Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 12

Series of 2018

SUBJECT: ***GUIDELINES ON THE ISSUANCE OF GREEN BONDS UNDER THE ASEAN GREEN BONDS STANDARDS IN THE PHILIPPINES***

WHEREAS, in recognition of the importance of green finance in supporting sustainable growth in ASEAN and the increasing amount of global capital seeking green investments, the ASEAN Capital Markets Forum took a lead role in identifying green finance standards that can be applied for the ASEAN region beginning with the ASEAN Green Bond Standards;

WHEREAS, the ASEAN Green Bonds Standards was developed based on the International Capital Markets Association's (ICMA's) Green Bonds Principles and intended to enhance transparency, consistency, and uniformity of ASEAN Green Bonds which will also contribute to the development of a new asset class, reduce due diligence costs, and help investors to make informed investment decisions;

WHEREAS, Section 8 of the SRC provides that securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the Commission;

WHEREAS, Section 12 of the SRC, the relevant provisions of the 2015 Implementing Rules and Regulations of the SRC (2015 SRC IRR) and "Annex C" provides for the procedure for registration of securities and non-financial disclosure requirements;

WHEREAS, ASEAN Green Bonds are specific purpose bonds where proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects, and that comply with the ASEAN Green Bond Standards;

WHEREAS, the requirements under the ASEAN Green Bonds Standards shall be in addition to the applicable requirements under Sections 8 and 12 of the SRC; *unless* there is an available exemption under Sections 9 or 10 of the SRC, where the Issuer shall submit the requirements as prescribed by the Commission;

WHEREAS, to assist issuers of debt instruments to register and issue bonds that are compliant with the ASEAN Green Bonds Standards, the Commission deems it necessary to issue the subject guidelines;

WHEREAS, the subject Guidelines should be read in conjunction with the "Frequently Asked Questions" (FAQ), and subsequent amendments/updates which the Securities and Exchange Commission (SEC or Commission) may issue from time to time.

NOW, THEREFORE, pursuant to the foregoing, the Commission hereby adopts and issues the following Guidelines to supplement the requirements under Section 8 and 12 of the SRC.

GUIDELINES FOR ISSUANCE OF ASEAN GREEN BONDS

ARTICLE ONE: GENERAL PROVISIONS

CHAPTER ONE: Definitions

Section 1. Applicability – This shall be known as the "Guidelines for Issuance of ASEAN Green Bonds." It shall primarily govern the issuance of the ASEAN Green Bonds where proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects.

Section 2. Definition of Terms – For purposes of these Guidelines, the following definition of terms shall apply, unless the context otherwise requires:

A. *ACMF* refers to the ASEAN Capital Markets Forum.

B. *ASEAN* refers to the Association of Southeast Asian Nations.

C. *ASEAN GBS* refers to the ASEAN Green Bond Standards as applicable and as revised from time to time.

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

E. *ASEAN Issuer* refers to an Issuer that is incorporated in any of the ASEAN countries.

F. *Non-ASEAN Issuer* refers to an Issuer other than an ASEAN Issuer.

G. *Green Bonds Principles (GBP)* refers to the voluntary process guidelines issued by the International Capital Market Association (ICMA), as revised from time to time, that recommend transparency and disclosure, and promote integrity in the development of the green bond market.

H. *Green Projects* refer to the broad categories of eligible green projects as listed in the ASEAN GBS. The list of eligible green projects is not an exhaustive list.

I. *Issuer* refers to a corporation that issues ASEAN Green Bonds and includes both an ASEAN Issuer and a Non-ASEAN Issuer.

J. *Look-back period* refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such eligible Green Projects that will be included in the green bond reporting.

CHAPTER TWO: Scope of ASEAN Green Bonds Standards

Section 3. Coverage of ASEAN Green Bond Standards – The Guidelines for Issuance of ASEAN Green Bonds Standards shall apply to the issuance of ASEAN Green Bonds in the Philippines.

Section 4. Suppletory Application of ICMA Green Bond Principles – The ASEAN Green Bonds Standards are aligned with the ICMA Green Bonds Principles. Any guidance issued by ICMA on the GBP should also be considered, where relevant.

ARTICLE TWO: ELIGIBILITY REQUIREMENTS

CHAPTER ONE: Eligibility of Issuer

Section 5. Requirements for Eligible ASEAN Green Bonds Issuer – The Issuer ***must*** be an ASEAN Issuer, as defined under these Guidelines. A non-ASEAN Issuer may also issue ASEAN Green Bonds, *Provided* the eligible Green Projects are located in any of the ASEAN countries.

CHAPTER TWO: Eligibility of Issuance

Section 6. Requirements for Eligible ASEAN Green Bonds Issuance – ASEAN Green Bonds issuances ***must*** be originated from any of the ASEAN member countries.

ARTICLE THREE: CORE COMPONENTS OF THE ASEAN GREEN BONDS STANDARDS

CHAPTER ONE: Use of Proceeds

Section 7. Requirements for Eligible Green Projects – All designated Green Projects ***must*** provide clear environmental benefits, which will be assessed and, where feasible, quantified by the Issuer.

Section 8. Eligible Green Project Categories – There are several broad categories of eligibility for Green Projects that address key areas of environmental concern. The following list is intended to be indicative and captures the most commonly used types of projects supported or expected to be supported by the green bond market. The categories, listed in no specific order, include, but are not limited to:

A. renewable energy;

B. energy efficiency;

C. pollution prevention and control;

D. environmentally sustainable management of living natural resources and land use;

E. terrestrial and aquatic biodiversity conservation;

F. clean transportation;

G. sustainable water and waste water management;

H. climate change adaptation;

I. eco-efficient and/or circular economy adapted, production technologies and processes; and

J. green buildings which meet regional, national, or internationally-recognized standards or certifications.

Section 9. Green Projects Covering Two or More Categories – Green Projects may relate to more than one category.

Section 10. Ineligible Green Project – Fossil fuel power generation projects are excluded from the ASEAN Green Bonds Standards.

Section 11. Documentation on the Use of Proceeds – The utilization of proceeds from the ASEAN Green Bonds ***must*** be described in the documentation for issuance of the ASEAN Green Bonds. The Issuer ***must*** disclose the following information:

A. the categories of eligible Green Projects to which the ASEAN Green Bonds proceeds will be allocated; and/or

B. the information on specific Green Projects in the case where the Issuer has identified the specific Green Projects to which the ASEAN Green Bonds proceeds will be allocated.

Section 12. Disclosures in Case the Proceeds are Used for Refinancing – In the event that all or a proportion of the proceeds is or may be used for refinancing, it is recommended that Issuers—

A. provide an estimate of the share of financing and refinancing;

B. clarify which investments or project portfolios may be refinanced if appropriate; and

C. state the expected look-back period for refinanced Green Projects, to the extent relevant.

CHAPTER TWO: Process for Project Selection and Evaluation

Section 13. Project Evaluation and Selection Process Determination – The Issuer ***must*** establish the process for project evaluation and selection prior to the issuance of the ASEAN Green Bonds. Issuers are encouraged to position this information within the context of the Issuers' overarching objectives, strategy, policy, and/or processes relating to environmental sustainability.

Section 14. Disclosure of the Project Evaluation and Selection Process – The Issuer should disclose the project evaluation and selection process to investors in the documentation for the issuance of ASEAN Green Bonds.

Section 15. Contents of Disclosures on Project Evaluation and Selection Process – In connection with *the immediately preceding Section,* the Issuer of ASEAN Green Bonds ***must*** clearly communicate to investors—

A. the environmental sustainability objectives;

B. the process by which the Issuer determines how the projects fit within the eligible Green Projects categories identified under *Section 8*; and

C. the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green Projects.

Issuers are also encouraged to disclose any green standards or certifications referenced in project selection.

Section 16. Disclosures on Project Evaluation and Use of Proceeds – The Issuer ***must*** make the following publicly available on an Issuer-designated website at the time of the issuance and throughout the tenure of ASEAN Green Bonds—

A. the process for project evaluation; and

B. the use of proceeds.

CHAPTER THREE: Management of Proceeds

Section 17. Treatment of Net Proceeds – The net proceeds from the ASEAN Green Bonds, or an amount equal to these net proceeds, ***must*** be credited into a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process linked to the Issuer's lending and investment operations for Green Projects.

Section 18. Simultaneous Deployment of Net Proceeds – The total amount deployed from the net proceeds for the eligible Green Projects need not occur simultaneously.

Section 19. Periodic Adjustment of Net Proceeds Balance –As long as the ASEAN Green Bonds are outstanding, the balance of tracked proceeds of outstanding ASEAN Green Bonds ***must*** be periodically adjusted to match allocations to eligible Green Projects made.

Section 20. Disclosures on the Management of Proceeds – The Issuer ***must*** disclose to investors in the documentation for the issuance of the ASEAN Green Bonds—

A. the process for managing the net proceeds from the ASEAN Green Bonds; and

B. the intended types of temporary placement for the balance of unallocated proceeds.

CHAPTER FOUR: Reporting Requirements

Section 21. Continuous Reporting on the Use of Proceeds – Issuers ***must*** report to investors at least on an annual basis until full allocation, and as necessary thereafter in the event of material developments the following:

A. a list of the projects to which the ASEAN Green Bonds proceeds have been allocated;

B. brief description of the projects; and

C. the amounts allocated and their expected impact.

It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures with disclosures of the key underlying methodology and/or assumptions used in the quantitative determination.

Section 22. Documentation in Case of Confidential Agreements, Competitive Considerations, or Large Number of Underlying Projects – 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.

Section 23. Quantitative Performance Measures – In relation to *Section 21* of these Guidelines, the following quantitative performance[1] measures may be employed by the Issuer:

A. energy capacity;

B. electricity generation;

C. greenhouse gas emissions reduced/ avoided;

D. number of people provided with access to clean power;

E. decrease in water use, reduction in the number of cars required; and/or

F. other reasonable performance measures.

Section 24. Form of Annual Reporting and External Review – The Issuer ***must*** provide to investors the annual reports and the external review on the annual reports, if any, through an Issuer-designated website and/ or through annual reports throughout the tenure of the ASEAN Green Bonds.

Section 25. Frequency of Reporting – In addition to annual reporting in *Sections 21* and *24*, Issuers are encouraged to provide more frequent periodic reporting which would increase transparency on the allocation of proceeds and investor confidence on the ASEAN Green Bonds.

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[1] Quantitative performance measures as provided by ICMA GBP

ARTICLE FOUR: EXTERNAL REVIEW

CHAPTER ONE: Qualifications of External Review Providers

Section 26. — Expertise and Experience Requirement – The external review provider ***must*** have the relevant expertise and experience in the components of the ASEAN Green Bonds which they are reviewing.

Section 27. — Disclosure of External Reviewers' Expertise and Scope – The external reviewers' credentials under *Section 26* and scope of review conducted ***must*** be made publicly accessible from a website designated by the Issuer throughout the tenure of the ASEAN Green Bonds.

CHAPTER TWO: External Review Requirement

Section 28. Appointment of External Review Providers — Issuers are recommended to appoint external review providers for their ASEAN Green Bonds issuances.

Section 29. External Review of the Project Evaluation and Selection Process — It is recommended that the Issuer's process for project evaluation and selection under *Section 13 of these Guidelines* be supported by an external review.

Section 30. External Review of the Management of Proceeds — It is recommended that the Issuer's management of proceeds under *Article III Chapter 3* be supplemented by the use of an auditor, or other third party to verify the internal tracking method and the allocation of funds from the ASEAN Green Bonds proceeds.

Section 31. External Review of the Use of Proceeds — It is recommended that the Issuer's annual reporting on the use of proceeds under *Article II Chapter 1* be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.

CHAPTER THREE: Coverage and Types of Review

Section 32. Partial or Full Review — The external review may be ***Partial***, covering only certain aspects of the Issuer's ASEAN Green Bonds framework or ***Full***, assessing alignment with all four core components as stated in the ASEAN Green Bonds Standards.

Section 33. Types of Review — External review can fall under the following levels and/or types:

A. Consultant Review;

B. Verification;

C. Certification; and

D. Rating

Section 34. Consultant Review — Consultant Review involves an Issuer seeking advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of ASEAN Green Bonds, such as the establishment/review of an Issuer's ASEAN Green Bonds framework.

Section 35. Verification — Verification involves an Issuer having its ASEAN Green Bonds, associated ASEAN Green Bonds framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the Issuer.

Section 36. Certification — Certification involves an Issuer having its ASEAN Green Bonds or associated ASEAN Green Bonds framework, or use of proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/ certifiers.

Section 37. Rating — Rating involves an Issuer having its ASEAN Green Bonds or associated ASEAN Green Bonds framework rated by qualified third parties, such as a specialized research provider or rating agency.

Section 38. Green Bond Ratings Different from Environmental Rating, etc. — Green bond ratings are separate from an Issuer's environmental, social and governance rating.

CHAPTER FOUR: External Review Report

Section 39. Contents of External Review Report — The External Review Provider ***must*** disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.

Section 40. External Review Report of the Project Evaluation and Selection Process — The Issuer ***must*** make the External Review Report of the project evaluation and selection process, if review is conducted in connection with *Section 29* hereunder, publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Green Bonds.

Section 41. External Review Report of the Management of Proceeds — Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds conducted in connection with *Section 30*, the Issuer ***must*** make the auditor or other third party report publicly available on a website designated by the Issuer at the time of the issuance of the ASEAN Green Bonds.

ARTICLE FIVE: APPLICABILITY ON EXISTING GREEN BONDS

Section 42. Applicability on Existing Eligible Green Bonds — In certain circumstances, and at the discretion of the Commission, outstanding bonds issued by Philippine-Based issuer and/or in instances where the proceeds were used in the Philippines, will be considered for eligibility under

the ASEAN Green Bonds Standards, *Provided* the issuance is compliant with the requirements of *these Guidelines*, and already carries an internationally recognized green label.

ARTICLE SIX: LIMITATIONS ON ASEAN GREEN BOND LABEL

Section 43. Limitation on the Use of ASEAN Green Bond Label — Consistent with public interest and protection of investors, the call for transparency, as well as to ensure integrity of the ASEAN Green Bonds, the Commission reserves the right to direct any Issuer from using the "ASEAN Green Bond" label.

ARTICLE SEVEN: EFFECTIVITY

Section 44. Effectivity — These Guidelines shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

31 August 2018, Pasay City Philippines.

EMILIO B. AQUINO
Chairperson

FAQs for ASEAN Green Bonds

Introduction to the ASEAN Green Bonds Standards

What is the ACMF?

The ACMF or the ASEAN Capital Markets Forum is a forum comprised of capital market regulators from ASEAN countries, which is tasked to promote greater integration and connectivity of the regional capital markets. The ACMF developed the ASEAN Green Bond Standards.[1]

What are the ASEAN Green Bond Standards?

The ASEAN Green Bonds Standards (GBS) governs the issuance of ASEAN Green Bonds.[2] It is modeled after the International Capital Market Association (ICMA)'s Green Bond Principles (GBP).[3]

How were the ASEAN Green Bonds Standards developed?

The ASEAN Green Bonds Standards were developed through consultations with ICMA, and capital regulators and industry players in the ASEAN region.[4]

What are the ICMA Green Bond Principles from which the ASEAN GBS are modeled?

The ICMA Green Bond Principles (GBP) are a set of voluntary process guidelines launched on January 2014 which is intended for broad use by the market in the issuance of green bonds. The GBP recommends transparency and disclosure, and promotes integrity in the development of the green bond market.[5]

What does the ASEAN Green Bonds Standards aim for?

The ASEAN GBS aim to provide more specific guidance on how the GBP are to be applied across ASEAN in order to assure investors that green bonds labelled as ASEAN Green Bonds have met uniform standards and to guide issuers on best market practices for green bonds, which will ultimately enhance the transparency, consistency and uniformity of ASEAN green bonds. [6]

In summary, the ASEAN Green Bond Standards will:

- contribute in the development of a new asset class,
- reduce diligence cost, and

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[1] ASEAN Green Bonds Standards, Introduction
[2] ASEAN Green Bonds Standards, Key additional features
[3] ASEAN Green Bonds Standards, Introduction
[4] ASEAN Green Bonds Standards, Key additional features
[5] ASEAN Green Bonds Standards, Introduction
[6] ASEAN Green Bonds Standards, Introduction

- help investors make informed investment decisions.[7]

Key Features of ASEAN Green Bonds Standards

What key features of the ASEAN Green Bonds Standards are modelled after the ICMA Green Bond Principles?

The ICMA Green Bond Principles guided the ASEAN Green Bond Standards in the following core components:

- use of proceeds,
- process for project evaluation and selection,
- management of proceeds, and
- reporting.[8]

What unique features were added to the ASEAN Green Bonds Standards?

The following features were added to the ASEAN Green Bonds Standards:

- The requirement of geographic or economic connection with the ASEAN region for ASEAN Green Bonds issuers;
- Ineligibility of fossil fuel generation projects;
- Requirement of disclosures of information on use of proceeds, project evaluation and selection, and management of proceeds made publicly accessible to investors through an issuer-designated website throughout the tenure of the ASEAN Green Bonds;
- Encouragement for more frequent periodic reporting to increase transparency of proceeds allocation and investor confidence; and,
- Requirement of disclosure of the relevant expertise and experience, credentials and scope of review of external reviewers through publicly accessible Issuer-designated website throughout the tenure of the ASEAN Green Bonds. [9]

Overview of ASEAN Green Bonds

How are Green Bonds different from traditional bonds?

Green Bonds are similar to traditional bonds in terms of deal structure, but they have different requirements for reporting, auditing and proceeds allocations. These additional requirements also provide marketing and branding value which are absent from traditional bonds.[10]

What are the ASEAN Green Bonds?

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[7] ASEAN Green Bonds Standards, Introduction

[8] ASEAN Green Bonds Standards, Key additional features

[9] ASEAN Green Bonds Standards, Key additional features

[10] Research

ASEAN green bonds are bonds and *sukuk* which comply with the ASEAN Green Bond Standards. [11]

In case of Islamic bonds or sukuk, what laws or framework should apply?

The Islamic bonds or *sukuk* must comply with both the ASEAN Green Bonds Standards and the relevant laws and requirements applicable for the issuance of Islamic bonds or *sukuk*. [12]

Who can issue ASEAN Green Bonds?

The issuer must be incorporated in an ASEAN country. Nonetheless, a corporation not incorporated in an ASEAN country can issue ASEAN Green Bonds, *provided* the green project to be funded is located in an ASEAN country.[13]

Should the ASEAN Green Bonds exclusively originate from an ASEAN Member country?

Yes, the ASEAN Green Bonds issuance must originate from an ASEAN member country.[14]

Core Component: Use of Proceeds

Where should the proceeds of ASEAN Green Bonds be applied?

The proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects. [15]

What factors determine the eligibility of a green project?

The designated green project must have clear environmental benefits. These environmental benefits should be assessed and quantified, if feasible, by the Issuer.[16]

What are the eligible green projects that can be funded by ASEAN Green Bonds?

ASEAN Green Bonds support projects on categories of:

- 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 waste water management,

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[11] ASEAN Green Bonds Standards, Definitions
[12] ASEAN Green Bonds Standards, Definitions
[13] ASEAN Green Bonds Standards, 3.1
[14] ASEAN Green Bonds Standards, 3.2
[15] ASEAN Green Bonds Standards, Definitions
[16] ASEAN Green Bonds Standards, 4.1.3

- climate change adaptation,
- eco-efficient and/or circular economy adapted production technologies and processes, and
- green buildings that meet regional, national or internationally recognized standards or certifications. [17]

Can ASEAN Green Bonds fund green projects that relate to more than one project category?

Yes, ASEAN Green Bonds can support green projects covering two or more categories mentioned above.[18]

Can green projects which do not fall under the above mentioned categories be funded by ASEAN Green Bonds?

Other green projects can also be funded by ASEAN green bonds, except fossil fuel power generation projects.[19]

What are the required disclosures on the use of proceeds prior to the issuance of ASEAN Green Bonds?

The required disclosures on the use of proceeds prior to the issuance of ASEAN Green Bonds include:

- the categories of eligible green projects to which the proceeds will be allocated;
- in case a specific green project, the same must be identified;[20] and,
- the process for managing the net proceeds from the ASEAN green bonds.[21]

What are the required disclosures on the use of proceeds at least annually and during the tenure of the ASEAN Green Bonds?

The required disclosures on the use of proceeds include:

- brief description of the projects;
- the amounts allocated; and,
- the expected impact.

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[17] ASEAN Green Bonds Standards, 4.1.5
[18] ASEAN Green Bonds Standards, 4.1.5
[19] ASEAN Green Bonds Standards, 4.1.6
[20] ASEAN Green Bonds Standards, 4.1.2
[21] ASEAN Green Bonds Standards, 4.3.1

The ASEAN recommends the use of qualitative performance indicators and quantitative performance measures, if feasible, with disclosures of corresponding key underlying methodologies and/or assumptions. [22]

What quantitative performance measures can be used in the disclosures regarding use of proceeds of ASEAN Green Bonds issuance?

The following quantitative performance measures can be applied:

- energy capacity;
- electricity generation;
- greenhouse gas emissions reduced/avoided
- number of people provided with access to clean power;
- decrease in water use; and,
- reduction in number of cars required.

The above list is non-exclusive.[23]

How specific should the information on the Use of Proceeds be?

The issuer can opt to disclose the use of proceeds either—

(i) in general terms - i.e. the categories of Eligible Green Projects to which the ASEAN Green Bonds proceeds will be allocated; and/or

(ii) in specific terms - i.e. the information on specific Green Projects in the case where the Issuer has identified the specific Green Projects to which the ASEAN Green Bonds proceeds will be allocated.

The Issuer can also provide information using a combination of the two options. [24]

In cases where limited amount of details can be made available because of confidential agreements, competitive considerations or large number of underlying projects, how can the issuer comply with the reporting requirements?

In this case, the issuer can present the information in the reports through the use of generic terms or through aggregate portfolio basis (e.g., the percentage allocated to certain project categories)[25]

What are the recommended disclosures in case the proceeds or part of the same is used for refinancing?

In the event that all or a proportion of the proceeds is or may be used for refinancing, it is recommended that Issuer:

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[22] ASEAN Green Bonds Standards, 4.4.3
[23] ASEAN Green Bonds Standards, 4.4.3
[24] Sec 16, MC
[25] ASEAN Green Bonds Standards, 4.4.2

a. provide an estimate of the share of financing and refinancing;

b. clarify which investments or project portfolios may be refinanced, where appropriate; and,

c. the expected look-back period for refinanced Green Projects, to the extent relevant.[26]

What is the look-back period?

"Look-back" refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such eligible Green Projects that will be included in the green bond reporting.[27]

Core Component: Project Evaluation and Selection

What component should the Issuer finalize establish issuing ASEAN Green Bonds?

Before issuing ASEAN green bonds, the Issuer should establish the framework for the project evaluation and selection process.[28]

What information should be made available by the Issuer at the time of issuance and throughout the tenure of the ASEAN Green Bonds?

The following information should be made publicly available on an Issuer-designated website:

- the process of project evaluation;
- the use of proceeds; and,
- external review report on the process, if any.[29]

What information should the issuer disclose to investors with regards to the process evaluation and selection of green project?

The issuer should disclose in a clear manner the following:

- the environmental sustainability objectives;
- the process for the issuer to determine if the project fits the identified green project category; and,
- the related eligibility criteria including, if applicable, exclusion criteria or any other process to identify and manage potentially material environmental and social risks.[30]

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[26] ASEAN Green Bonds Standards, 4.1.4
[27] ASEAN Green Bonds Standards, 4.1.4
[28] ASEAN Green Bonds Standards, 4.2.2
[29] ASEAN Green Bonds Standards, 4.2.5
[30] ASEAN Green Bonds Standards, 4.2.1

Core Component: Management of Proceeds

Should the net proceeds from the issuance of ASEAN green bonds be applied in full to the eligible green projects simultaneously?

No, the net proceeds from ASEAN green bonds issuance need not be deployed simultaneously for the eligible green projects.[31]

How should the net proceeds from the ASEAN Green Bonds be processed?

The net proceeds or an equal amount must be either:

The net proceeds or an equal amount must be either:

1. credited to a sub-account;
2. moved to a sub-portfolio; or
3. tracked by the Issuer in an appropriate manner.

The same should be attested to by a formal internal process linked to the Issuer's lending and investment operations for Green Projects. [32]

Should the Issuer track the proceeds while the ASEAN Green Bonds are outstanding?

Yes. As long as the ASEAN Green Bonds are outstanding, the balance of tracked proceeds must be periodically adjusted to match allocations to eligible green projects during the period.[33]

What are the required disclosures on the management of proceeds during the tenure of ASEAN Green Bonds?

The required disclosures on the management of proceeds during the tenure of ASEAN Green Bonds include:

- the intended types of temporary placement for the balance of unallocated proceeds;[34] and,
- auditor's or third party's report to verify the Issuer's management of proceeds, if any.[35]

Core Component: Reporting

In what form should the annual reports be provided to investors?

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[31] ASEAN Green Bonds Standards, 4.3.2
[32] ASEAN Green Bonds Standards, 4.3.2
[33] ASEAN Green Bonds Standards, 4.3.3
[34] ASEAN Green Bonds Standards, 4.3.4
[35] ASEAN Green Bonds Standards, 4.3.6

The annual reports should be posted in an Issuer-designated website and/or through annual reports during the tenure of the ASEAN green bonds.[36]

External Review

Is appointment of external review providers required?

No, but Issuers of ASEAN Green Bonds are recommended to appoint external review providers for the ASEAN Green Bonds issuances.[37]

What are the requirements before one can be eligible as external review provider?

To be eligible, the external review provider must have relevant experience and expertise in the ASEAN Green Bonds components he is reviewing.[38]

What is the scope of external review?

The external review may either be:

- **Partial**, which covers only certain aspects of the Issuer's ASEAN Green Bonds framework; or,
- **Full**, which assesses the alignment of the Issuer's ASEAN Green Bonds with all four core components in the ASEAN Green Bonds Standards.[39]

What are the types of external review that can be conducted on ASEAN Green Bonds?

The external review may be any of the following:

- **Consultant Review**, where the ASEAN Green Bonds Issuer seeks advise from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the ASEAN Green Bonds issuance ~~(e.g., second party opinions)~~;
- **Verification**, where the Issuer has its ASEAN Green Bonds, framework or underlying asset independently verified (e.g., evaluation of the environmentally sustainable features of the underlying assets) by qualified parties, such as by auditors;
- **Certification**, where the Issuer has its ASEAN Green Bonds, framework or use of proceeds certified against certain external assessment standards by a qualified third party (certifiers); and,
- **Rating**, where an Issuer can have its ASEAN Green Bonds or framework rated by qualified third parties (e.g., specialized research providers, rating agencies).[40]

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[36] ASEAN Green Bonds Standards, 4.4.5
[37] ASEAN Green Bonds Standards, 5.1
[38] ASEAN Green Bonds Standards, 5.3
[39] ASEAN Green Bonds Standards, 5.2
[40] ASEAN Green Bonds Standards, 5.5

What is the difference between verification and certification?

Verification may focus on alignment with internal standards or Issuer claims. On the other hand, certification always involves alignment with external green bond assessment standards.[41]

Are Green Bond Ratings the same as Environmental, Social or Governance Ratings?

No, green bond ratings are separate and typically apply to individual securities or ASEAN Green Bonds framework or programs.[42]

A security may involve a green project with a framework that satisfy the requirements of the ASEAN Green Bond Standards, even if the issuer is not formed for solely environmental purposes; hence, the bonds or the framework may be subjected to ASEAN Green Bonds Ratings under the ASEAN Green Bonds Standards even if the issuer is not subjected to Environmental, Social or Governance Ratings.

Vice versa, a company built for environmental protection or sustainability objectives may issue securities, the proceeds of which are not applied for green projects nor the framework satisfy the ASEAN Green Bonds Standards; hence, the securities or framework may not be subjected to ASEAN Green Bonds ratings although the issuer may be subjected to Environmental, Social or Governance Ratings.

What should the external review providers disclose in his external review report?

The external review provider should disclose the following:

- his relevant credentials and expertise; and,
- the scope of the review conducted.[43]

[41] ASEAN Green Bonds Standards, 5.5
[42] ASEAN Green Bonds Standards, 5.5
[43] ASEAN Green Bonds Standards, 5.4