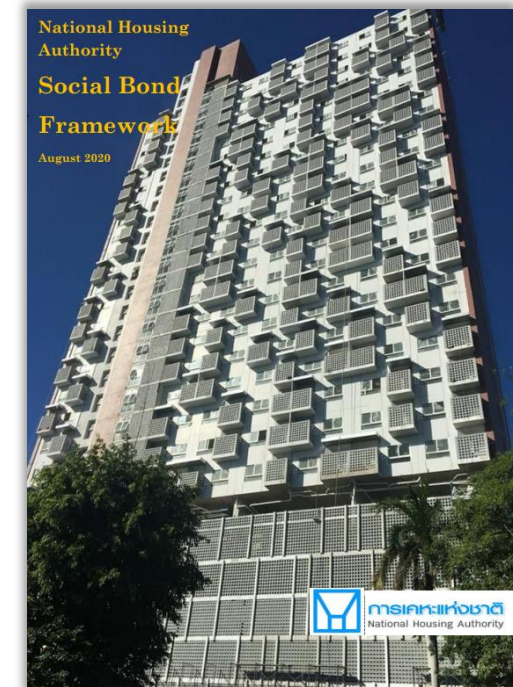
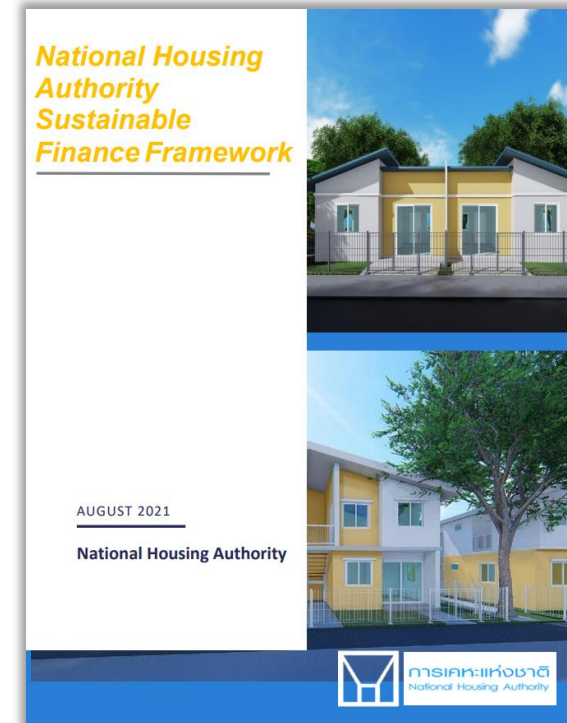
ADB has supported Thailand's National Housing Authority to issue the country's first social bond in 2020, and first sustainability bond by an SOE in 2021.

Key Features:

1. Demonstrated practical, step-wise approach in integration ESG into operations
 1. 2020 – issued social bond to support affordable housing projects
 2. 2021 – issued sustainability bond to integrate energy efficiency components in affordable housing projects

ADB/ACGF Support:

- 1) project selection, 2) framework development, 3) external review 4) certification, 5) annual review





HOW CAN WE DEVELOP OUR LOCAL MARKET?

POLICY CONSIDERATIONS - ECOSYSTEM FOR SUSTAINABLE FINANCE MARKET DEVELOPMENT

STRONG PIPELINE OF ISSUERS/PROJECTS
(Supply)

LARGE POOL OF ESG INVESTORS
(Demand)

**CLEAR REGULATORY GUIDANCE BY REGULATORS (GUIDANCE, DEFINITIONS, TAXONOMIES) –
LEAD BY EXAMPLE BY GOVERNMENT**

Local green bond
verifiers

Streamline reporting

Investments by central
banks, pension funds

Mandated external
review

Pressure from
investors/lenders

De-risking mechanisms,
subsidies and technical
assistance

Clear green definition

Standardized data and
information
dissemination

Market Awareness Programs (capacity building, green and social bond guidance, develop human capital)

Facilitate cross-border issuance of ESG bonds with standardized disclosure
(ASEAN+3 Multicurrency Bond Issuance Framework)



So far, taxonomy drives sustainable investment decisions

ASEAN Green Taxonomy

Qualitative-based sector-agnostic
screening criteria and decision flow

Green

Amber

Red

Taxonomy can help

- Establish common understanding
- Provide clarity for businesses and investors
- avoid fragmentation

But taxonomy can
define only a fraction
of corporate activities.

HR

Sales

Admin

Green
assets

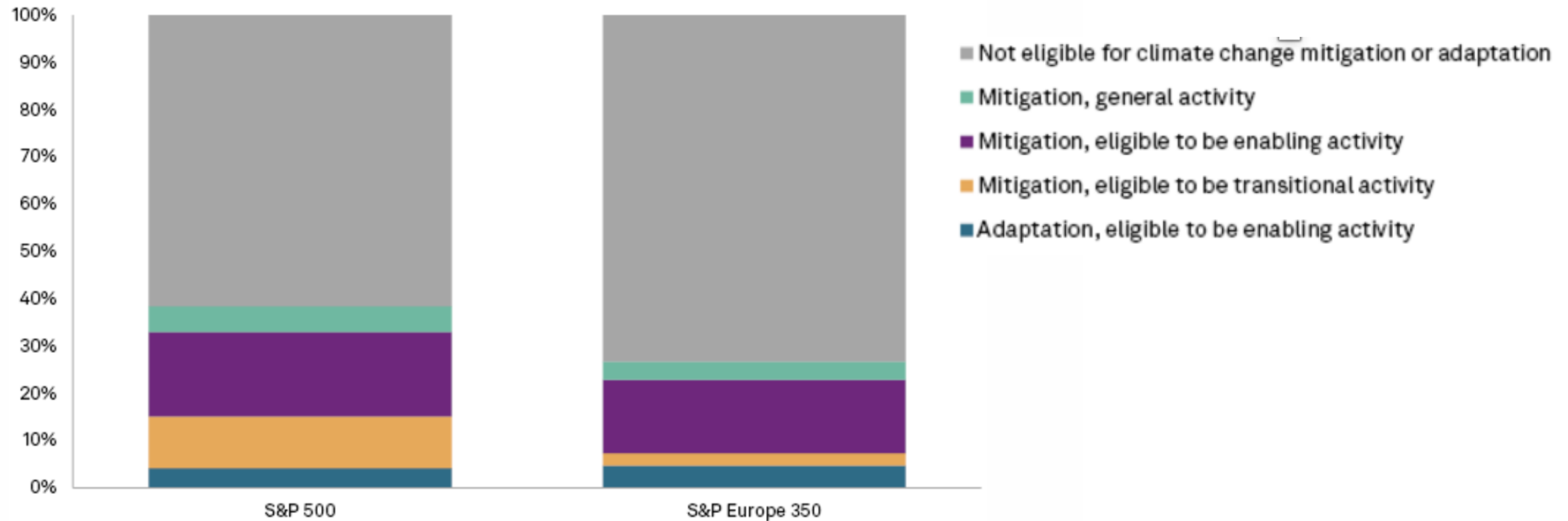
Productions

A disclosure standard that
can evaluate entire
corporate activities is
necessary.



But a taxonomy can cover only some part of corporate activities

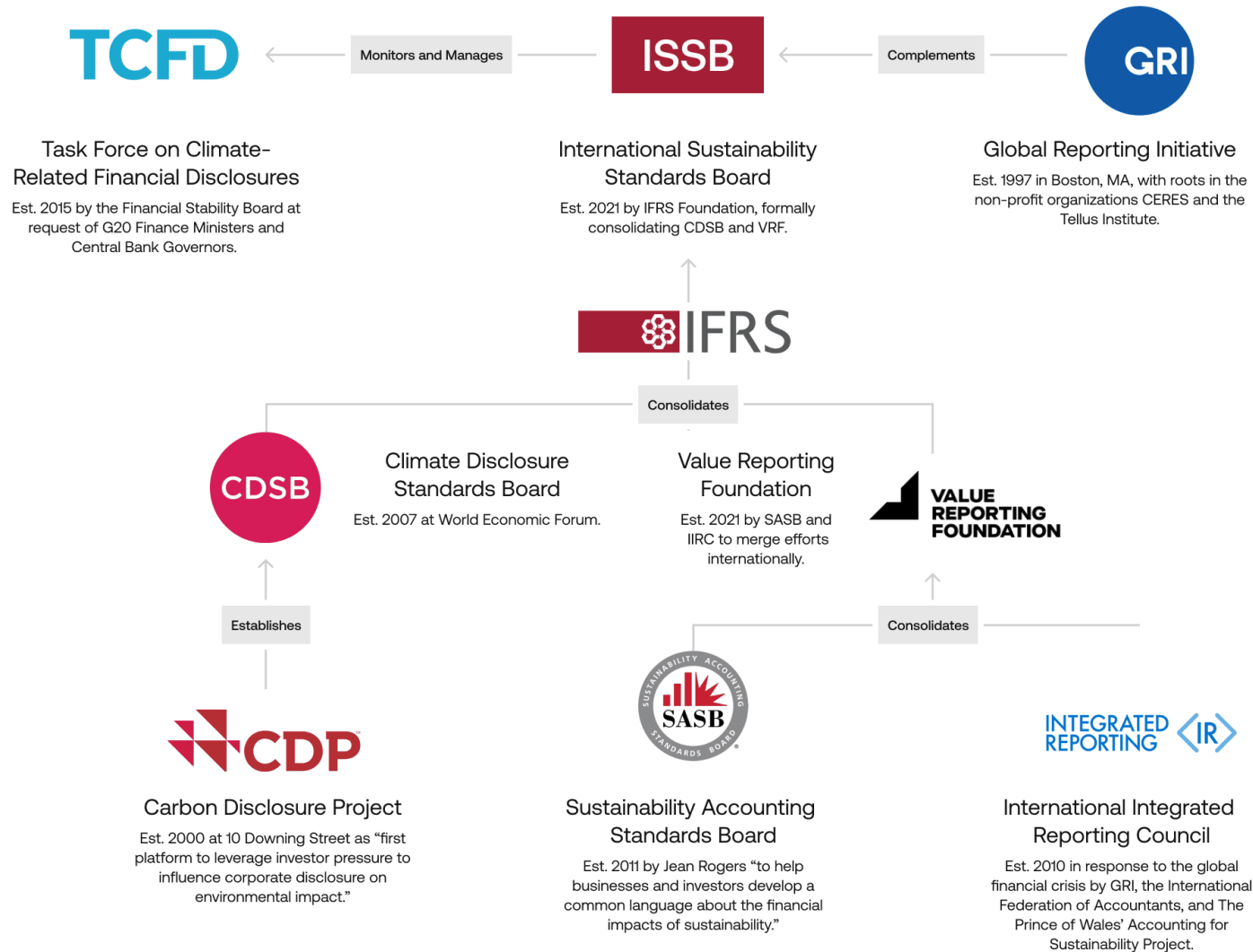
Breakdown of Taxonomy-eligible revenue share in S&P 500 and S&P EUROPE 350 by climate objective and potential activity type



Source: Unpacking the EU Taxonomy: Eligibility

<https://www.spglobal.com/esg/insights/blog/unpacking-the-eu-taxonomy-eligibility#:~:text=Taxonomy%20eligibility%20is%20an%20assessment,the%20Taxonomy%20to%20begin%20with.>

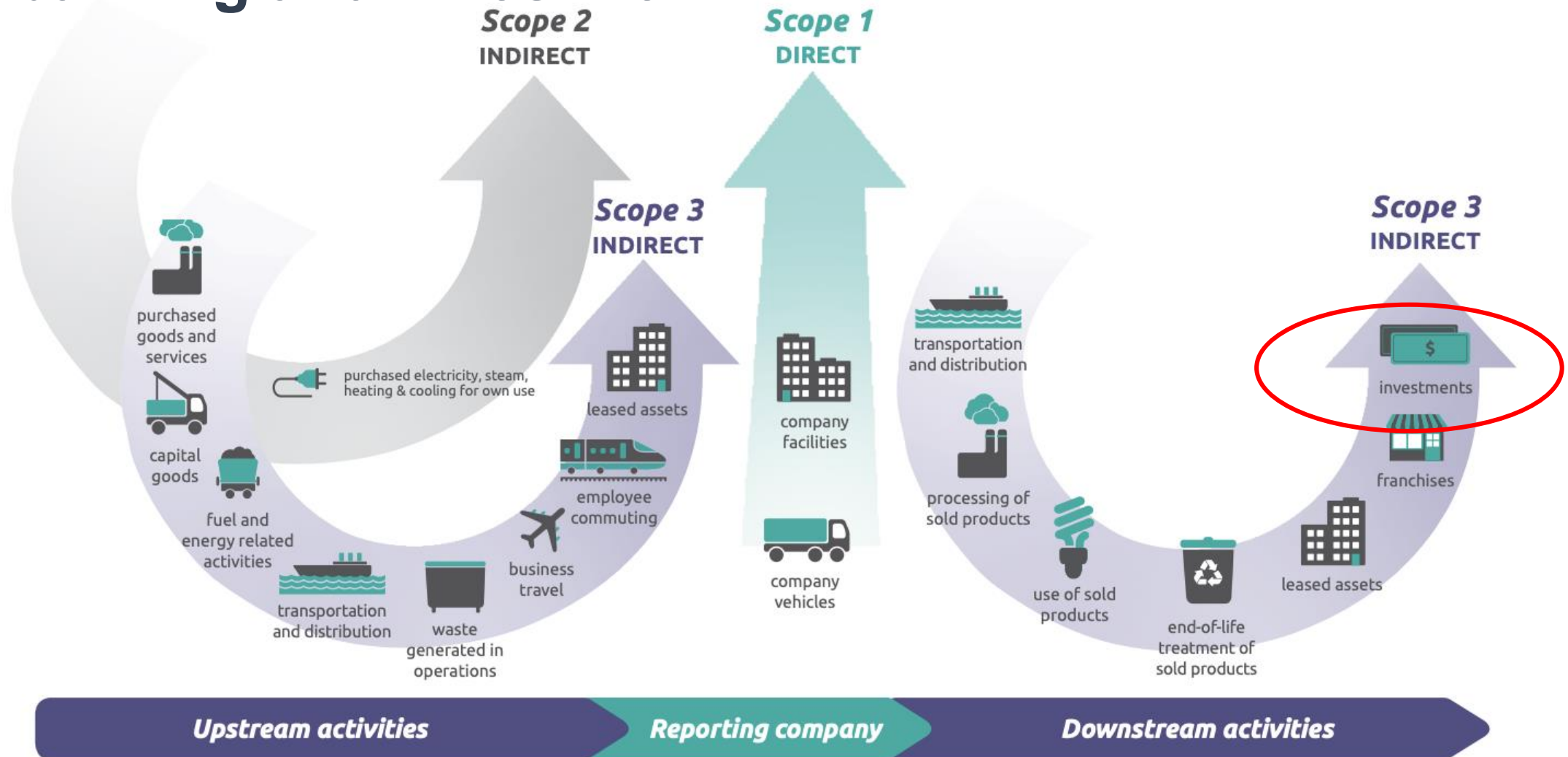
There are so many standards to define corporate activities...



- At last, the ISSB standards will be mandatory standards.
- The mandatory disclosure standards will shape the cooperate activities.
 - The ISSB standards are based on the TCFD recommendations.



Implementation of the ISSB standards, especially scope 3 under S2, will create a significant impact on banking and Investment





Global implementations of sustainable standards are expected to start around 2025

- **ISSB standards are applicable from 1 January 2024.**
 - The standards are not mandatory - they will be adopted into mandatory reporting frameworks by jurisdictions.
- Sustainability reporting is becoming mandatory in the EU under the Corporate Sustainability Reporting Directive (CSRD), coming into force on 5 January 2023.
 - **From 1 January 2024**, large public-interest companies (with over 500 employees) will be subject to the non-financial reporting directive, with reports due in 2025.
 - **From 1 January 2025**, large companies that are not presently subject to the non-financial reporting directive (with more than 250 employees and/or €40 million in turnover and/or €20 million in total assets), will report due in 2026.
 - **From 1 January 2026**, listed SMEs and other undertakings will report due in 2027. SMEs can opt-out until 2028.
 - From 1 January 2028, EU subsidiaries or branches reporting for their large non-EU parents under certain conditions will report due in 2029.



THANK YOU
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