



**ASEAN
Capital
Markets
Forum**

**ROADMAP FOR
ASEAN SUSTAINABLE
CAPITAL MARKETS**

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FOREWORD

by Chair of the ASEAN Capital Markets Forum

Member countries of the Association of Southeast Asian Nations (ASEAN) are vulnerable to the social and environmental risks of economic development, which include poverty, dependence on environmentally-sensitive industries and geographic exposure to climate change, among others.

In response to these risks, ASEAN countries have made significant commitments at international, regional and domestic levels to foster sustainable development.

At the international level, ASEAN countries signed in 2016 the Paris Agreement on Climate Change, which aims to maintain the increase in global temperatures relative to preindustrial levels below 2°C. In the same year, we were a part of the 193 nations who also agreed on the United Nations' (UN) 2030 Agenda for Sustainable Development, a collection of 17 Sustainable Development Goals which collectively encompass a holistic approach to achieving sustainable development by 2030.

ASEAN securities regulators have been playing a significant role in supporting the region's commitment to sustainability. In November 2017, the ASEAN Capital Markets Forum (ACMF) launched the ASEAN Green Bond Standards, its first sustainable finance initiative. This was followed by the ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards in October 2018, which altogether comprised a suite of sustainable standards for bonds. Building upon these earlier efforts, which have significant traction among ASEAN issuers to date, the ACMF has developed the Roadmap for ASEAN Sustainable Capital Markets to chart the way towards sustainability for the region's entire capital market for the next five years.

The Roadmap is a high level document divided into four priority areas, with recommendations that guide the thinking and strategy of ACMF in developing initiatives to drive ASEAN's sustainable agenda forward. As a "living document", the Roadmap is designed to take cognisance of rapid changes to the sustainable financing landscape, and accord flexibility for ACMF to adjust its efforts to reflect new ideas and development so that policies and framework are current and relevant.

The ACMF hopes that the Roadmap will steer connectivity and development of the region's capital markets along a more sustainable path, in keeping with the ASEAN Community Vision 2025 and the UN 2030 Agenda on Sustainable Development.



TRAN VAN DZUNG
Chair
ASEAN Capital Markets Forum

Chairman
State Securities Commission of Vietnam

FOREWORD

by Asian Development Bank

It is imperative that capital markets, and the financial sector more broadly, align with sustainability principles. Capital markets both drive and shape the trajectory of growth, and therefore can have an outsized impact on development. We at the ADB are therefore honored to partner with the ASEAN Capital Markets Forum (ACMF) in developing this Roadmap for ASEAN Sustainable Capital Markets. The roadmap represents an important milestone in the ACMF's sustainable finance agenda.

ADB's Strategy 2030, with its focus on achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, fully aligns with the agenda of the Sustainable Development Goals. Two of Strategy 2030's key operational priorities relate to the promotion of sustainable capital markets in the ASEAN region. Under the first of these, ADB is working to tackle climate change, build climate and disaster resilience, and enhance environmental sustainability, and has issued approximately \$7.7 billion of green bonds as of January 2020. Under the second, fostering regional cooperation and integration, ADB remains committed to strengthen financial sector cooperation by developing regional bond markets, facilitating common frameworks in financial regulation, and promoting measures to harmonize cross-border financial transactions. This has been the thrust of ADB's continuing support to the ACMF, the chief proponent of ASEAN capital market integration.

The ACMF has provided ASEAN capital markets with sustainable standards for bond issuances to support sustainable growth. The ASEAN Green, Social and Sustainability Bond Standards have seen strong private sector take-up. As of December 2019, bonds totaling \$5.3 billion have been issued under these standards. Of these, bonds worth \$3.1 billion were issued using the ASEAN Green Bond label across Malaysia, Philippines, Singapore, and Thailand. Indonesia's issuances of green sukuk were also aligned with the ASEAN Green Bond Standards. The Roadmap for ASEAN Sustainable Capital Markets is a natural continuation of these endeavors and of the ACMF-ADB partnership.

The roadmap also comes at an opportune moment. While the ASEAN region has witnessed significant economic growth over the past decade, this has also been accompanied by environmental degradation. The region is grappling with issues that include air and water pollution, deforestation, and climate change-related natural hazards. We believe that this 5-year roadmap will provide key priorities and initiatives that financial regulators can implement to drive forward the sustainable finance agenda in capital markets.

ADB will continue to collaborate with and support the ACMF. In December 2019, ADB approved a regional technical assistance to support the ACMF through knowledge events, promotion activities including connecting issuers with potential international investors, and capacity building for regulators and other stakeholders in sustainable finance. We wish the ACMF a successful journey in pursuing its sustainable finance agenda and pledge our commitment as a partner in that journey.



AHMED M. SAEED
Vice President for East Asia, Southeast Asia and the Pacific
Asian Development Bank

EXECUTIVE SUMMARY

Member countries of the Association of Southeast Asian Nations (ASEAN) have made significant commitments to foster sustainable development in the region and mitigate the social and environmental risks linked to climate change. These include signing the global Paris Agreement on Climate Change, committing to the United Nations 2030 Agenda for Sustainable Development and adopting a regional agenda, known as the ASEAN Community Vision 2025 which charts the path for the ASEAN community to work towards a Community that is “politically cohesive, economically integrated, and socially responsible”. One of the goals under the pillar relating to social responsibility is to develop a sustainable community that promotes social development and environmental protection through effective mechanisms to meet current and future needs of the people.

In line with these commitments, ASEAN Capital Markets Forum (ACMF) members have agreed to prioritise the development of an open and vibrant ASEAN capital markets ecosystem that facilitates and mobilizes private sector capital for the financing of sustainable projects. This priority was further reinforced through the 2019 and 2020 ASEAN Chairmanships’ themes which emphasize on partnerships and sustainability.

To help realize this goal, ACMF has developed this roadmap comprising actionable recommendations to provide strategic direction and guide ACMF and its members in developing action plans and initiatives across the region, building on its recent efforts in the sustainability sphere. The Roadmap for ASEAN Sustainable Capital Markets (Roadmap) was developed through engagements with key stakeholders in ASEAN and beyond; analyses and comparison of relevant international, national, and regional roadmaps, as well as a review of publications and best practices from various industry groups and capital market participants.

Throughout this process, several common issues that need to be addressed were identified:

- The lack of transparency of information and quality of data;
- The need to widen participation and access among market players in an inclusive manner; and
- Given the nascent state of sustainable finance, the need for capacity building among stakeholders.

The Roadmap is built around four key priority areas that address these issues: i) strengthening the foundations for sustainable capital markets ii) catalysing product development and enabling access to under-served areas iii) raising awareness and building capacity, and iv) increasing regional connectivity.

Priority Area I aims to strengthen the foundations around sustainability reporting and transparency. This will help to build trust and confidence in ASEAN capital markets and avoid fragmentation of standards and regulatory expectations. By acting collectively and in accordance with international best practices, ASEAN will have a larger role in the global discussion on the consolidation of standards and disclosures. In addition, this will promote ASEAN as an asset class.

Priority Area II identifies ways to systematically embed sustainable finance practices in capital markets. Important in this area, is the development of a regulatory environment that facilitates the private sector to originate and distribute new products, with emphasis on catering to the under-served such as small and medium enterprises. Moreover, incentives targeted at sustainable finance capital market participants should be explored to catalyse the market. Finally, efforts to foster participation of issuers and ASEAN’s retail investors, especially the sizeable youth population, in the sustainable finance ecosystem should be encouraged.

Priority Area III champions capacity-building efforts to increase education and awareness of how capital markets can help promote sustainability in ASEAN. The dialogue on sustainable finance should be driven by early adopters, thought leaders and experts to encourage the exchange of best practices with global leaders in sustainable finance.

Finally, **Priority Area IV** focuses on strengthening the linkages between the various segments that make up and contribute towards the sustainable finance ecosystem in ASEAN, in order to enable and achieve the initiatives identified in Priority Areas I, II and III. This includes creating strong partnerships with other governmental agencies, central banks and other regulatory bodies, as well as building knowledge networks with other stakeholders such as non-governmental organisations (NGOs) and industry groups.

In light of the different stages of capital market development amongst ASEAN countries, the Roadmap follows the approach of the ACMF Action Plan 2016-2020, where participation is on an opt-in basis depending on member readiness.

While this Roadmap sets out the broad direction for the next five years, ACMF will continue to monitor the global sustainability landscape and engage with various stakeholders for input during the operationalisation of the Roadmap’s recommendations. This Roadmap is envisaged as a “living document” so that new regulatory and market developments and ideas can be incorporated as ACMF embarks on this journey of shaping the capital markets to support ASEAN’s sustainable development agenda.

Introduction to the Roadmap for ASEAN Sustainable Capital Markets

Whilst ASEAN countries have experienced significant growth, this growth has been accompanied by social and environmental risks. High poverty rates in some countries, reliance on environmentally sensitive industries, geographic exposure to climate change and rapid population growth are the main factors creating vulnerabilities. Economic losses from the impact of climate change alone could potentially reduce the region's GDP by up to 11% by 2100 (ADB, 2015).

In response to these risks, ASEAN countries have made significant commitments at international, regional and domestic levels to foster sustainable development.

At the international level, in 2016 ASEAN countries signed the Paris Agreement on Climate Change, which aims to maintain the increase in global temperatures relative to preindustrial levels below 2°C (UN, 2016). In the same year, ASEAN countries individually were also a part of the 193 nations which agreed on the United Nations' (UN) 2030 Agenda for Sustainable Development, comprising 17 Sustainable Development Goals (SDG, refer to Figure 1) which collectively encompass a holistic approach to achieving sustainable development by 2030 (UNDP, 2019).

Figure 1: UN Sustainable Development Goals



Figure 1 details the 17 goals agreed upon by UN member nations.
Source: UN SDG Knowledge Platform

At the regional level, in 2015 ASEAN countries adopted a regional agenda, known as the ASEAN Community Vision 2025. This vision charts the path for an ASEAN community that is politically cohesive, economically integrated and socially responsible and therefore has significant parallels with the UN 2030 Agenda for Sustainable Development.

At the country level, all ASEAN countries have submitted nationally determined contributions (NDC) to the Conference of Parties (COP) of the Paris Agreement (UNFCCC, 2019). These NDCs embody efforts by each country to reduce national emissions of greenhouse gases and adapt to the impact of climate change (UNFCCC, 2019). The NDCs submitted by ASEAN countries are aligned with the regional goal of increasing renewable energy sources in ASEAN's primary energy mix from 12% to 23% by 2025 (IRENA & ACE, 2016).

Nonetheless, it is acknowledged that there are challenges in achieving the SDGs. Whilst advances have been made towards some SDGs in Asia and the Pacific, the rate of progress is insufficient to meet the SDGs by 2030. (Asia and the Pacific SDG Progress Report 2019).

Figure 2: Energy components of ASEAN members' NDCs

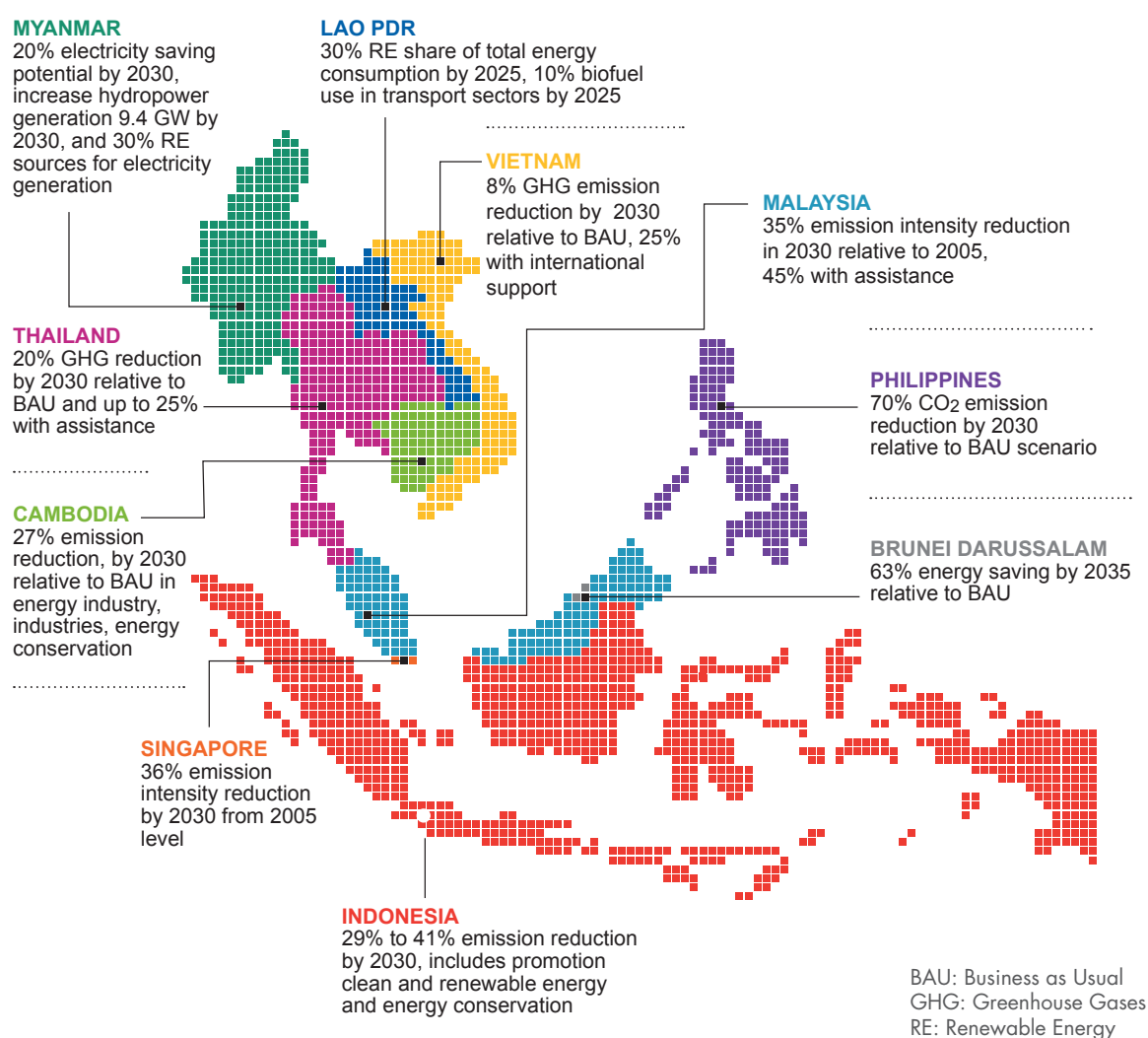


Figure 2 shows the energy-related NDCs for all ten ASEAN countries.
Source: *The 5th ASEAN Energy Outlook (2017)*

To realise the SDGs, developing countries require an additional USD 2.5 trillion in financing per year until 2030 (UNCTAD, 2014). To build infrastructures that can respond to climate change, Southeast Asia will need to invest around USD 3.147 trillion in the 2016 to 2030 period (ADB, 2017). The financial sector, including capital markets, has a key role to play in mobilising the public and private capital that is needed to finance sustainable projects. As such, capital market regulators in countries including Indonesia, Malaysia, Singapore, Thailand, and Vietnam within ASEAN, have been developing sustainable finance roadmaps to provide guidance to their financial sectors, to support the sustainable development agenda. This is in line with developments globally, such as in France and the United Kingdom.

Additionally, there is a need to build capacity to manage and mitigate transitional risks stemming from disruptive innovation, changes in legislation, market forces, and societal norms linked to climate change mitigation. As an example, achieving the 2°C objective of the Paris Agreement requires that more than 80% of all proven fossil fuel reserves remain underground; this implies that investments in such resources may become stranded, which could pose serious risks to financial stability (Bos & Gupta, 2019).

In light of the above, this five-year Roadmap for ASEAN Sustainable Capital Markets sets out a holistic approach to catalyse sustainable finance in ASEAN capital markets which is in line with the objectives of the ASEAN Community Vision 2025, as well as the 2019 and 2020 ASEAN Chairmanships' themes which emphasize on partnerships and sustainability. ACMF envisages that sustainable capital markets in ASEAN can stimulate sustainable industries and promote job-creating technological innovation, therefore providing avenues to generate business growth opportunities for the financial sector. Such a virtuous cycle would help drive ASEAN's economic growth in a sustainable manner. The initiatives set out in this Roadmap aim to address both immediate climate and social needs, as well as reinforce this virtuous cycle via the capital markets.

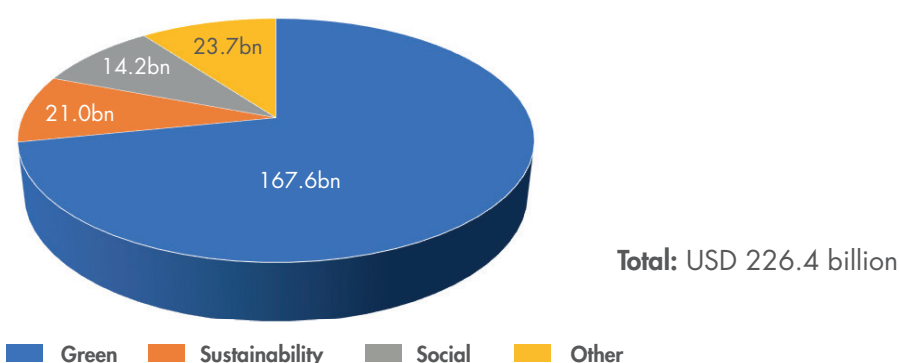
ACMF recognises the importance of stakeholder participation including the financial sector and NGOs to drive sustainable initiatives in the region. While this Roadmap sets out the broad direction for the next five years, ACMF will continue to consult the various stakeholders and seek feedback on operationalising the initiatives. This Roadmap should be seen as a "living document" so that new ideas can be included as ACMF embarks on this journey of shaping the capital markets to support ASEAN's sustainable development agenda.

Current Landscape of ASEAN Sustainable Capital Markets

Climate change and sustainability is an imperative, and financing via the financial markets, including the capital markets, is a fundamental aspect to facilitating and promoting sustainable development.

Since 2007, 628 issuers around the world have issued green bonds worth USD 521 billion overall as at 2018, of which USD 118.6 billion, USD 77.5 billion, and USD 56.7 billion were issued in the United States, China, and France, respectively. Recently, companies have also started issuing various sustainability-themed bonds such as sustainability-linked bonds and blue bonds. In 2018 alone, USD 226.4 billion were raised using green, sustainability, social, and other sustainability-linked bond categories (CBI, 2018).

Figure 3: 2018 Global Issuance of Green, Social, Sustainability and Sustainability-linked Bonds



The figure shows the issuance amounts of global Green, Social, Sustainability and Sustainability-linked bonds.
Source: CBI (2018) *Green Bonds: The State of the Market*

One of the ACMF's key initiatives is to develop a sustainable asset class to support sustainable growth in ASEAN, particularly in meeting ASEAN's infrastructure needs. Towards this end, the ACMF developed the ASEAN Green Bond Standards (GBS), the ASEAN Social Bond Standards (SBS) and the Sustainability Bond Standards (SUS), based on the International Capital Market Association (ICMA)'s Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). The ASEAN GBS, ASEAN SBS, and ASEAN SUS intend to enhance transparency, consistency and uniformity of ASEAN Green, Social, and Sustainability Bonds which will also contribute to the development of a new asset class, reduce due diligence cost and help investors make informed investment decisions.

Following the launch of the ASEAN GBS, ASEAN SBS and ASEAN SUS, a total of USD 5.34 billion bonds have been issued under the standards up to December 2019. Of these, USD 3.13 billion were issued using the ASEAN Green Bond label. Additionally, USD 1.99 billion has been raised using the ASEAN Sustainability Bond label, and USD 0.22 billion using the ASEAN Social Bond label.

The private sector has responded positively to the introduction of the ASEAN GBS, ASEAN SBS, and ASEAN SUS. For example, the Bank of the Philippine Islands (BPI) raised USD 300 million from the issuance of Green Bonds, making it the first Philippine bank to issue dollar-denominated ASEAN Green Bonds. In Malaysia, the recent issuance of a USD 680 million bond by CIMB Bank Berhad to fund projects related to the UN's SDGs marks the first ever 'SDG Bond' to be issued in ASEAN. In Thailand, Bank of Ayudhya issued a USD 220 million Women Entrepreneurs bond, a private-sector "gender" bond issuance which is the first social bond issuance in Asian emerging markets in compliance with the ASEAN SBS. This encouraging traction contributes towards a transition to a sustainable and climate-resilient region, and provides impetus to explore the development of further sustainable initiatives in the capital markets sphere.



The ACMF introduced the ASEAN GBS, ASEAN SBS, and ASEAN SUS to facilitate the ASEAN capital markets in tapping sustainable finance to support sustainable regional growth and meet investor interest for sustainable investments. The Standards were developed based on ICMA's GBP, SBP, and SBG, and tailored to the financing needs in ASEAN.

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

KEY FEATURES



Issuers/Issuances must have a geographical or economic connection to the ASEAN region



Specific exclusion of certain projects:

- Fossil fuel power generation projects are excluded from ASEAN Green Bond Standards to mitigate green washing of projects
- Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN Social Bond Standards. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable



Issuers are required to disclose information not only in the issuance documents but throughout the tenure of the bonds on a public website designated by the issuer



Issuers are encouraged to provide more frequent periodic reporting to increase transparency on the allocation of proceeds



The external reviewer must have the relevant expertise and experience in the area, which they are reviewing. The external reviewer's credentials and scope of review must also be publicly disclosed

Source: ACMF

Status of Sustainable Finance Initiatives in ASEAN Nations

ASEAN countries have made varying progress in introducing policies, initiatives and incentives to encourage development of the sustainable finance agenda.

Some countries have issued action plans and blueprints for the financial sector to support the national agenda. For example, Vietnam is implementing a National Strategy for Green Growth and a National Green Growth Action Plan; and these two initiatives are backed by the financial sector's Action Plan to implement the national strategy for green growth. In Brunei, the government has issued the Blueprint 2016-2025, with the goal of developing Islamic fund management credentials and promoting investment along the Sustainable, Responsible and Impact criteria.

Initiatives cut across government ministries and involve the private sector, as well as the general public. In 2019, Malaysia's Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) appointed the Securities Commission Malaysia (SC Malaysia) to head the Malaysian Green Financing Taskforce to make recommendations and action plans for MESTECC's renewable energy and energy efficiency projects. In addition, SC Malaysia in November 2019 released the Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market which aims to create a facilitative sustainable and responsible investment ecosystem and chart the role of the capital market in driving Malaysia's sustainable development.

In 2018, the Philippines' Department of Finance became a member of the Ministers of Finance Coalition for Climate Action, a World Bank-led initiative to mobilise the financial sector in reaching climate goals (principle #5). In 2013, the Bangko Sentral ng Pilipinas (BSP) became a member of the Sustainable Banking Network, a peer-to-peer learning platform for regulators and banking associations from emerging markets, and has also come up with a proposed policy framework for sustainable finance.

In Singapore, the Monetary Authority of Singapore (MAS) announced a Green Finance Action Plan in November 2019 to make green finance a defining feature of the financial sector. Steps are being taken across three key thrusts: build financial system resilience to environmental risks; develop green finance solutions and markets; and leverage innovation and technology. Singapore's National Environment Agency also established the 3P Partnership Fund to encourage organisations and companies from the People, Private and Public (3P) sectors to work together to develop innovative and sustainable environmental initiatives that promote environmental ownership amongst the local community.

The Securities and Exchange Commission (SEC) Thailand established a committee and a working group relating to sustainable finance in 2019 to engage representatives from various stakeholders, including, the Stock Exchange of Thailand (SET), government agencies, and industry associations. The committee and working group will work together in forming the policy directions and co-create the necessary eco-system for sustainable finance in the capital market. In addition, the Bank of Thailand together with the Ministry of Finance, SEC, Office of Insurance Commission, and SET set up the Working Group on Sustainable Finance to help coordinate policies and actions to support development of a sustainable finance for the Thai financial sector. Key areas of actions include: aligning policy direction for financial regulators, developing incentive packages to help encourage greater issuance of green bonds/green loan, exploring the feasibility of establishing green definitions and developing capacity building programs for both regulators and regulated entities in the Thai financial sector.

Efforts to promote sustainable finance within the capital markets have so far been focused on introducing sustainable standards for products (e.g. bonds), disclosure templates for listed companies and incentives to encourage the industry to adopt sustainable standards.

In the area of disclosures, stock exchanges in six member nations (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam) have introduced sustainability reporting and issued reporting guidelines for their listed companies (SSE Initiative, 2019). While still at a nascent stage, sustainability reporting is expected to continue to gain momentum in light of the growing demand for increased levels of transparency and accountability.

To boost investment and issuance of sustainable financial products, tax deductions and other incentives have been introduced by Indonesia, Malaysia, Singapore, and Thailand.

Additionally, there have been various initiatives across the region to build capacity and raise awareness to improve the knowledge of sustainable financial markets. An example is the ASEAN Capital Market Conferences held in Kuala Lumpur (November 2017) and in Singapore (October 2018).

In the area of collaboration with multilateral agencies, ACMF has always taken a collective approach in addressing the sustainability agenda. It has worked closely with relevant multilateral agencies such as the Asian Development Bank (ADB) in developing and promoting the ASEAN GBS, ASEAN SBS, and ASEAN SUS. Most recently, the United Nations Development Programme (UNDP) participated in a knowledge-sharing session with ACMF members. The ACMF is also a dialogue partner to the UK Foreign Commonwealth Office. Such efforts reiterate ACMF's commitment to raise awareness and champion socio-economic causes within ASEAN.

Bearing these various country and regional efforts in mind, the Roadmap would seek to provide a holistic guide to the direction ASEAN may take to further develop its sustainable finance agenda moving forward.

Roadmap for ASEAN Sustainable Capital Markets

Building on these recent achievements, ACMF has adopted a five-year vision to develop an open and vibrant ASEAN capital markets ecosystem that facilitates and mobilises private sector capital in the financing of sustainable projects.

To achieve this vision by 2025, ACMF has set out this roadmap comprising actionable recommendations. The Roadmap is designed to provide broad strategic direction and guide ACMF in its work in developing action plans and initiatives. The Roadmap was developed through engagements and interviews with various stakeholders; analysis and comparison of international, national, and regional roadmaps, as well as a literature review of publications and best practices from various industry groups and capital market participants.

The Roadmap

A more sustainable, inclusive and resilient financial system requires the alignment and consistent action of all capital market participants and stakeholders, including regulators, issuers, investors and financial institutions. Implementing the recommendations of this Roadmap will require managing transition risks and safeguarding the competitiveness of ASEAN capital markets, while providing time for capital market participants to adapt.

The Roadmap provides the strategic directions and recommendations for the creation of a sustainable asset class in ASEAN. In developing the Roadmap, a comprehensive review of global and regional sustainable investment trends as well as landscapes was carried out. In view of the dynamic global developments in sustainable finance, this Roadmap has been designed such that the recommendations remain flexible to enable appropriate adjustments to ensure that ACMF and its members will be able to adapt accordingly.

In light of the different stages of capital market development amongst ASEAN countries, the Roadmap follows the approach of the ACMF Action Plan 2016-2020, where participation is on an opt-in basis depending on member readiness.

From the stakeholder engagements conducted during the development of this Roadmap, broad themes that emerged were as follows:

- The lack of transparency of information and quality of data;
- The need to widen participation and access among market players in an inclusive manner; and
- Given the nascent state of sustainable finance, the need for capacity building among stakeholders.

The Roadmap sets out four broad priority areas to address the common themes.

Priority Area I: Strengthening foundations	<ul style="list-style-type: none">• Promoting Corporate Sustainability Disclosures• Promoting Institutional Investor Disclosures• Examining a Common Taxonomy• Exploring Transition Standards
Priority Area II: Catalysing products and enabling access to under-served areas	<ul style="list-style-type: none">• Developing Sustainable and Responsible Fund Standards• Improving Market Access for Sustainable Products• Developing ESG Indices• Utilising Digital Technology to Facilitate Cross-border Participation in Sustainable Products• Exploring Incentives
Priority Area III: Raising awareness and capacity building	<ul style="list-style-type: none">• Enhancing Technical Competence• Promoting Knowledge Transfer• Increasing Public Awareness
Priority Area IV: Increasing connectivity	<ul style="list-style-type: none">• Developing a Public Database of Sustainable Products, Projects and Investors• Leveraging Multilateral and Philanthropic Efforts• Coordinating Efforts with Public & Financial Sectors

In charting out the four Priority Areas, the roadmap is cognizant of the recommendations made in the International Organization of Securities Commissions' (IOSCO) Growth and Emerging Market Committee (GEMC) report on "Sustainable finance in emerging markets and the role of securities regulators" (IOSCO GEMC report). Published in June 2019, the IOSCO GEMC report proposed a set of ten recommendations that the emerging market regulators should consider when issuing regulations or guidance that would enable the creation of an ecosystem that facilitates sustainable finance in capital markets.

In proposing this set of recommendations, the GEMC hopes to achieve a degree of international consistency and harmonization given the cross-border and global nature of sustainable instruments, thereby assisting investors, issuers and market participants in the sustainable finance arena. Development of the Roadmap has also involved engagement of relevant stakeholders as prescribed by the IOSCO GEMC report that calls for regulators to maintain an open dialogue to assess market developments in the area of sustainable finance.

In the implementation phase, ACMF will keep abreast of developments on sustainable finance in IOSCO, including the work of its Sustainable Finance Network.

- **Priority Area I** recognises the importance of creating an environment of trust and clear, common understanding between users of ASEAN capital markets such as issuers and investors. To this end, ASEAN countries need to adopt consistent measures to increase the transparency and comparability of reporting in promoting sustainability. For instance, this can be achieved through the alignment of ESG disclosure measures and policies for issuers and asset managers.

The strategies identified under Priority Area I are aligned with several recommendations of the IOSCO GEMC report, namely Recommendations 1 and 2 which deal with incorporation of ESG specific issues in the overall risk assessment and governance of issuers and investment analysis, as well as governance of institutional investors, respectively. The Priority Area's emphasis on disclosures also resonates with Recommendation 3 which encourages regulators to require issuers to disclose material ESG-specific risks (including transition risks) and opportunities in relation to governance, strategy, and risk management.

- **Priority Area II** aims to catalyse an increase in sustainable financial products and raise financial resources for under-served areas, in particular micro, small and medium-sized enterprises. This requires stimulation of both the supply and demand sides. On the supply-side, regulators can support the development of innovative products and facilitate cross-border market access for such products. To boost demand, there are opportunities to leverage Financial Technology (FinTech), especially given the preferences of the younger generation. Incentives should be carefully calibrated and targeted to encourage participation by both the sell and buy sides.

The efforts of catalysing the development of sustainable products in the region are in line with Recommendations 4 to 9 of the IOSCO GEMC report. These recommendations aim to promote integrity in the development of the sustainable instruments market through four core components, namely 1) definition of eligible projects, 2) ongoing disclosure requirements, 3) proper use of fund and 4) external reviewers.

- **Priority Area III** seeks to raise awareness about sustainable finance initiatives and build technical capacity amongst capital market participants and the general public. Heightened awareness, and improved capacity and expertise are important since ASEAN's sustainable finance journey is still in its nascent stage. Given increased interest of issuers and investors in developing their expertise in sustainable finance, efforts need to be taken with the involvement of the relevant experts to provide education and training opportunities for all capital market stakeholders.

In raising awareness and building capacity of the regulators, this Priority Area echoes IOSCO GEMC report's Recommendation 10 that advocates building capacity and expertise of regulators and market participants on ESG-related issues.

- **Priority Area IV** recognises that the development of a sustainable finance ecosystem has to be a collaborative and concerted effort by all stakeholders. Steps must be taken to develop a deeply interconnected and robust sustainable finance ecosystem in ASEAN, through information and knowledge-sharing with multiple stakeholders that have technical expertise on sustainability-related matters. Concurrently, the ecosystem can be strengthened by developing strategic partnerships with multilateral development organisations, philanthropies, and NGOs.

PRIORITY AREA I – STRENGTHENING FOUNDATIONS

Given the importance of trust and common understanding, sustainable capital markets need to be established on solid foundations, building on common disclosures, definitions, and standards.

These foundations are intended to:

- enhance transparency and consistency in disclosures;
- reduce compliance and due diligence cost;
- lower systemic risks in the capital markets; and
- help investors make informed investment decisions.

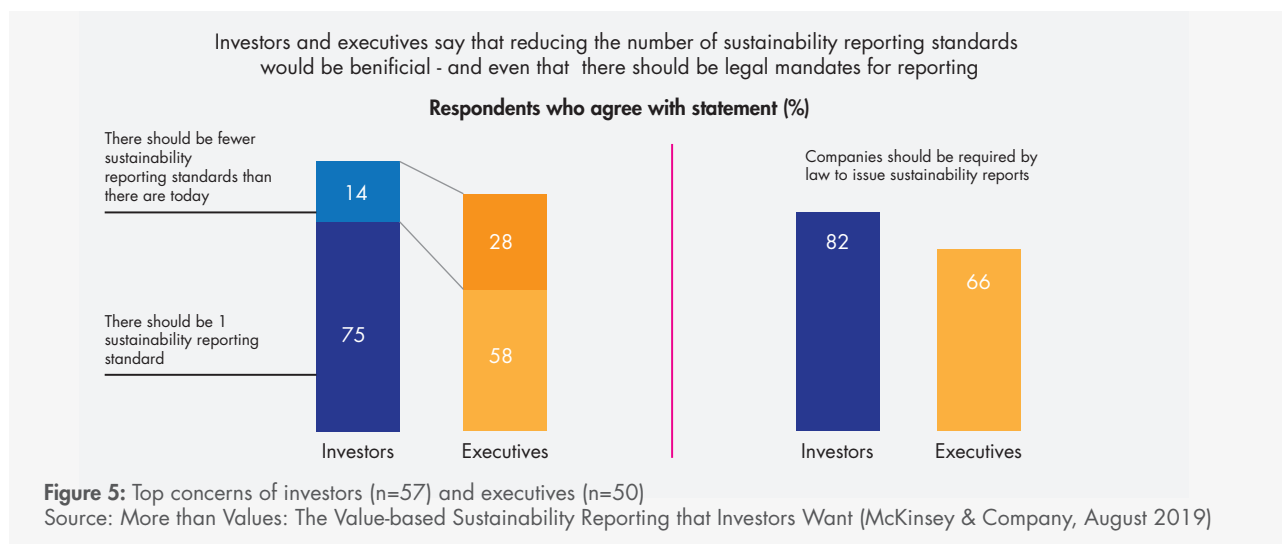
Conceptually, there is a clear benefit in aligning current practices in the above areas across ASEAN, especially if such practices are also adopted internationally. Such an alignment can reduce proliferation and confusion, enhance intra-region comparability, and facilitate the development of ASEAN-wide asset classes.

Recommendations for Corporate Sustainability Disclosures

Corporate sustainability disclosures enhance the accountability of listed companies and provide transparency of information on corporate sustainability practices. They also provide opportunities to assess the organisation's level of stakeholder engagement and inclusiveness pertaining to business information and performance, its approach in determining materiality levels of such information to be shared, and its responsiveness to the interest and concerns of its stakeholders. These features are essential for market discipline to work.



To date, three different bodies – the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC) – have developed their own standards for sustainability disclosures. In addition, the Task Force on Climate Related Financial Disclosures (TCFD) has released recommendations on climate-based reporting. Finally, several other initiatives, such as the ISO 26000 standards on social responsibility for businesses and organisations, OECD Guidelines on Social Responsibility for Multinational Enterprises, and the UN Global Compact, which is a non-binding pact to encourage businesses to adopt sustainable and socially responsible policies, also exist.



The proliferation of disclosure standards and templates has recently led to calls for consolidation. Although still ongoing, efforts in this direction have received a strong push through the launch of the Better Alignment Project by the Corporate Reporting Dialogue. This Project involves GRI, SASB, CDP, and Climate Disclosure Standards Board (CDSB) mapping their frameworks against the TCFD recommendations. Nonetheless, despite such efforts, there is wide consensus that a single standard is unlikely to emerge in the short-term. Among the reasons holding back consolidation is the fact that the standards of GRI, SASB, and IIRC were designed to meet the unique needs of different audiences.

In ASEAN, exchanges in six member nations (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) have mandated sustainability reporting and issued national reporting guidelines. While this shows the commitment of capital markets regulators and exchanges in ASEAN to improving sustainability disclosures, there is still heterogeneity in reporting practices. This makes it difficult for investors to track the progress of companies over time and to benchmark sustainability performance across companies and industries in ASEAN.

Given that global discussions, such as the Better Alignment Project, are still ongoing, ACMF will evaluate the feasibility of adopting a single standard that is regionally accepted in consultation with the exchanges and other stakeholders. Any framework to be adopted must be in line with the objectives of the IOSCO Objectives and Principles of Securities Regulation that disclosures must be accurate, timely and contain sufficient information for investors to make an informed investment decision.

At the current stage, ACMF will continue to work with the exchanges to promote sustainability reporting by listed corporates using the three major international standards: GRI, SASB, and IIRC.

Recommendations for Institutional Investor Disclosures

Institutional investors are increasingly integrating ESG criteria into their investment processes and providing relevant disclosures. This is illustrated by the increasing number of signatories to sustainable and responsible investing initiatives such as the Principles for Responsible Investment (PRI).

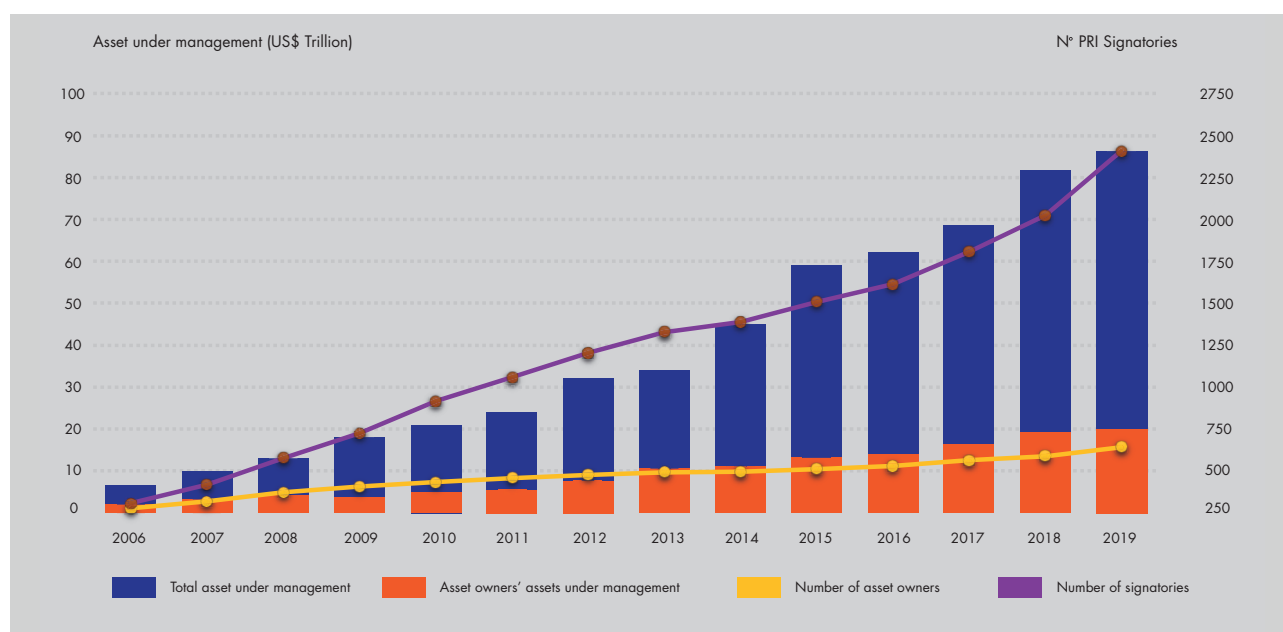


Figure 6: Increase in the number of PRI signatories 2006 - 2019

The PRI comprises six principles outlining actions for incorporating sustainability issues into investment practices. It also requires signatories to disclose their sustainable investment activities. To date it has attracted over 2,300 signatories who make disclosures annually, making it the largest accepted standard for institutional investor sustainability disclosures (PRI, 2019).

ACMF recognises the importance of investment stewardship. Institutional investors – both asset managers and asset owners – play a key role in engaging with their portfolio companies to promote corporate governance practices that are consistent with encouraging long-term and sustainable value creation for shareholders in the company. As such, ASEAN countries such as Singapore, Thailand and Malaysia have introduced their own stewardship codes (or equivalent codes of conduct) to encourage responsible institutional investor engagement. While they are not sustainability focused, such codes do incorporate elements of sustainability to varying degrees.

ACMF will work with institutional investor associations to develop national stewardship codes (or equivalent) with sustainability elements. This will promote the integration of ESG criteria into the investment processes of institutional investors in ASEAN and also disclose their sustainable investment activities annually.

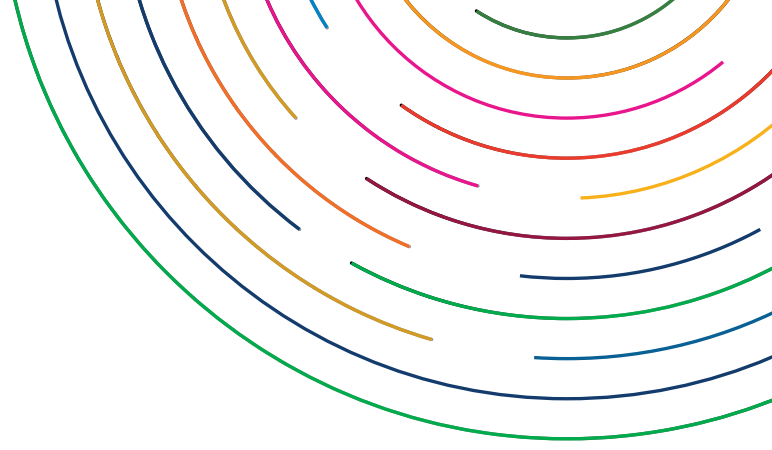
Individually, ACMF members will also engage asset managers on the latter's investment and risk management practices to highlight the importance of ESG integration, where possible through guidance or guidelines. For example, the risk of stranded assets would have material impact on the valuation of invested companies and financial performance of the funds.

Recommendations for a Common Taxonomy

In recent years, market participants have globally called for standardised technical screening criteria and a common reference point to identify environmentally friendly economic activities. As a result, institutions such as the European Commission (EC) and Climate Bonds Initiative (CBI) have developed sustainable finance taxonomies, and International Capital Market Association (ICMA) has developed an eligible project categories list.



Figure 7: General overview of three main taxonomies



The ASEAN GBS, the ASEAN SBS, and the ASEAN SUS, were developed in line with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, that contained an eligible projects list which was globally relevant. These principles recognize several broad categories of eligibility for green, social and sustainable projects, albeit without quantitative metrics to define these categories, which are reflected in the ASEAN GBS, ASEAN SBS, and ASEAN SUS.

Increasingly, a more defined, sector-specific taxonomy is required, especially for green projects to prevent greenwashing and attract more investments into sustainable purposes, including green infrastructure projects. In this regard, ACMF notes that EDHECinfra has launched an infrastructure taxonomy (the Infrastructure Company Classification Standard) to provide investors with a frame of reference to approach infrastructure as an asset class. ACMF stakeholder engagements confirmed that a taxonomy for ASEAN should be based on existing international taxonomies rather than develop a new one, to avoid contributing to further proliferation of standards. Adopting an international taxonomy reduces the need to educate and raise awareness on ASEAN's standards, and promotes greater harmonisation of the region with internationally accepted standards, thereby enabling ACMF to attract more international investors into the region.

Given the lack of convergence on sustainable finance taxonomies globally, ACMF will continue to monitor the ongoing work by various institutions such as the EC, CBI, and ICMA. At a broader level, ACMF recognizes the importance of having a common taxonomy for the ASEAN financial sector whilst recognising that ASEAN, as a region comprised mostly of developing countries, may have different needs in the context of green and social projects as compared to more developed regions. In this regard, ACMF will engage with ASEAN central banks and other authorities on this issue, including the need to adopt a single taxonomy that best suits the region's needs.

Recommendations for Transition Standards

The level and nature of economic and industrial development among ASEAN member countries is diverse. This is further reflected in the varying stages of development of their respective capital markets (ASEANstats, 2018). As the member countries aspire towards a more sustainable path for infrastructure development, the heterogeneity of the levels of development signifies the possibilities of tiered approaches that certain nations can commit to as they transition to a sustainable economy. The implication of this diversity is that potential issuers in the region may face difficulties to fulfil requirements and raise funds in compliance with the ASEAN GBS, ASEAN SBS, and ASEAN SUS, notwithstanding the limited transitional aspects allowed by the ASEAN SBS.

There is merit in exploring transitional standards – starting with the bond market – to recognize companies that want to raise capital and invest in measures to transition to more sustainable practices. Transitional standards are designed to open additional pathways for corporations to undertake a structural shift in their business models to meet sustainability targets as well as to finance transitional projects. In other words, while green, social or sustainability market products focus on the capital deployment of proceeds in specifically defined areas, transitional areas allow issuers to raise capital when they aspire to adopt greener or more sustainable measures in operating their businesses. Nonetheless, it is important that such transitional standards – when introduced – are not perceived as an attempt by ASEAN to dilute the ASEAN GBS.

Transition finance is being examined by industry, as evidenced by the formation of ICMA's 2019/2020 Working Group on Climate Transition Finance, which will consider the concept of transition financing in the context of the green bond market. In addition, Credit Suisse and CBI announced a partnership in September 2019 to broaden the green bond market by building a roadmap to promote Sustainable Transition Bonds (Credit Suisse, 2019). Given the interest and ongoing conversations on this matter, ACMF will evaluate how transitional standards can be introduced, and examine the suitability of adopting for ASEAN any transitional standards that emerge internationally from institutions like the CBI.

PRIORITY AREA II – CATALYSING PRODUCTS & ENABLING ACCESS TO UNDER-SERVED AREAS

As capital market regulators, ACMF members are in the best position to optimise the regulatory environment with the aim of encouraging private sector sustainability initiatives in the market. Active involvement by regulators in creating facilitative frameworks and product guidelines will also provide clarity to investors and issuers, contributing to the development of sustainable ASEAN asset classes. Under-served parties, in particular micro, small and medium-sized enterprises could benefit from a wider range of sustainable financial products.

In global markets, there are concerns that issuers could make misleading claims about the financial products they offer to avail certain monetary and non-monetary benefits awarded to sustainable products. This ‘greenwashing’ of financial products causes distrust, resulting in calls for mandatory external audits and continuous monitoring. ACMF is cognisant of the risk of greenwashing and will continue to assess and evaluate the need for more regulatory requirements within the sphere of sustainable finance in addition to existing provisions for declarations and other guidelines.

Recommendations for Sustainable and Responsible Fund Standards

Green, social, and sustainable bonds are currently the most common sustainable finance products available to capital markets. In order to drive more capital into sustainable projects and companies, it is essential to develop more sustainable products and standards that allow for the creation of new opportunities, accessible to a wider range of investors. One such opportunity is sustainable investment funds. More mature sustainable finance markets such as France and Luxembourg have launched sustainable or responsible investment funds which allow for small investment contributions, making them more accessible to retail investors (Financial Times, 2019).

Sustainable and Responsible Fund Standards are essential to identify, avoid, and mitigate investment risks and capture opportunities from ESG trends. Sustainable or responsible investment funds typically invest in products or companies that promote responsible environmental and social conduct. These funds invest in multiple asset classes including public equity, private equity, venture capital, and bonds. At the moment, there is no international standard for sustainable funds. However, countries have adopted various approaches, including developing their own standards. In ASEAN, the Malaysian Guidelines on Sustainable and Responsible Investment Funds are the only such standards in the region. Subsequent to their launch in 2017, the Guidelines have been adopted by six funds as of November 2019 (Securities Commission Malaysia, 2019).

Following the development of the ASEAN Green, Social, and Sustainability Bond Standards, ACMF will explore the feasibility of developing equivalent standards for investment funds. When applied in conjunction with the ASEAN CIS Framework, such standards have the potential to promote cross-border offerings of sustainable funds in addition to those for members’ respective domestic markets. ACMF will consult with fund managers in the region on technical requirements and feasibility considerations. In proposing the fund standards, ACMF would also need to ensure consistency and alignment with the existing standards for bonds where appropriate.

Recommendations to Improve Market Access for Sustainable Products

ACMF has launched and implemented various frameworks to facilitate cross-border investments and fundraising, namely the ASEAN Collective Investment Schemes (CIS) Framework and the Streamlined Review Framework for ASEAN Common Prospectus (ACMF, 2019). ACMF will review its existing schemes and evaluate the feasibility of introducing ‘green lanes’ to expedite cross-border green, social and sustainability bond issuance and distribution of sustainable funds, without compromising regulatory standards.

For example, under the ASEAN CIS Framework, improving market access for fund managers could include simplifying eligibility criteria for sustainability-labelled products, such as reducing the mandated minimum amount of assets under management, and/or shortening the application review time for sustainable funds. To encourage the adoption of responsible investing, additional sustainability-related eligibility requirements can be imposed on the fund managers under such a scheme. For example, ACMF could mandate a level of compliance with the ASEAN CG scorecard or only allow fund managers who meet certain sustainability criteria commonly agreed by member countries to be eligible for ‘green lanes’.

In addition to ‘green lanes’, ACMF will review its existing cross-border regulatory frameworks to determine the feasibility of catering to alternative markets, such as crowdfunding for environmental and social purposes.

Recommendations for Developing ESG Indices

ESG ratings and indices are tools for asset managers and asset owners to evaluate the ESG strategy and performance of companies. They also enable more effective benchmarking and comparison between companies and within industries. Having ESG indices can drive the development of locally relevant sustainability criteria, and to build capacity to assess listed companies on this basis.

Currently, index providers offer country-level ESG indices for five ASEAN countries (Indonesia, Malaysia, Singapore, Thailand, and Vietnam), along with one regional index, the FTSE4GOOD ASEAN 5. While several well-recognised index providers operate in ASEAN, there is a lack of strong demand for ASEAN-specific sustainability or thematic indices. Once there are enough sustainable equities and bond issuances to create such an index, as well as a demand for it, it is expected that index providers will offer it without regulatory intervention. Meanwhile, many institutional investors rely on their own proprietary in-house rating and performance benchmarking systems.

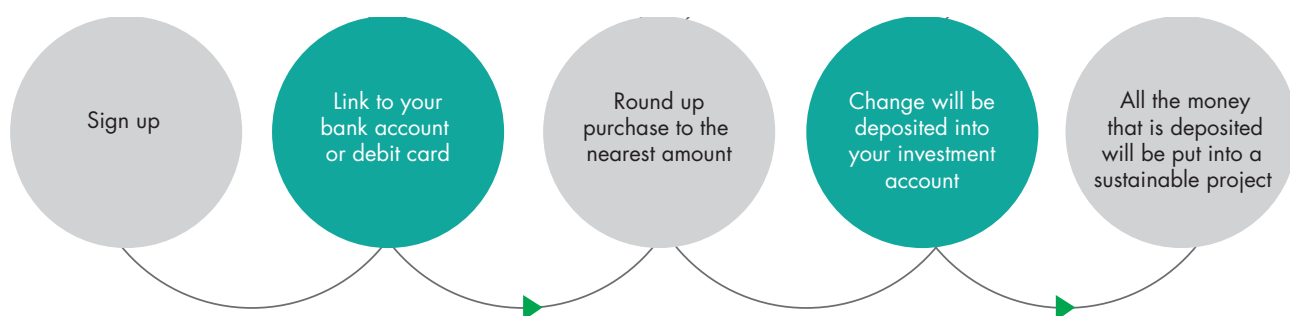
Looking ahead, given the growing interest in thematic investments, ACMF will continue to engage with leading index providers to explore the introduction of more focused sustainability-related indices (e.g. low carbon transition, climate change focused). Since the development of indices is partly informed by ESG reporting and disclosures by listed companies, ACMF will focus its efforts to improve the quality of data submitted for corporate sustainability disclosures. In addition, ACMF will explore opportunities to increase the visibility and exposure of small and medium-sized listed companies with strong ESG performance in indices, and consider the development of an ESG scorecard or enhance economic, environmental and social considerations in the existing ASEAN Corporate Governance Scorecard to facilitate the visibility of such companies. This would also empower a broader group of investors – including those with limited in-house capacity – to exercise their stewardship responsibility in monitoring the sustainability practices of their portfolio companies.

Recommendations to Use Digital Technology to Facilitate Cross-border Participation in Sustainable Products

The rise of digital finance has enabled wider access to financial products and services at lower costs. This increases opportunities for more sustainable lending and investments in sustainable assets through greater information and transparency. It also promotes greater inclusion and innovation, increasing opportunities for citizen participation in the financial value chain and unlocking capital for new sustainable business models, particularly for micro, small and medium-sized enterprises. However digital finance also risks creating an unintended range of economic, social, and environmental consequences, as well as risks for consumers. If not appropriately managed, such consequences could jeopardize targeted impacts.

An example of how digital finance can increase retail participation in sustainable products is the development of apps that allows users to track their personal carbon footprint, thereby allowing them to make greener choices. For instance, the company, ANT Financial, plants a real tree every time a user reaches a certain threshold amount of carbon saved (UNEP Inquiry, 2017). Although such rewards-based crowdfunding may be beyond the ambit of the capital markets, a similar mechanism for small contributions is 'spare change investing', which encourages young retail investors to develop their investing habits. Spare change investing platforms work by rounding up the consumer's retail spending and investing the 'spare change' in pre-selected financial products such as Exchange Traded Funds (ETF) or micro, small and medium-sized social enterprises that face financing challenges. Such a mechanism could be tailored for financial products, funds or enterprises that are committed to sustainable practices, which could stimulate investing by retail investors who place importance on sustainability (e.g. the youth segment).

Figure 8: Process of spare change investment



ACMF intends to deepen its knowledge on how technology can be used to develop sustainable finance solutions, since digital finance applications for sustainable finance are still limited. International cooperation amongst policymakers can provide opportunities to share best practices, address common risks, and encourage digital finance to increase investments in sustainable and inclusive projects. These best practices would encompass specific actions that could be undertaken at the national, regional and international levels to concretely address challenges and better leverage the power of digital technologies for sustainable finance.

ACMF members could consider partnering – as a group – with established finance or FinTech players to broaden cross-border retail access to sustainable financial products. As an example, ACMF members could explore working with industry players to come up with problem statements impeding effective cross-border participation of sustainable products. These could then feed into FinTech associations or platforms such as the Singapore FinTech Festival Global Accelerator for FinTechs to help develop solutions. Such collaborations and explorations (with defined boundaries) could help in market development, provided they are done while safeguarding investor protection. Finally, it is important to note that while technology does not reduce regulatory barriers on cross-border offering of financial products, use of digital technologies do provide an opportunity to effectively support regulatory information collection, which could help expedite regulatory approval process in various jurisdictions. Furthermore, technology may also reduce fund-raising costs and provide a more convenient platform for cross-border access.

Recommendations for Incentives

The cost of issuing sustainable products is higher compared to conventional products as issuers have to bear an additional cost of compliance and external monitoring. For example, issuances of green, social, and sustainable bonds are accompanied by an external review, which although not mandatory, has come to be demanded by the market. In addition, issuers are required to monitor projects and report annually on the use of proceeds.

Grant schemes such as those in Malaysia and Singapore help to alleviate the costs of external reviews. In addition, CBI has identified tax incentives as one of the policy areas that can support the growth of a green bond market (CBI website, Policy section). In ASEAN, Malaysia provides tax incentives for specified Sustainable and Responsible Investment products. Such tax incentives help to catalyse the growth of sustainable finance by reducing the costs associated with issuing sustainable financial products, making it competitive compared to the cost of issuing non-sustainable financial products. In a bid to support companies' green bond issuances and help reduce fund-raising costs, SEC Thailand has waived the approval fee and filing fee for green, social and sustainability bond issuance.

As the issue of incentives requires the input of the relevant authorities apart from capital market regulators, ACMF will work closely with the Working Committee on Capital Market Development (WC-CMD) to analyse the feasibility and desirability of introducing domestic tax breaks and exemptions as well as subsidies. Such incentives do not have to be uniform across ASEAN and have to take into account domestic priorities and market structure. Incentives should only be granted for a fixed tenure to catalyse the growth of the sustainable finance market, and to avoid unintended market distortions. Some examples of the potential areas to be explored could include:

- granting higher tax deduction to issuers for sustainable bond interest expenses;
- lowering withholding tax rates for income from sustainable assets classes for investors; and
- providing subsidies for issuance expenses and interest rates for sustainable bonds.

PRIORITY AREA III – RAISING AWARENESS & CAPACITY BUILDING

According to the IOSCO GEMC report, survey results among IOSCO GEMC jurisdictions signal the lack of understanding and awareness of sustainable finance issues amongst regulators and market participants as an impediment for developing sustainable finance markets. In this context, capacity building efforts to bridge the knowledge gap for potential issuers of sustainable finance products should be prioritised, followed by initiatives to increase awareness amongst institutional investors and the wider public.

Recommendations for Enhancing Technical Competence

To build capacity and further promote the sustainable finance agenda, there is a need to prioritise technical training through workshops and seminars. Such training would cater to the following groups of capital market participants:

For regulators	Workshops and seminars should focus on enhancing supervisory expertise, international best practices and shared learning from other markets that are leaders of change in sustainable finance. In addition, regulators could facilitate workshops among various stakeholders to discuss and develop solutions for the sustainable finance sphere.
For issuers	Workshops and seminars should be organised to equip them to prepare for and manage sustainability-related compliance risks. This would foster the issuers' understanding of the requirements needed to meet sustainable product standards. In this regard, workshops catering for the needs of small to medium-sized enterprises should also be held for inclusivity. In addition, sustainability courses can be held where industry-specific corporate disclosure requirements and ESG-compliance queries can be addressed.
For investors	Workshops and seminars should focus on disseminating sustainable finance information around fund standards, responsible investing, and ways to integrate ESG into their investment and risk management processes.
For other capital market participants	Capacity-building for domestic third-party opinion providers / verifiers could bring costs down, and help develop the supply side of sustainable finance markets. For intermediaries, building awareness could allow them to better facilitate sustainable finance solutions for their clients.

ACMF will partner with stakeholders including financial sector players (such as fund managers, banks, insurance companies, exchanges) as well as multilateral institutions to build comprehensive capacity on technical competence. At the country level, SEC Thailand collaborated with the UK government to organise three workshops in October and November 2019 for domestic stakeholders, such as potential issuers, institutional investors and intermediaries. The workshops focused on green bonds and provided in-depth training on the GBP and the Climate Bonds Standard. This approach is also common in other markets. For example, following the launch of the Green Credit Guidelines in 2012 in China, the then-China Banking Regulatory Commission (CBRC) and the China Banking Association (CBA) led efforts to disseminate best practices and sector wide capacity-building, including Green Credit trainings. The former has also promoted awareness raising initiatives among banks and conducted dialogues with ministries to facilitate green lending (PWC, 2013). Although the Chinese market and the involvement of major banks and the government is different from the ASEAN context in terms of approach, there could be lessons to be learnt for capacity-building. In addition, ACMF will enhance capacity-building efforts of its members undertaken through its ACMF Market Development Programme to include sustainable finance, from workshops to secondments amongst ACMF members via its ASEAN Young Regulators programme.

Recommendations for Promoting Knowledge Transfer

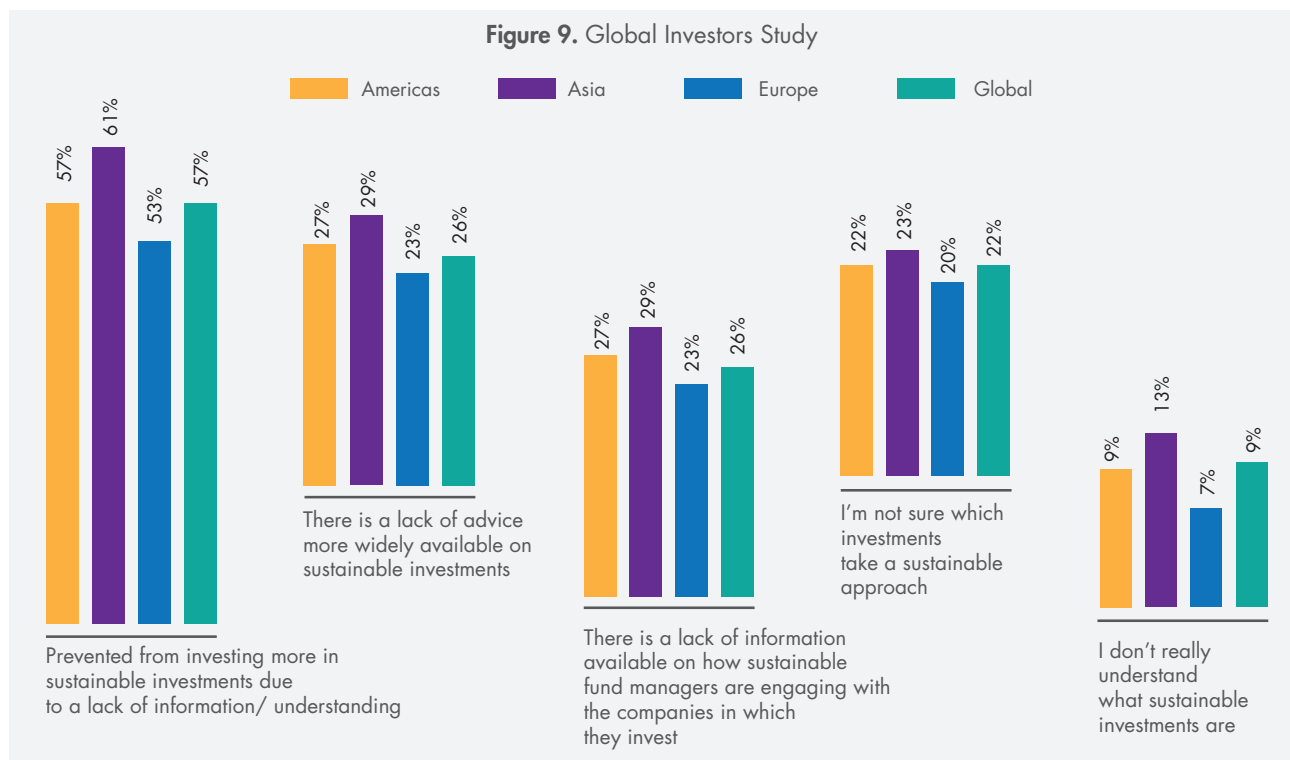
Integrating sustainable finance as a prominent theme in existing financial forums would send a clear signal and accelerate the development of efforts in the region. For example, sustainability has been the key theme for the ASEAN Chairmanships, the ASEAN Capital Market Conferences in 2017 and 2018, and the Singapore FinTech Festival in 2019, where discussions focused on sustainable finance, investment opportunities and challenges related to climate change. Such events are attended by the largest players across the financial sector, as well as capital market regulators from most ASEAN countries. Such initiatives have the potential to build bridges across sectors and industries and cross-fertilise ideas.

Given the interest in sustainable finance from a broad range of stakeholders, ACMF will incorporate features in its website to create an avenue that acts as a 'one-stop' knowledge hub to raise awareness and educate participants on sustainable finance-related issues. Ultimately, the website can function as a platform to consolidate knowledge resources, including thought leadership articles, policy documents, case studies, guidelines on ESG compliance and relevant press articles. As an example, the Asia Sustainable Finance Initiative, which seek to raise sustainable finance related awareness in the region through provision of their own knowledge database, could be one source of information that ACMF consolidates on its website, to streamline access to information as well as prevent duplication of work. The knowledge hub, being a publicly accessible resource will help to mainstream sustainable finance among a wide spectrum of capital market participants. In addition, it can be utilised to house the database for sustainable projects/investors and provide an overview of recent listing of sustainable bond issuances, providing current market information to users. Further leveraging technology, ACMF will arrange for periodic webinars to enable efficient knowledge-sharing by experts. As a start, these webinars would be held for capital market regulators. To increase its reach, ACMF intends to explore utilising other social media platforms to disseminate sustainability information.

In addition, ACMF will also collaborate with MDBs in the expansion of knowledge-based capacity building platforms such as the ACMF Market Development Programme, as well as other international and domestic sustainable finance initiatives. These capacity-building platforms could be expanded to cover more countries and financial institutions eventually.

Recommendations for Increasing Public Awareness

Globally, a lack of information regarding sustainable investments is hampering investment. This is affecting more than half of investors worldwide and as much as 61% of those surveyed by Schroders are from Asia (Schroders Global Investors Study, 2018).



Notes: The figure shows how a lack of information undermines sustainable investing.
Source: Schroders Global Investors Study 2018.

Once there is traction for sustainable products in ASEAN, widening education efforts among capital market participants can be delivered through roadshows and forums. ACMF will collaborate with players such as ASEAN-based exchanges to organise sustainable finance outreach programs. This may include roadshows to increase awareness among retail and institutional investors on green investment opportunities.

In this regard, ACMF will consider implementing initiatives to raise awareness regarding sustainable finance to broaden the knowledge base and openness towards sustainable products among investors. Examples of such initiatives are public awareness campaigns to be championed by capital market regulators in collaboration with stock exchanges and multilateral development organisations. For example, in 2017, the Singapore Exchange (SGX) and the World Bank (WB) launched an education partnership about sustainable development bonds through the SGX Academy (Institutional Asset Manager, 2017). In France, the local capital market regulator has partnered with the Institute for the Financial Education of the Public (IEFP) to devise educational material to improve the public's understanding of sustainability-related technical terms.

To appeal to the wider public, the awareness campaign can take the form of bite-sized educational video series on sustainable finance. This can be adapted in various forms (bite-sized videos, short articles, longer videos) to be published across various social media platforms i.e. LinkedIn, YouTube, Twitter.

Beyond traditional partners, ACMF will explore collaborations with NGOs and MDBs to build public awareness around sustainable financing. Many NGOs have developed expertise in their respective areas and possess deep technical insights on challenges, bottlenecks and opportunities for the capital market regulators, and governments more broadly. Strengthening partnerships with these organisations would help in constructing a holistic approach towards sustainable capital market development, leveraging valuable knowledge and expertise.

Collaborations between ACMF and NGOs can take place in the form of educational partnerships, promotion of an ASEAN knowledge hub, roadshows and forums. Campaigns for public awareness should incorporate a call-to-action on how the general public as well as capital market participants can contribute to the development of sustainable capital markets in ASEAN. At present, one of the initiatives in this area is the existing partnership amongst WWF, regulators, and capital market participants in ASEAN. This partnership aims to raise the bar for sustainable finance at national and regional levels.

For such collaborative efforts with NGOs, as well as MDBs as mentioned in the previous Recommendation, ACMF would also seek to draw upon each partner's network and strengths to ensure that ACMF's sustainable finance initiatives gain a wider outreach.

PRIORITY AREA IV – INCREASING CONNECTIVITY

A key enabler to achieve the initiatives identified in Priority Areas I, II and III is to strengthen the linkages between the various segments that make up and contribute towards the sustainable finance ecosystem in ASEAN. The foundations of rigorous standards and transparent disclosures would go unnoticed by global stakeholders without a channel to showcase notable products and companies. Initiatives to incentivize sustainable efforts would not be feasible without the involvement of the relevant authorities in other branches of the public sector. The success of the recommendations detailed in the earlier Priority Areas would not be possible without a coordinated effort among various entities within the region and beyond. Efforts to this end include addressing long-term financing demand with capital supplies that require high liquidity, developing education partnerships and aligning public sector efforts towards common goals to respectively deliver the outcomes of a seamless movement of resources and capital, greater awareness among all stakeholders and policies that reduce the cost of capital.

Due to the cross-cutting and interdisciplinary nature of sustainable finance, building a robust ecosystem is also likely to require extending collaboration networks to a wider group of stakeholders.

Recommendations for a Public Database of Sustainable Products, Projects and Investors

A report by the United Nations Capital Development Fund (UNCDF) in 2019 found that providers of concessional capital shy away from investing due to lack of awareness about investable projects. To tackle this, a proposed initiative under the Infrastructure Finance Working Group (IFWG) of the WC-CMD is to build a database on the pipeline of infrastructure projects in the region with a green indicator, so that investors can obtain detailed information on investment opportunities. Moving forward, ACMF will engage WC-CMD in jointly developing and expanding this database to include a broader variety of sustainable products for investment.

To reduce information gaps and the cost of search, a public database with sustainable products and projects will improve knowledge and facilitate access to sustainable investment opportunities. Those that are labelled ASEAN Green Bond, ASEAN Social Bond, ASEAN Sustainability Bond, as well as related future product standards, could be featured on this public database.

Similarly, businesses that are considering issuing sustainable financial products would be interested to engage with institutional investors that are actively rebalancing their portfolio towards sustainability. Including institutional investors in the same database would also increase their visibility and give recognition that they are active in the development of the sustainable finance market in ASEAN.

Recommendations for Leveraging Multilateral and Philanthropic Efforts

Multilateral development organisations have been leaders in providing technical assistance and market development efforts. They are, therefore, a natural avenue for the advancement of sustainable finance in ASEAN. Multilateral development organisations have a long history and mandate towards promoting sustainable development, and their expertise and global networks will be able to contribute significantly to the development of sustainable capital markets. The support by these institutions for accelerating the bond market has been effective. There is scope for further collaborations, especially around innovative initiatives, since multilateral development organisations have the capabilities and resources to make seed investments, support higher risk projects, and lend at concessional rates (where appropriate) to catalyse the development of green, social and sustainable bonds.

Additionally, many philanthropic institutions are mandated to support environmental and social causes and have capital allocations and trust funds available to achieve these mandates. Such philanthropic capital focuses on impact rather than return and can be a source of funding for the various initiatives and incentives described in the Roadmap. Recognised philanthropies can lend credibility and weight to fundraising events and help attract investors.

ACMF will continue to strengthen relationships with multilateral development organisations and also build new relationships with philanthropies to create a stronger and more connected sustainable finance ecosystem.

Recommendations for Coordination Efforts with the Public & Financial Sectors

In developing a sustainable financial ecosystem, the capital markets regulators need to work together with other actors in the financial sector from the banking and insurance spheres. Capital markets are also impacted by public sector financial policies. As such, ACMF, central banks, other domestic financial regulators and finance ministries need to coordinate efforts across the financial sector to ensure alignment and successful implementation of the Roadmap at the ASEAN level. In this regard, WC-CMD which comprises securities regulators, central banks and finance ministries serves as an ideal representation of the relevant branches of the public sector. Coordination and collaboration efforts between ACMF and WC-CMD on sustainable finance, which were endorsed via the Joint Statement of the 5th ASEAN Finance Ministers' and Central Bank Governors' Meeting in April 2019, have seen notable initiatives such as this Roadmap and a Report on Promoting Sustainable Finance in ASEAN by WC-CMD, which sets the stage for holistic efforts across the financial sector. Robust and consistent engagements are pivotal to avoid further proliferation and fragmentation of screening criteria, reporting standards and evaluation efforts that are faced by the sustainable finance markets.

The coordination of efforts and mutual understanding amongst the regulators and market players are crucial to ensure the collective efforts by different parties are congruent to one another. For instance, greater coordination can help manage investment risks in sustainable infrastructure projects by providing clarity and accountability of political commitments and institutional frameworks for construction, finance, and operations. Further opportunities for managing political and foreign exchange risks include putting in place corresponding insurance and risk hedging mechanisms. Regular conversations between authorities and market players should be held to discuss these and other issues on sustainable finance to take the agenda forward in ASEAN. Presently, ACMF convenes its ACMF Industry Consultative Panels to enable feedback on issues of interest to be provided by market participants to securities regulators. Engagements via such channels will be regularised to allow more frequent dialogues between industry and the authorities on sustainable finance matters.

Where appropriate, ACMF members intend to also work with their national governments and central banks to explore an increase in public issuances and investments in sustainable assets classes, by issuing green sovereign or public sector bonds, or earmarking a certain portion of public funds for investment in sustainable asset classes. This will boost the supply of sustainable assets and send a clear signal of commitment to sustainability to the market.

CONCLUSION

The Roadmap for ASEAN Sustainable Capital Markets aims to develop an open and vibrant ASEAN capital markets ecosystem that facilitates and mobilises private sector capital in the financing of sustainable projects. This is in line with the ASEAN Community Vision 2025 to promote sustainable development as well as the 2019 and 2020 ASEAN Chairmanships' themes which emphasize partnerships and sustainability.

In crafting this Roadmap, initiatives in sustainable finance worldwide were taken into consideration to ensure that the sustainable capital market landscape in ASEAN is relevant and attractive to issuers, investors and other stakeholders.

It is acknowledged that sustainable finance is developing rapidly, with approaches and policies in a state of flux even in developed markets. While this Roadmap is a living document that will take into account evolving developments and emerging trends, the imperative for immediate action is real, given the tangible effects of climate change and social concerns.

In that regard, ACMF will prioritise its efforts on the following focus areas in the short-to-medium term:

- **Promoting corporate sustainability disclosure**

Pending a decision to be taken on a common disclosure standard for ASEAN, ACMF' efforts with the exchanges to promote sustainability reporting by listed corporates using GRI, SASB and IIRC must continue.

- **Promoting institutional investor disclosures**

Development of stewardship codes with sustainability elements will promote the integration of ESG criteria into the investment processes of ASEAN institutional investors and will accelerate the adoption of ESG by their investee companies. Individually, ACMF members will also engage asset managers on the latter's investment and risk management practices to highlight the importance of ESG integration, where possible through guidance or guidelines.

- **Developing sustainable fund standards**

Sustainable fund standards have the potential to bring awareness on sustainable investing to a wider range of investors through a more accessible product class.

- **Improving market access for sustainable products**

Increasing market access through regulatory green lanes is a measure within the control of ACMF members that may catalyse the offering and availability of sustainable products.

- **Promoting knowledge transfer**

Among the recommendations for capacity-building and awareness, enhancement of online channels needs to be prioritised as a cost-effective and far-reaching method of knowledge-transfer amongst stakeholders.

- **Coordinating efforts with the public and financial sectors**

As many initiatives require the participation of various policy and decision-makers, alignment of purpose among all government agencies and the financial sector is essential in order that initiatives can be smoothly implemented.

This Roadmap reflects a common vision and a collective direction from ACMF members to create an ecosystem for sustainable capital markets. ACMF hopes that the priorities presented in the Roadmap can provide the fundamental building blocks in realising an open and vibrant capital market that leads towards a sustainable future.

SUMMARY OF KEY RECOMMENDATIONS

Priority Area I: Strengthening Foundations	Promoting Corporate Sustainability Disclosures *	<p>ACMF will continue to work with the exchanges to promote sustainability reporting by listed corporates using the three major international standards: GRI, SASB, and IIRC.</p> <p>In the longer term, the feasibility of adopting a single standard that is globally accepted will be evaluated in consultation with the exchanges and other stakeholders.</p>
	Promoting Institutional Investor Disclosures *	<p>ACMF will work with institutional investor associations to develop national stewardship codes (or equivalent) with sustainability elements.</p> <p>Individually, ACMF members will engage asset managers on the latter's investment and risk management practices to highlight the importance of ESG integration.</p>
	Examining a Common Taxonomy	<p>ACMF will continue to monitor the ongoing taxonomy work by various institutions such as the EC, CBI, and ICMA prior to adopting a common taxonomy.</p> <p>ACMF will prioritise its engagement with ASEAN central banks and other authorities on the issue of adopting a single financial sector taxonomy that best suits the region's needs.</p>
	Exploring Transition Standards	<p>ACMF is of the view that there is merit in introducing transitional standards – starting with the bonds market – to recognise companies that want to raise capital and invest in measures to transition to more sustainable practices. ACMF will evaluate how transitional standards can be introduced, and examine the suitability of adopting for ASEAN any transitional standards that emerge internationally.</p>
Priority Area II: Catalysing Products and Enabling Access to Under-served Areas	Developing Sustainable and Responsible Fund Standards *	<p>ACMF will explore the feasibility of developing sustainable and responsible fund standards. ACMF will consult with fund managers in the region on technical requirements and feasibility considerations.</p>
	Improving Market Access for Sustainable Products *	<p>ACMF will review its existing schemes and evaluate the feasibility of introducing 'green lanes' to expedite cross-border green, social and sustainability bond issuance and distribution of sustainable funds, without compromising regulatory standards.</p> <p>ACMF will also explore its cross-border regulatory frameworks to include alternative markets, such as crowdfunding for environmental and social purposes.</p>
	Developing ESG Indices	<p>ACMF will continue to engage with leading index providers to explore the introduction of more focused sustainability-related indices according to level of interest and demand (e.g. low carbon transition, climate change).</p> <p>ACMF will consider developing an ESG scorecard or enhance economic, environmental and social considerations in the ASEAN Corporate Governance Scorecard to increase the visibility of small and medium-sized companies with strong ESG performance.</p>
	Using Digital Technology to Facilitate Cross-border Participation in Sustainable Products	<p>ACMF intends to deepen its knowledge on how technology can be used to develop sustainable finance solutions. ACMF members could explore partnering – as a group – with traditional finance or FinTech players, to broaden cross-border retail access to sustainable financial products.</p>

* Focus areas for the short-to-medium term

	Exploring Incentives	ACMF will work closely with the Working Committee on Capital Market Development (WC-CMD) to analyse the feasibility, desirability, and impact of introducing domestic tax breaks and exemptions. Such tax incentives do not have to be uniform across ASEAN and have to take into account domestic priorities and market structure.
Priority Area III: Raising Awareness & Capacity Building	Enhancing Technical Competence	ACMF will partner with stakeholders including financial sector players (such as fund managers, banks, insurance companies, exchanges) as well as multilateral institutions to build comprehensive capacity on technical competence.
	Promoting Knowledge Transfer *	<p>ACMF will consider redesigning its website to act as a 'one-stop' knowledge hub to raise awareness and educate participants on sustainable finance-related issues.</p> <p>ACMF intends to explore utilising other social media platforms to disseminate sustainability information.</p> <p>ACMF will collaborate with MDBs to seek support in the expansion of knowledge-based capacity-building platforms as well as other international and domestic sustainable finance initiatives.</p>
	Increasing Public Awareness	<p>ACMF will collaborate with players like ASEAN-based exchanges to organise sustainable finance outreach programs.</p> <p>ACMF will consider implementing initiatives to raise awareness regarding sustainable finance to broaden the knowledge base and openness towards sustainable products among investors.</p> <p>ACMF will also explore collaborations with NGOs to build public awareness around sustainable financing. Many NGOs have developed expertise in their respective areas and possess deep technical insights on challenges, bottlenecks, and opportunities for the capital market regulators and governments.</p>
Priority Area IV: Increasing Connectivity	Developing a Public Database of Sustainable Products, Projects and Investors	<p>A proposed initiative under WC-CMD is to build a database on the pipeline of infrastructure projects in the region with a green indicator, so that investors can obtain detailed information on investment opportunities.</p> <p>Moving forward, ACMF will engage WC-CMD in jointly developing and expanding this database to include a broader variety of sustainable products for investment.</p>
	Leveraging Multilateral and Philanthropic Efforts	ACMF will continue to strengthen relationships with multilateral development organisations and also build new relationships with philanthropies to create a stronger and more connected sustainable finance ecosystem.
	Coordinating Efforts with Public & Financial Sectors *	ACMF will coordinate with central banks, other domestic financial regulators, and finance ministries to ensure alignment and successful implementation of the Roadmap.

* Focus areas for the short-to-medium term



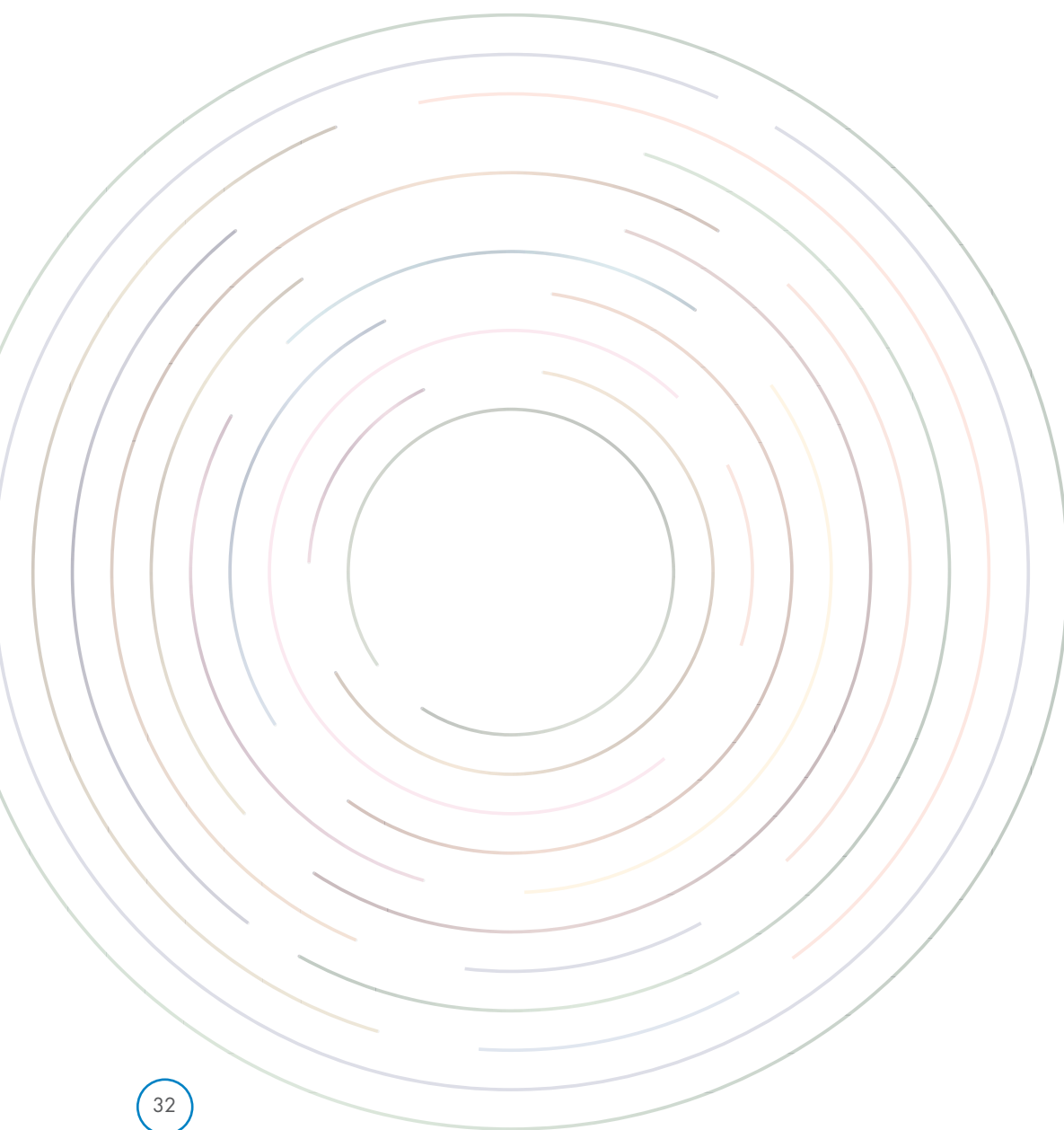
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GLOSSARY

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ACMF	ASEAN Capital Markets Forum
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BPI	Bank of the Philippine Islands
BSP	Bangko Sentral ng Pilipinas
CBA	China Banking Association
CBI	Climate Bonds Initiative
CBRC	China Banking Regulatory Commission
CIS	Collective Investment Schemes
CDP	CDP Worldwide, formerly the Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
COP	Conference of the Parties
CSR	Corporate Social Responsibility
EC	European Commission
ECF	Equity Crowdfunding
ESG	Environmental, Social, and Governance
ETF	Exchange Traded Funds
FinTech	Financial Technology
GBS	Green Bond Standards
GDP	Gross Domestic Product
GEMC	Growth and Emerging Markets Committee
GRI	Global Reporting Initiative
ICMA	International Capital Market Association
IFWG	Infrastructure Finance Working Group
IIRC	International Integrated Reporting Council
IOSCO	International Organization of Securities Commissions
MAS	Monetary Authority of Singapore
MDB	Multilateral Development Bank
MESTECC	Ministry of Energy, Science, Technology, Environment and Climate Change, Malaysia
NDC	Nationally Determined Contribution

NGO	Non-Governmental Organisations
OECD	Organisation for Economic Co-operation and Development
PRI	Principles for Responsible Investment
Roadmap	Roadmap for ASEAN Sustainable Capital Markets
SASB	Sustainability Accounting Standard Board
SBS	Social Bonds Standards
SC Malaysia	Securities Commission Malaysia
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission
SET	Stock Exchange of Thailand
SGX	Singapore Exchange
SME	Small and Medium Enterprises
SUS	Sustainability Bond Standards
TCFD	Task Force on Climate-related Financial Disclosures
TEG	Technical Expert Group
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	US Dollar
WB	World Bank
WC-CMD	Working Committee on Capital Market Development
WWF	Worldwide Fund for Nature

Appendix

Appendix 1 Comparison of disclosure frameworks

	GRI	SASB	IIRC
Definition	Demonstrates how and what to report regarding the material economic, social and environmental impacts of an organization on sustainable development. The standard has reporting standards for 34 different sustainability topics.	Provides guidance for reporting on financially material environmental, social and governance issues by means of indicators (called metrics) and disclosures for 77 industries.	Establishes Fundamental Concepts, Guiding Principles and Content Elements governing the preparation and presentation of an integrated report. It's written primarily in the context of private sector, for-profit companies of any size, but is also applied by public sector and not-for-profit organizations.
Year of implementation	2000	2018	2013
Scale	Global	US focused, getting global	Global
Type of guidance	Standards	Standards	Principles
Span	General and specific for some sectors	Industry specific	General
Target audience	All stakeholders	Investors	Investors
Further comparisons	<ul style="list-style-type: none"> Offers the organizations the opportunity to provide a qualitative assessment of their sustainability initiatives, targets and achievements. 	<ul style="list-style-type: none"> Inward looking standards, that focus on how sustainability affects the company and its finances. The standards are different for each industry to allow for clear comparison of companies within an industry. 	<ul style="list-style-type: none"> Does not require standardized indicators; as it leaves the freedom to each organization to elaborate on its understanding of value, but with some core disclosure elements to allow for convergence

Appendix 2

The PRI Principles

PRI Principles	
Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.
Principle 6	We will each report on our activities and progress towards implementing the Principles.

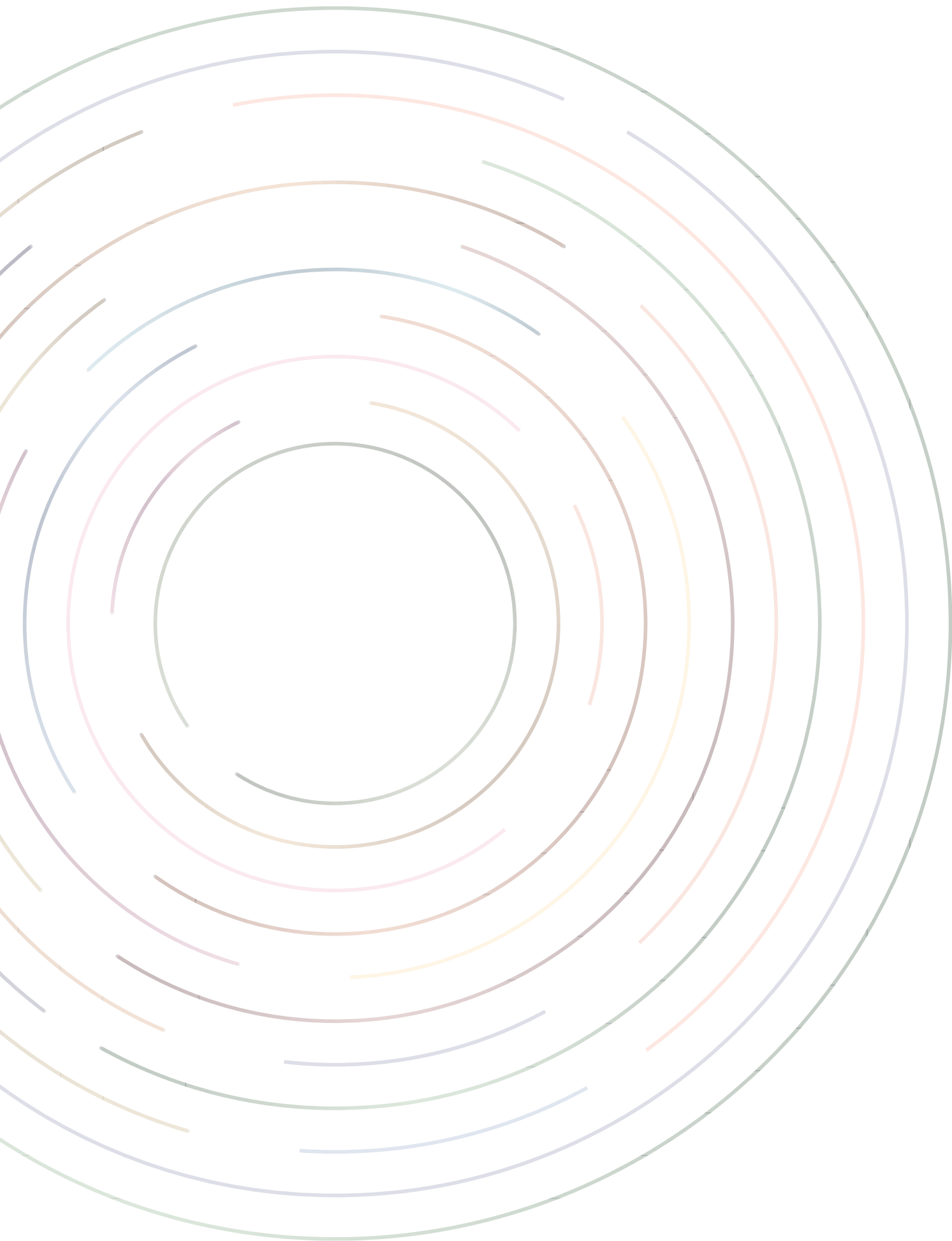
Appendix 3

Comparison of taxonomies / eligible project categories

	EU EU Taxonomy	CBI Climate Bonds Taxonomy	ICMA GBP & SBP eligible project categories
Year of publication	2019	2013	2018
Developer	Technical Expert Group on sustainable finance	Climate Bonds Initiative	International Capital Market Association
Nature	Stand-alone report	Stand-alone report	Part of ICMA Green and social bond principles
Way of operating	Equity and bonds	Bonds	Bonds
Eligible classifications	<ul style="list-style-type: none"> • Climate change mitigation. • Climate change adaptation. • Sustainable use and protection of water and marine resources. • Pollution prevention and control. • Transition to a circular economy, waste prevention and recycling • Protection of healthy ecosystems 	<ul style="list-style-type: none"> • Energy • Transport • Water • Buildings • Land use and marine resources. • Industry • Waste and pollution control • ICT 	<p>Green Bonds (include but are not limited to):</p> <ul style="list-style-type: none"> • Renewable energy • Energy Efficiency • Pollution prevention and control • Environmentally sustainable management of living natural resources and land use • Terrestrial and aquatic biodiversity conservation • Clean transportation • Sustainable water and wastewater management • Climate change adaptation • Eco-efficient and/or circular economy adapted products, production technologies and processes • Green buildings <p>Social Bonds (include but are not limited to):</p> <ul style="list-style-type: none"> • Affordable basic infrastructure • Access to essential services • Affordable housing • Employment generation including through the potential effect of SME financing and microfinance • Food security • Socioeconomic advancement and empowerment
Area of focus	Environment	Environment	Environment and social

Appendix 3 (Continued)
Comparison of taxonomies / eligible project categories

	EU EU Taxonomy	CBI Climate Bonds Taxonomy	ICMA GBP & SBP eligible project categories
Components for certification	<ul style="list-style-type: none"> • Contribute to at least one of the main objectives of the taxonomy. • Do no significant harm to another environmental objective. • Work according to the social safeguards; follow labour standards of the ILO (International labour organizations) • Comply with the TEG's screening criteria; which they will be offered the authority to implement and maintain. 	<ul style="list-style-type: none"> • Asset type: Each classification will have a list of tangible asset types that will be regarded as having the possibility of being included in the taxonomy. • Asset specifics: The properties of that tangible asset, how it was made and the process by which it will add to the project. • Two degrees compliancy: Using a traffic light indication system, it is demonstrated the degree by which this specific project is compatible with 2 degrees goal. • Screening indicator: The way/metric by which the sustainability of this specific project or asset will be tested. 	<ul style="list-style-type: none"> • All designated green and social projects should respectively provide clear environmental and social benefits, which will be assessed and, where feasible, quantified by the issuer. • Communication of: environmental sustainability (GBP) or social (SBP) objectives, process used to determine fitting of project into classifications, identifying environmental and social risks of the projects. • The net proceeds of the Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner. • Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in the case of material developments.



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