Development of a Sustainable Asset Class in ASEAN: Fact Sheet

The ASEAN Capital Markets Forum (ACMF) comprises capital market regulators from all 10 ASEAN nations. Its primary role is to promote greater integration and connectivity of regional capital markets.

In recent years, there has been growing demand for sustainable investments globally. According to the report and the data provided by the Global Sustainable Investment Alliance (GSIA) in 2016, USD 22.89 trillion of assets were being professionally managed under responsible investment strategies, a growth rate of 25% since 2014. The growing demand for sustainable investments presents an opportunity for the creation of a sustainable asset class that not only meet the investors' demand but also create positive impact to the environment and the society.

At the international level, based on Climate Bond Initiative statistics, the green bond market has grown significantly over the past five years, with issuance in 2017 surpassing US$150 billion and issuance for 2018 expected to reach US$180 billion. The market for social and sustainability bonds is expected to grow, as issuers and investors’ interests towards sustainable assets are rising. In this regard, the development of the green, social and sustainability bonds in more developed markets are paving the way for the increasing familiarity of these bonds in the region.

The ACMF has introduced the ASEAN Green Bond Standards (AGBS), ASEAN Social Bond Standards (ASBS) and ASEAN Sustainability Bond Standards (ASUS) to create a sustainable asset class in ASEAN, particularly in meeting the region’s infrastructure and social development financing needs. Developed based on the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and the ACMF standards are tailored to the financing needs in ASEAN.

While the ICMA has provided broad principles on green, social and sustainability bonds, the ASEAN standards aim to provide more specific guidance on how the ICMA’s principles are to be applied across ASEAN in order for these bonds to be labelled as ASEAN Green, Social and Sustainability Bonds.

Key features:

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

- Specific exclusions of certain projects:
  - Fossil fuel power generation projects are excluded from ASEAN Green Bond Standards to mitigate green washing of projects and to protect the ASEAN Green Bond label
  - 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

The AGBS, ASBS and ASUS can be downloaded to mobile devices via the QR code below: