# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Definition</td>
<td>6</td>
</tr>
<tr>
<td>1.0 Scope of the ASEAN Social Bond Standards</td>
<td>7</td>
</tr>
<tr>
<td>2.0 Objective of the ASEAN Social Bond Standards</td>
<td>7</td>
</tr>
<tr>
<td>3.0 Criteria for ASEAN Social Bonds</td>
<td>7</td>
</tr>
<tr>
<td>4.0 Guidance on the Four Core Components of the Social Bond Principles</td>
<td>8</td>
</tr>
<tr>
<td>4.1 Use of Proceeds</td>
<td>8</td>
</tr>
<tr>
<td>4.2 Process for Project Evaluation and Selection</td>
<td>10</td>
</tr>
<tr>
<td>4.3 Management of Proceeds</td>
<td>11</td>
</tr>
<tr>
<td>4.4 Reporting</td>
<td>12</td>
</tr>
<tr>
<td>5.0 External Review</td>
<td>12</td>
</tr>
</tbody>
</table>
INTRODUCTION

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

One of the key initiatives by the ACMF is the development of social asset classes in line with the growing importance of social finance in ASEAN. To support ASEAN's sustainable development needs, the ACMF has developed the \textit{ASEAN Social Bond Standards} (ASEAN SBS) to complement the \textit{ASEAN Green Bond Standards} (ASEAN GBS) that were first introduced in November 2017. The ASEAN SBS intend to enhance transparency, consistency and uniformity of ASEAN Social Bonds which will also contribute to the development of a new asset class, reduce due diligence cost and help investors to make informed investment decisions.

The ASEAN SBS were developed based on the International Capital Market Association (ICMA)'s\(^2\) \textit{Social Bond Principles} (SBP)\(^3\). The SBP were first launched in June 2017 as voluntary process guidelines intended for broad use by the market. The SBP and \textit{Green Bond Principles} (GBP) are a set of voluntary guidelines elaborated by key market participants under co-ordination of the ICMA as its secretariat, which is responsible for advising on governance and other matters, as well as providing organisational support.

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

\footnotesize{\begin{itemize}
  \item[] \(^1\) About ACMF – http://www.theacmf.org/ACMF/webcontent.php?content_id=00001
  \item[] \(^2\) About ICMA – https://www.icmagroup.org/About-ICMA/
\end{itemize}}
Key additional features of the ASEAN SBS

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

- **Eligible Issuers**

  To create a social asset class for the ASEAN region, the Issuer or issuance of the social bond must have a geographical or economic connection to the region.

- **Ineligible Projects**

  Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable.

- **Continuous Accessibility to Information**

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

- **Encourage More Frequent Reporting**

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

- **External Review**

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

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

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

ACMF means ASEAN Capital Markets Forum

ASEAN means Association of Southeast Asian Nations

ASEAN SBS means the ASEAN Social Bond Standards as applicable and as revised from time to time

ASEAN Social Bonds means bonds and sukuk which comply with the ASEAN SBS, where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Social Projects. In the case of Islamic bonds or sukuk, it must also comply with the relevant laws and requirements applicable for the issuance of Islamic bonds or sukuk. In such instances, the Islamic bonds or sukuk may be labelled as ASEAN Social Sukuk

ASEAN Issuer means an Issuer that is incorporated in any of the ASEAN countries

Non-ASEAN Issuer means an Issuer other than an ASEAN Issuer

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

Social Projects means the broad categories of eligible Social Projects as listed in the ASEAN SBS. The list of eligible Social Projects is not an exhaustive list

Issuer means a corporation that issues ASEAN Social Bonds and includes an ASEAN Issuer and Non-ASEAN Issuer
1. SCOPE OF THE ASEAN SBS

1.1 The ASEAN SBS shall apply to issuance of ASEAN Social Bonds.

1.2 The ASEAN SBS are aligned with the SBP. Any guidance issued by ICMA on the SBP should also be considered, where relevant.

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

2. OBJECTIVE OF THE ASEAN SBS

The ASEAN SBS are intended to provide additional guidance on the application of the SBP as well as to enhance transparency, consistency and uniformity of ASEAN Social Bonds.

3. CRITERIA FOR ASEAN SOCIAL BONDS

3.1 Issuer

(i) Must be an ASEAN Issuer; or

(ii) In the case of a Non-ASEAN Issuer, the eligible Social Projects must be located in any of the ASEAN countries.

3.2 Issuance

ASEAN Social Bonds issuances must be originated from any of the ASEAN member countries.
4. GUIDANCE ON THE FOUR CORE COMPONENTS OF THE SBP

4.1. Use of Proceeds

4.1.1 The utilisation of proceeds from the ASEAN Social Bonds must be described in the documentation for issuance of the ASEAN Social Bonds.

4.1.2 In relation to 4.1.1, the Issuer must disclose the following information:

(i) The categories of eligible Social Projects to which the ASEAN Social Bonds proceeds will be allocated; and/or

(ii) The information on specific Social Projects in the case where the Issuer has identified the specific Social Projects to which the ASEAN Social Bonds proceeds will be allocated.

4.1.3 All designated Social Projects must provide clear social benefits, which will be assessed and, where feasible, quantified by the Issuer.

4.1.4 In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced Social Projects. “Look-back period” refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such eligible Social Projects that will be included in the social bond reporting.

4.1.5 Social Projects directly aim to help address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially, but not exclusively, for a target population(s). Please see below illustrative examples of Social Project categories in Paragraph 4.1.6 that seek to achieve positive socioeconomic outcomes for target populations.

4.1.6 The following list of project categories, while indicative, captures the most commonly used types of projects supported or expected to be supported by the social bond market. Social Project categories include other related and supporting expenditures such as research and development in relation to these Social Project categories, and may relate to more than one category.
The categories, listed in no specific order, include, but are not limited to, providing and/or promoting:

(i) Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy);

(ii) Access to essential services (e.g. health, education and vocational training, healthcare, telecommunication, financing and financial services);

(iii) Affordable housing (e.g. construction, renovation and maintenance, provision of housing loans, development and provision of rental housing);

(iv) Employment generation (e.g. SME financing, microfinance, skills development for employability and entrepreneurship);

(v) Food security (e.g. sustainable farming and fishery, agricultural credit and insurance, crop innovation, infrastructure development for agriculture and aquaculture);

(vi) Socioeconomic advancement and empowerment (e.g. targeted financing schemes such as loans to women-owned businesses; social support services such as rehabilitation, counselling and integration programmes; development of community centres and facilities).

4.1.7 For clarification, projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable.

4.1.8 Examples of target populations include, but are not limited to, those that are:

(i) Living below the poverty line;

(ii) Excluded and/or marginalised populations and/or communities;
(iii) Vulnerable groups, including as a result of natural disasters;

(iv) Unemployed;

(v) People with disabilities;

(vi) Migrants and/or displaced persons;

(vii) Undereducated; and

(viii) Underserved, owing to a lack of quality access to essential goods and services.

4.1.9 It is noted that the definition of target population can vary across ASEAN and that, in some cases, such target population(s) may also be served by addressing the general public.

4.2. Process for Project Evaluation and Selection

4.2.1 The Issuer of ASEAN Social Bonds must clearly communicate to investors:

(i) The social objectives;

(ii) The process by which the Issuer determines how the projects fit within the eligible Social Project categories identified above; and

(iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material social and environmental risks associated with the Social Projects.

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

4.2.3 Issuers are encouraged to position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability. Issuers are also encouraged to disclose any
social standards or certifications referenced in project selection.

4.2.4 It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.

4.2.5 The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of the ASEAN Social Bonds:

(i) The process for project evaluation;

(ii) The use of proceeds; and

(iii) External review report on the process (if any).

4.3 Management of Proceeds

4.3.1 Prior to the issuance of the ASEAN Social Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Social Bonds the process for managing the net proceeds from the ASEAN Social Bonds.

4.3.2 The net proceeds of the ASEAN Social Bonds, or an amount equal to these net proceeds, must be credited into a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process linked to the Issuer's lending and investment operations for Social Projects. The total amount deployed from the net proceeds for the eligible Social Projects need not occur simultaneously.

4.3.3 As long as the ASEAN Social Bonds are outstanding, the balance of the tracked net proceeds must be periodically adjusted to match allocations to eligible Social Projects made during that period.

4.3.4 The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Social Bonds the intended types of temporary placement for the balance of unallocated net proceeds.

4.3.5 It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the ASEAN Social Bonds proceeds.
4.3.6 Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of the issuance of the ASEAN Social Bonds.

4.4. **Reporting**

4.4.1 Issuers must report to investors at least on an annual basis and are encouraged to make more frequent reporting on the use of proceeds until full allocation, and on a timely basis in the case of material developments. The annual report should include a list of projects to which the ASEAN Social Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.

4.4.2 Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the Issuer may present the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).

4.4.3 It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures (e.g. number of beneficiaries, reduction in unemployment, increase in number of public transport users, increase in literacy rate, increase in life expectancy, etc.) and disclose the key underlying methodology and/or assumptions used in the quantitative determination.

4.4.4 It is recommended that the Issuer’s annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.

4.4.5 The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Social Bonds.

5.0 **EXTERNAL REVIEW**

5.1 Issuers are recommended to appoint external review providers for their ASEAN Social Bonds issuances or programmes.
5.2 The external review may be partial, covering only certain aspects of the Issuer’s ASEAN Social Bonds framework or full, assessing alignment with all four core components as stated in the ASEAN SBS.

5.3 The external review provider must have the relevant expertise and experience in the components of the ASEAN Social Bonds which they are reviewing.

5.4 The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.

5.5 There are a variety of ways for Issuers to obtain outside input into the formulation of their ASEAN Social Bonds process and there are several levels and types of review that can be conducted. An Issuer can seek advice from consultants and/or institutions with recognised expertise in social issues or other aspects of the issuance of the ASEAN Social Bonds. It may cover areas such as the establishment of an Issuer’s ASEAN Social Bonds framework or the reporting of an ASEAN Social Bonds Issuer. Consultancy or advisory services entail collaboration with the Issuer and differ from independent external reviews. The ASEAN SBS encourage independent review of social features of the (types of) assets or activities associated with the ASEAN Social Bonds or ASEAN Social Bonds programme, where applicable.

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

(i) **Second Party Opinion**

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

(ii) Verification

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

(iii) Certification

An Issuer can have its ASEAN Social Bonds or associated ASEAN Social Bonds framework or use of proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

(iv) Social Bond Scoring/Rating

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