Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 8

Series of 2019

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

WHEREAS, in recognition of the importance of alternative finance in supporting sustainable development in ASEAN, particularly in meeting ASEAN's environmental and social needs, the ASEAN Capital Markets Forum developed the ASEAN Sustainability Bond Standards to complement the ASEAN Green Bond Standards and the ASEAN Social Bond Standards;

WHEREAS, the ASEAN Sustainability Bond Standards was developed based on the International Capital Markets Association's (ICMA's) Sustainability Bond Guidelines and intended to enhance transparency, consistency, and uniformity of ASEAN Sustainability 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, it is understood that certain Green Projects may also have social co-benefits, and that certain Social Projects may have environmental co-benefits; thus, the classification of a use of proceeds bond as a Green Bond, Social Bond, or Sustainability Bond should be determined by the Issuer based on its primary objectives for the underlying projects;

WHERAS, ASEAN Sustainability Bonds are specific purpose bonds where proceeds will be exclusively applied to finance or refinance a combination of both Green and Social Projects that respectively offer environmental and social benefits;

WHEREAS, the requirements under the ASEAN Sustainability Bond 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 Social Bond Standards, the Commission deems it necessary to issue the subject guidelines;

Published:
Manila Bulletin, April 27, 2019
Manila Standard, April 27, 2019

WHEREAS, the subject Guidelines should be read in conjunction with 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 ON THE ISSUANCE OF SUSTAINABILITY BONDS UNDER THE ASEAN SUSTAINABILITY BOND STANDARDS IN THE PHILIPPINES

ARTICLE ONE: GENERAL PROVISIONS

CHAPTER ONE: Definitions

Section 1. Applicability – This shall be known as the "Guidelines on the Issuance of Sustainability Bonds Under the ASEAN Sustainability Bond Standards in the Philippines." It shall primarily govern the issuance of the ASEAN Sustainability Bonds where proceeds will be exclusively applied to finance or refinance a combination of both Green and Social Projects that respectively offer environmental and social benefits.

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

E. *ASEAN SBS* refers to the ASEAN Social Bond Standards as applicable and as revised from time to time.

F. *ASEAN Sustainability Bonds* refers to bonds and *sukuk* which comply with both the ASEAN GBS and the ASEAN SBS, where the proceeds will be exclusively applied to finance or refinance a combination of both Green and Social Projects that respectively offer environmental and social benefits. 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 Sustainability *Sukuk*.

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

H. *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.

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

J. *Sustainability Bond Guidelines (SBG)* 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 social bond market.

CHAPTER TWO: Scope of ASEAN Sustainability Bond Standards

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

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

Section 5. Classification of Bonds with Environmental Co-Benefits – In 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 Green Bond, ASEAN Social Bond, or ASEAN Sustainability Bond should be determined by the Issuer based on its primary objectives for the underlying projects.

ARTICLE TWO: COMBINED APPLICATION OF ASEAN GBS AND ASEAN SBS

Section 6. Requirements for ASEAN Sustainability Bonds – The Issuer of an ASEAN Sustainability Bond must comply with both the ASEAN GBS and the ASEAN SBS. The proceeds allocated for the Project must not be used for Ineligible Projects specified by the ASEAN GBS (i.e. fossil fuel power generation projects) as well as the ASEAN SBS (i.e. projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry).

ARTICLE THREE: APPLICABILITY ON EXISTING SUSTAINABILITY BONDS

Section 7. Applicability on Existing Eligible Sustainability 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 Sustainability Bond Standards, *Provided* the issuance is compliant with the requirements of *these Guidelines*, and has received certification from an internationally-recognised certifying body.

ARTICLE FOUR: LIMITATIONS ON ASEAN SUSTAINABILITY BOND LABEL

Section 8. Limitation on the Use of ASEAN Sustainability Bond Label – Consistent with public interest and protection of investors, the call for transparency, as well as to ensure integrity of the ASEAN Sustainability Bonds, the Commission reserves the right to direct any Issuer from using the "ASEAN Sustainability Bond" label.

ARTICLE SEVEN: EFFECTIVITY

Section 9. Effectivity – These Guidelines shall take effect immediately upon its publication in two (2) newspapers of general circulation.

25 April 2019, Pasay City Philippines.

EMILIO B. AQUINO
Chairperson