ADB

Developing Social Bond Markets in Asia: A Primer on Social Bonds

MS Teams Event
8 October 2020, 9:00 AM Manila Time

Developing Social Bond Markets in Asia: A Primer on Social bonds

Date: 8 October 2020
Time: 9:00 – 10:45 am (Manila Time)
Venue: Online (MS Teams)

Session 1

A Primer on Social Bonds

A PRIMER: DEVELOPING A ROBUST SOCIAL BOND MARKET IN ASIA

JANE HUGHES AND JASON MORTIMER, PRESENTERS

TODAY'S ROADMAP

- An opportunity for financial innovation
- ESG BONDS: Taxonomy, guidelines, principles
- SOCIAL BONDS: Current market profile
- Asian Social Bond market
- Urgent need for robust Social Bond market in Asia
- The way forward

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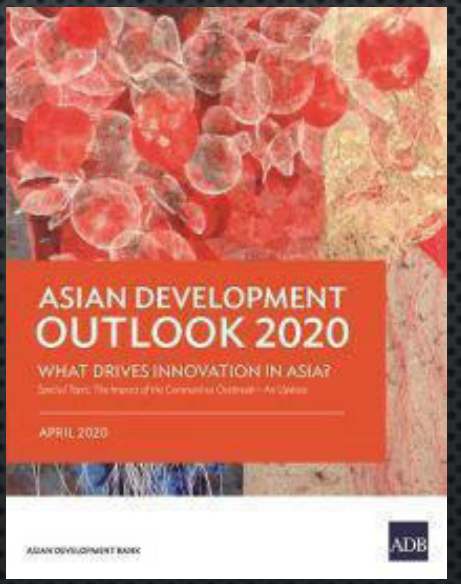
AN OPPORTUNITY FOR FINANCIAL INNOVATION

FINANCIAL INNOVATIONS ENABLE PROGRESS

ASIAN DEVELOPMENT BANK PRESIDENT MASATSUGU ASAKAWA

- Asia has already been a leader in fostering innovation of all sorts
- "In the midst of such unprecedented economic disruption, innovative thinking is vital to overcome the current difficulties and rebound quickly"



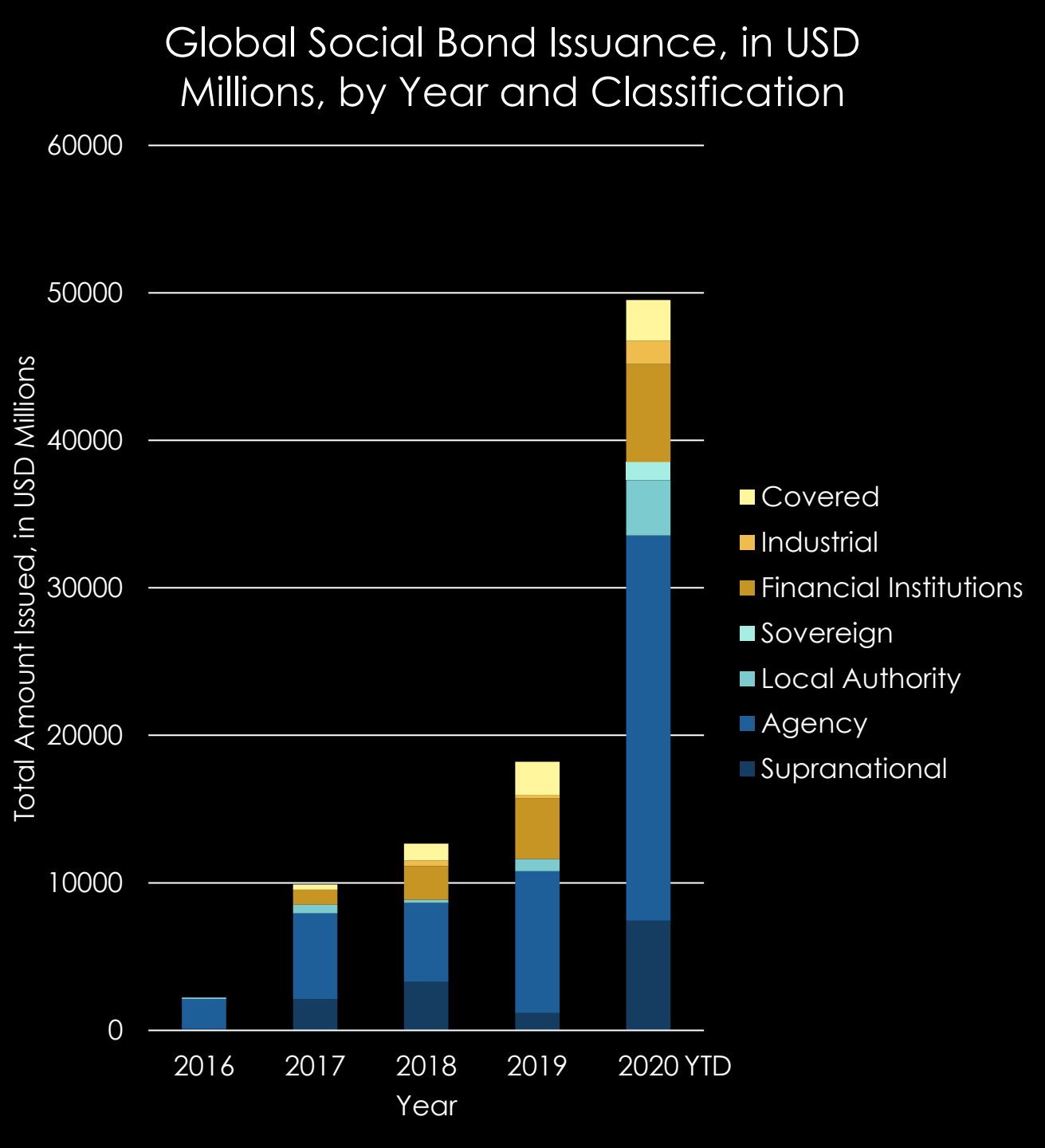
HISTORICAL AND MARKET CONTEXT

- 25% of AUM and growing is invested in ESG-linked assets
- Green Bonds led the way in fixed income market, but Social Bonds on the rise
- Pandemic poses unique threat to human development
- But also an opportunity to grow and mainstream Social Bonds

GLOBAL SOCIAL BOND ISSUANCE 2016-2020

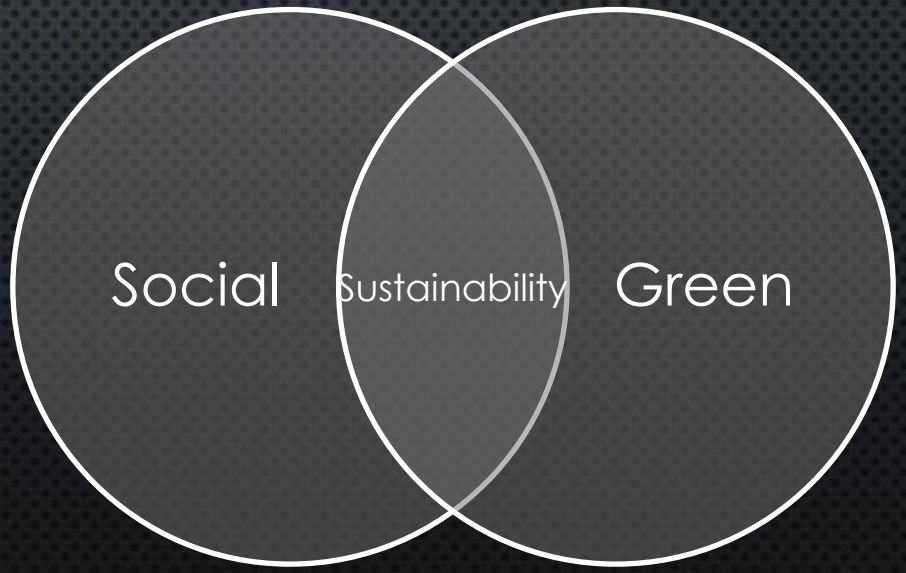
(SOURCE: BLOOMBERG)

Global Social Bond issuance greatly accelerated in the first 8 months of 2020



ESG BONDS: TAXONOMY, GUIDELINES, PRINCIPLES

- International Capital Markets Association (ICMA)
- GREEN BONDS: Used for projects with environmental benefits
- SOCIAL BONDS: Used for projects with social benefits
- SUSTAINABILITY BONDS: Used for projects with both social and environmental benefits



ICMA SOCIAL BOND PRINCIPLES: JUNE 2020 UPDATE

- SOCIAL PROJECT CATEGORIES
  - Affordable basic infrastructure and housing
  - Access to essential services
  - Employment generation
  - Food security
  - Socioeconomic advancement and empowerment
- TARGET POPULATIONS
  - Living below the poverty line
  - Excluded / marginalized populations
  - People with disabilities
  - Migrants
  - Undereducated, underserved, uneducated
  - Women, aging populations, vulnerable youth

ASEAN SOCIAL BOND STANDARDS

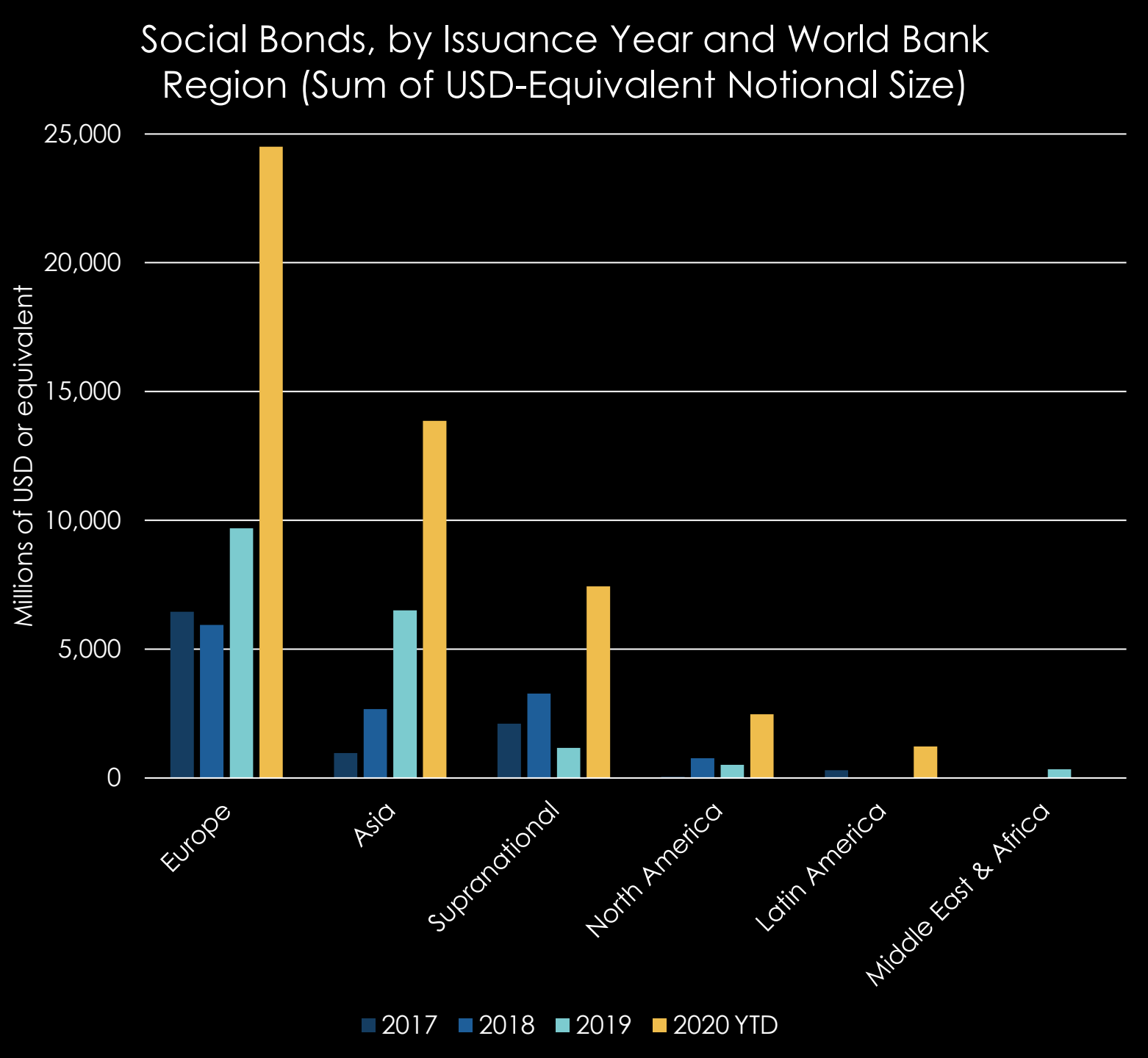
- Eligible issuers
- Ineligible projects
- Continuous accessibility to information
- More frequent reporting
- External review

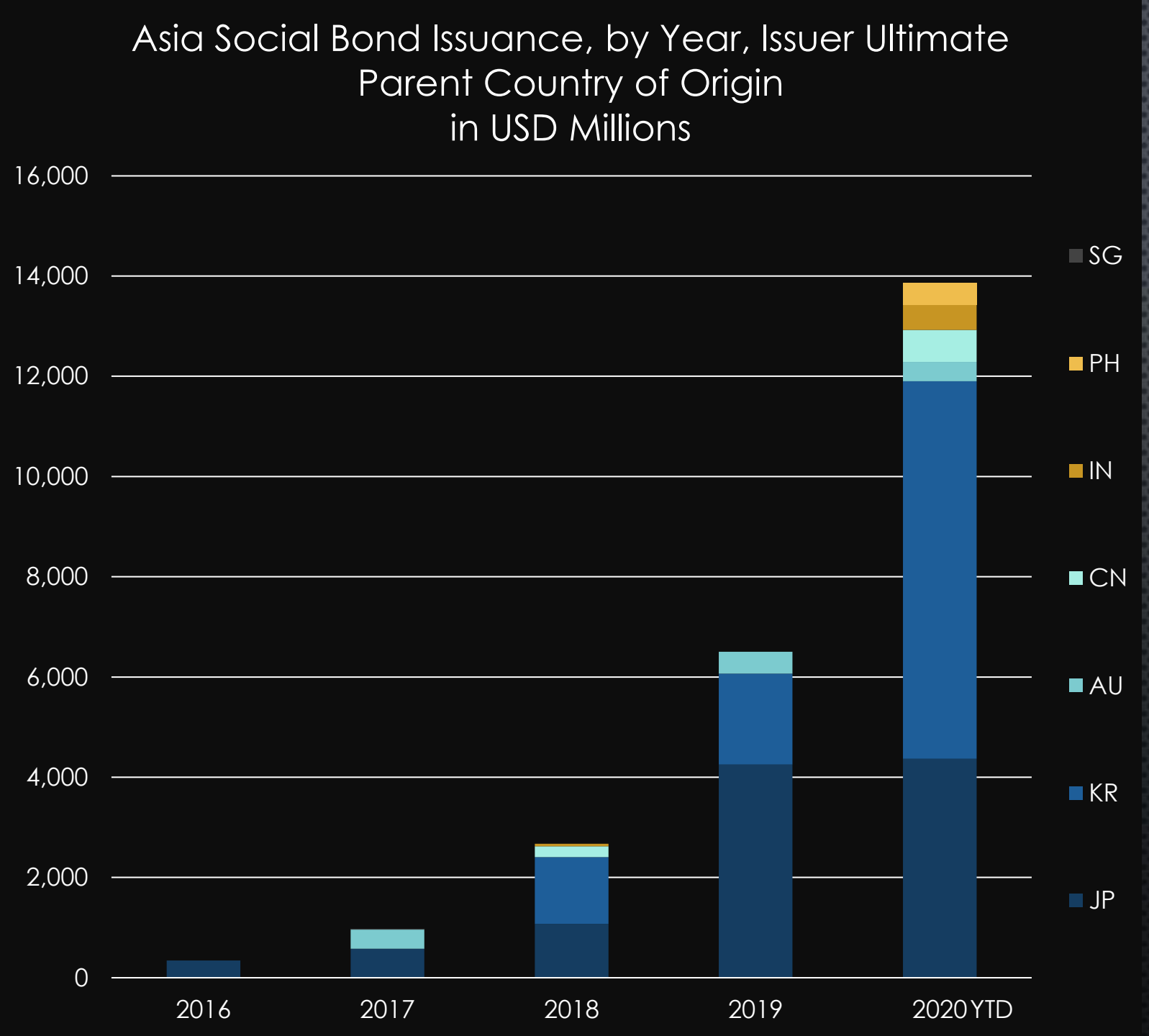
SOCIAL BONDS: CURRENT MARKET PROFILE

EUROPE STILL DOMINATES SOCIAL BOND ISSUANCE, BUT ASIA IS PICKING UP STEAM

(SOURCE: BLOOMBERG)

Asia is now consistently the second largest region for Social Bond issuance after Europe, with sustained growth

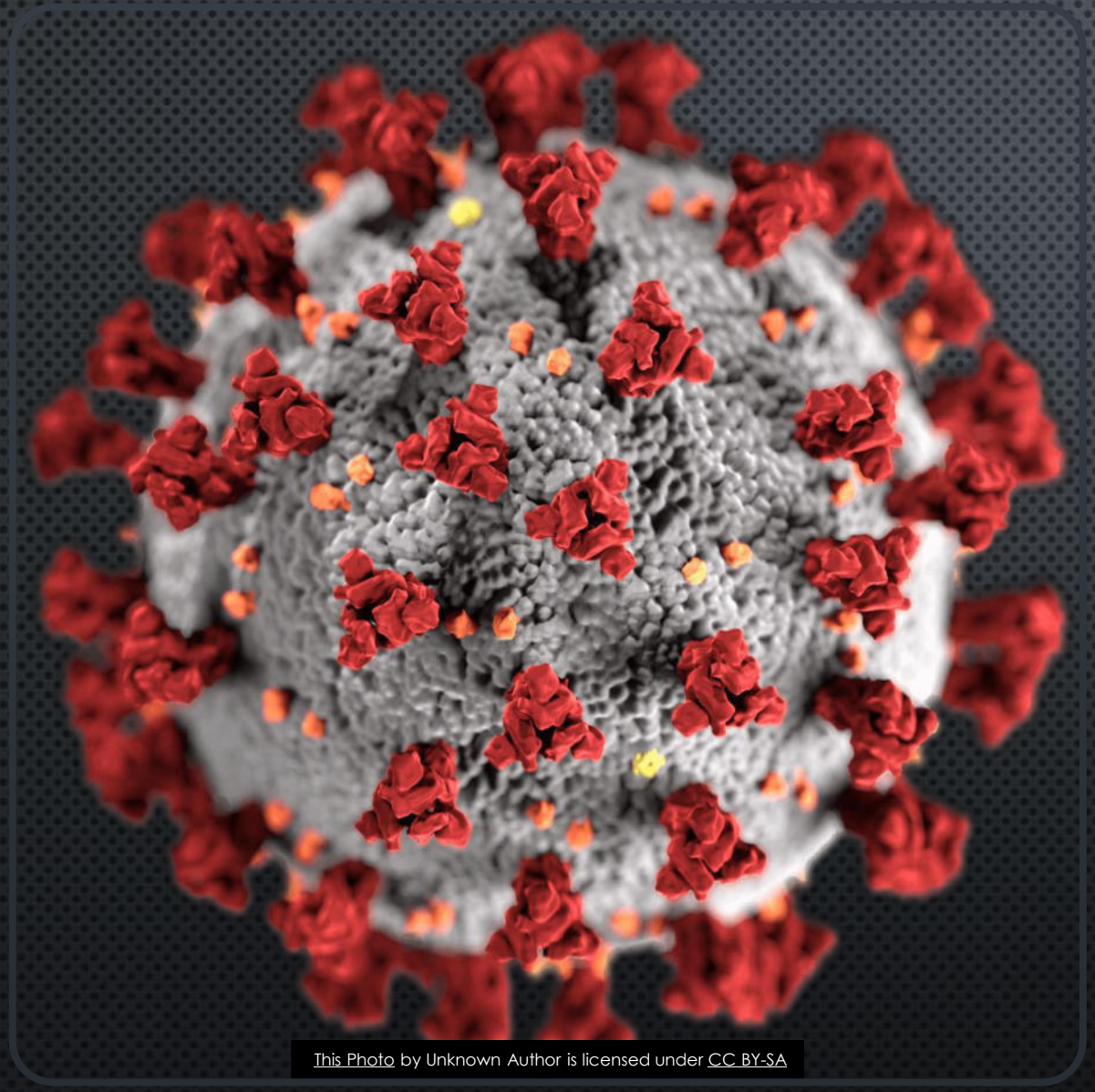




ASIAN SOCIAL BOND MARKET AT A GLANCE

(SOURCE: BLOOMBERG)

- Asian Social Bond Issuance is dominated by higher-income countries, especially Japan and Korea
- Asian Social Bond issuance accelerated rapidly in 2020 from a low base



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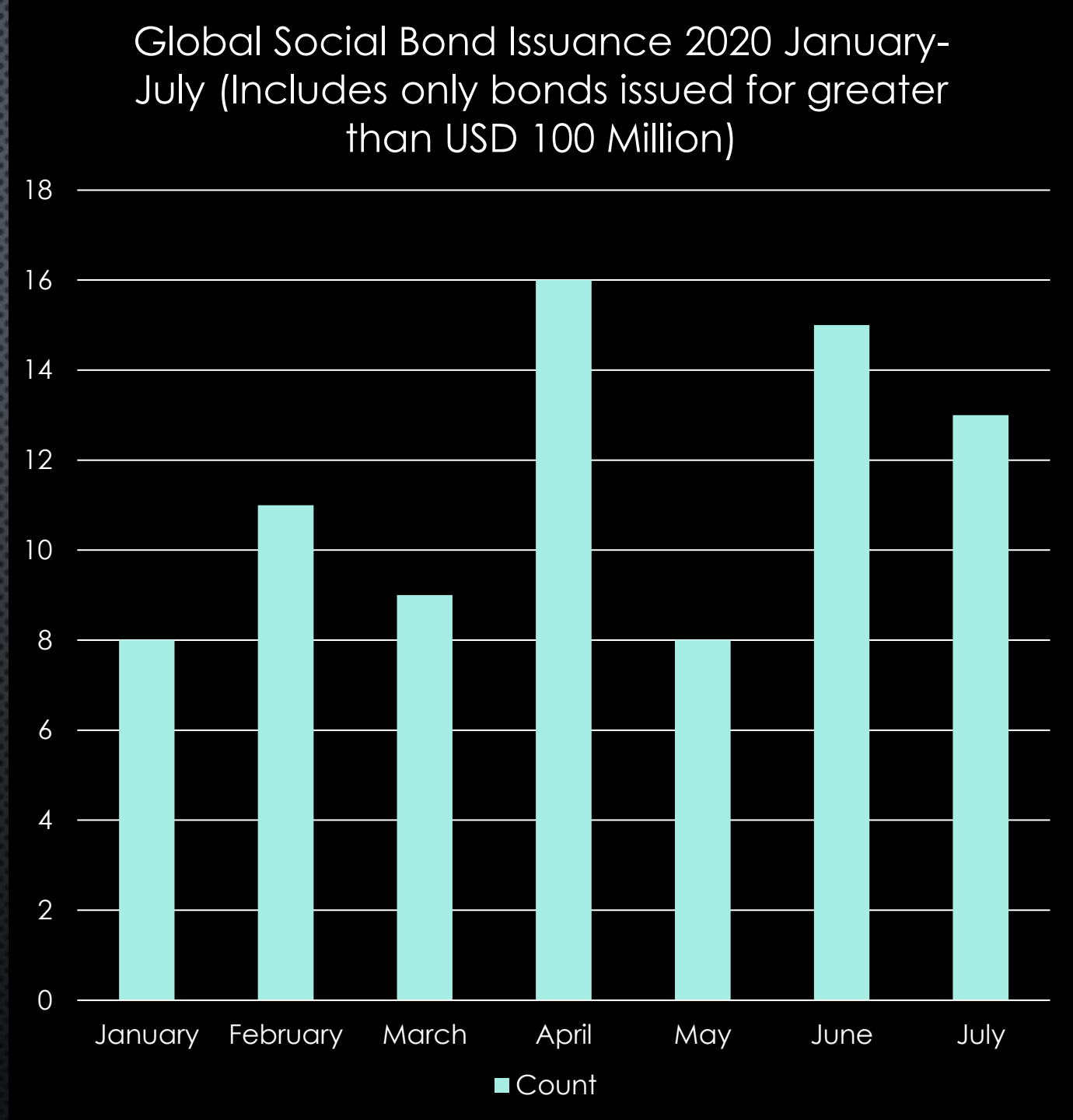
COVID-19 SOCIAL BONDS

PAN = ALL

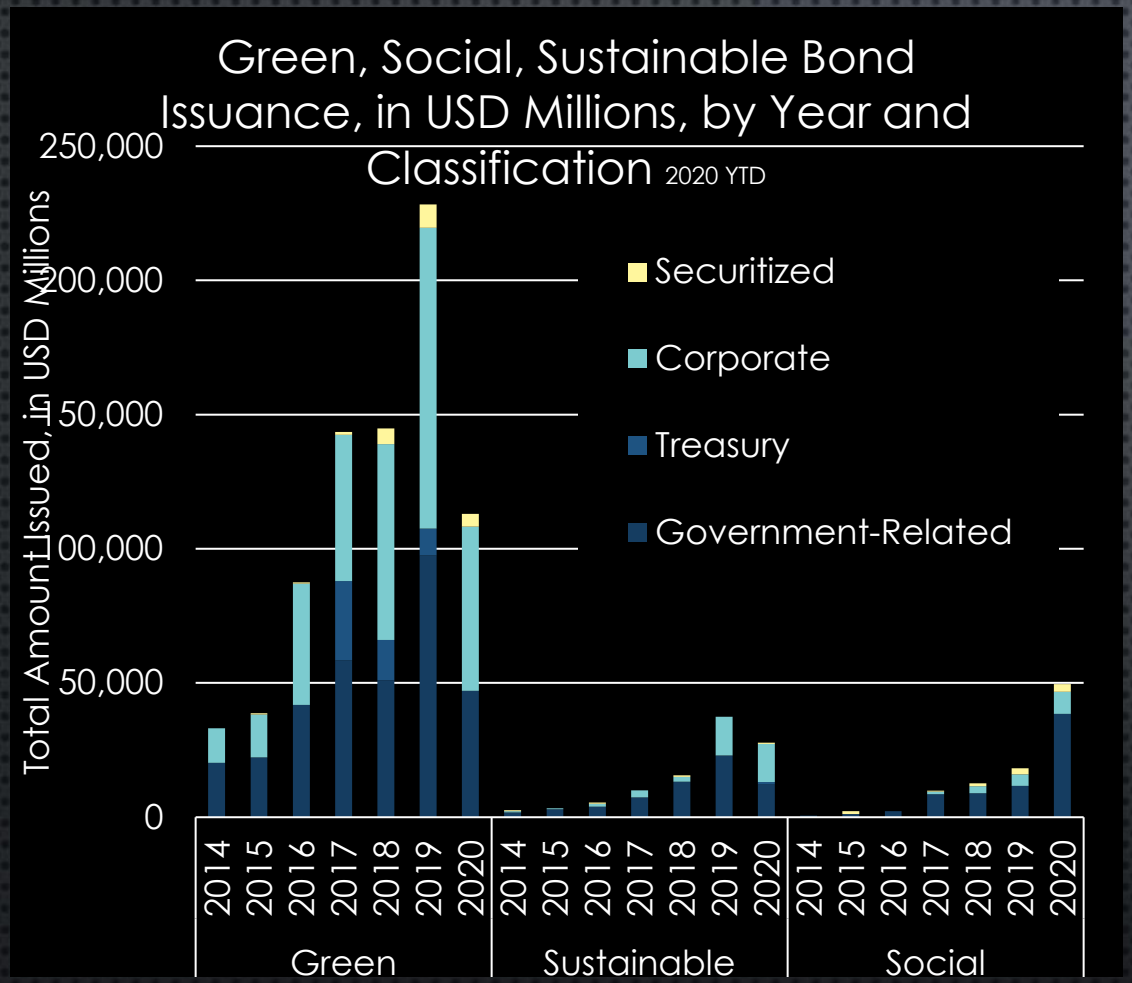
Pandemic has given new urgency to Social Bond market

Global Social Bond issuance accelerated along with pandemic in April 2020

(SOURCE: BLOOMBERG)



ASIAN SOCIAL BOND MARKET



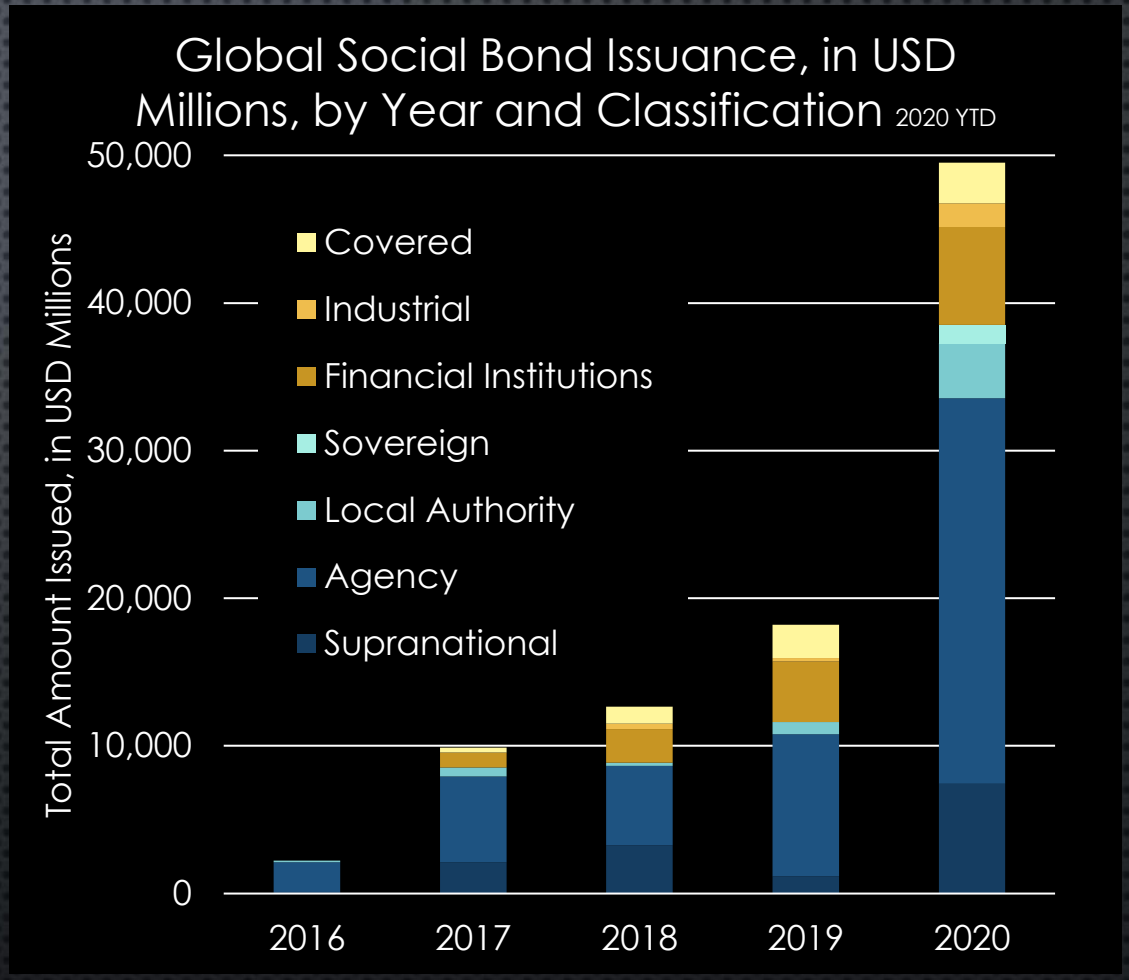
GLOBAL GREEN, SOCIAL, AND SUSTAINABLE BOND ISSUANCE

- Green Bond issuance has dominated the ESG Bond market since 2014
- Despite emerging later, Sustainability Bond issuance exceeded Social Bonds until 2019
- Due to the COVID pandemic, market focus has shifted to the Social Bond market in 2020

Data does not include Indonesian sovereign "Covid Response" bond or or Thailand treasury Sustainability Bond, and excludes China "Covid bonds" & private placements
2020 data is Year-to-date as of August 7

GLOBAL SOCIAL BOND ISSUANCE, BY YEAR AND CLASSIFICATION

- ICMA Social Bond Principles launched in 2017
- Social Bond issuance has accelerated in 2020
- Issuance tends to be focused on public-sector entities with socially-aligned mandates



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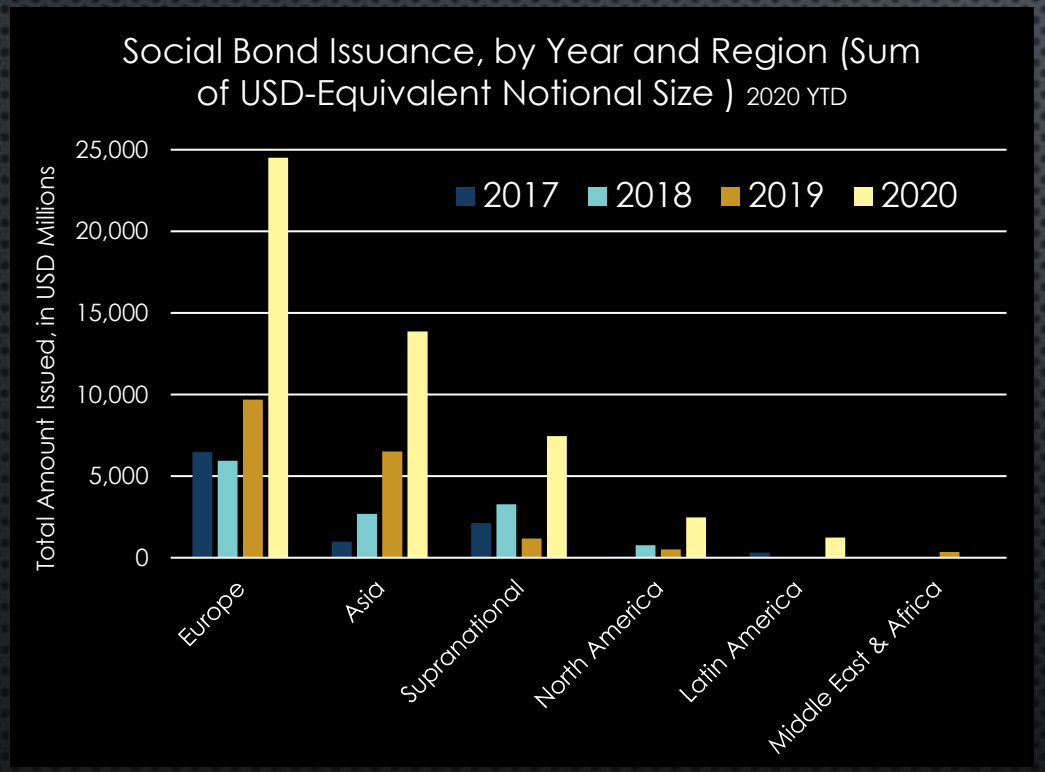
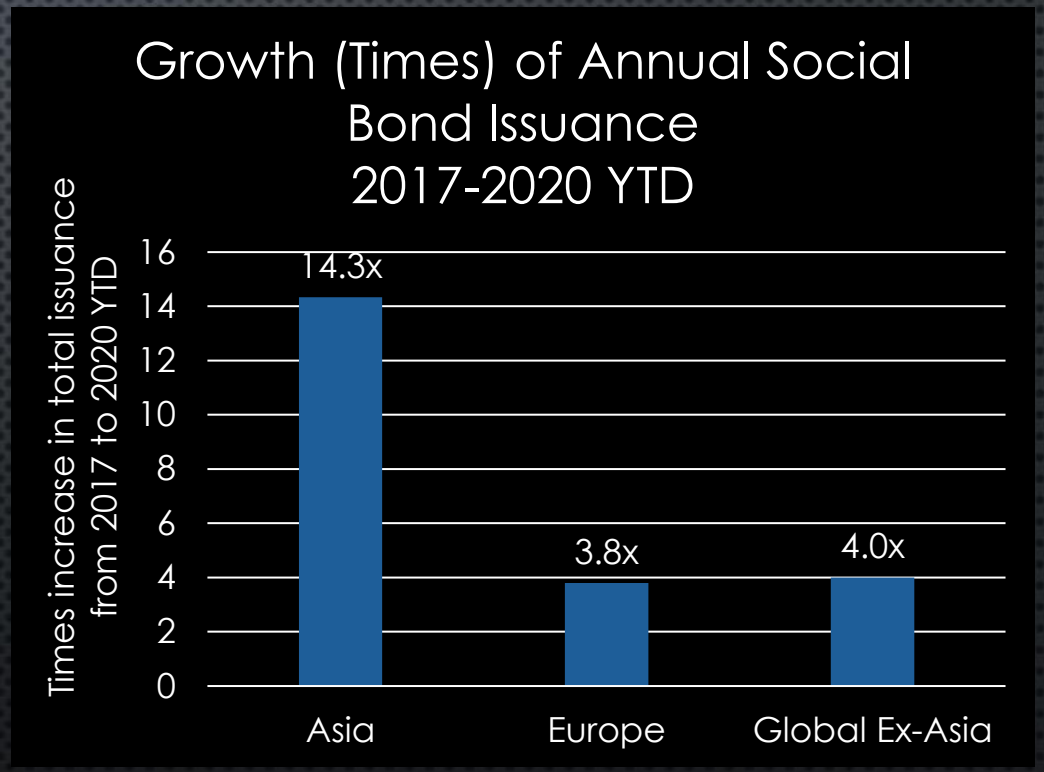
The Asian Social Bond market is the second largest in the world after Europe, with more sustained and rapid growth in 2020





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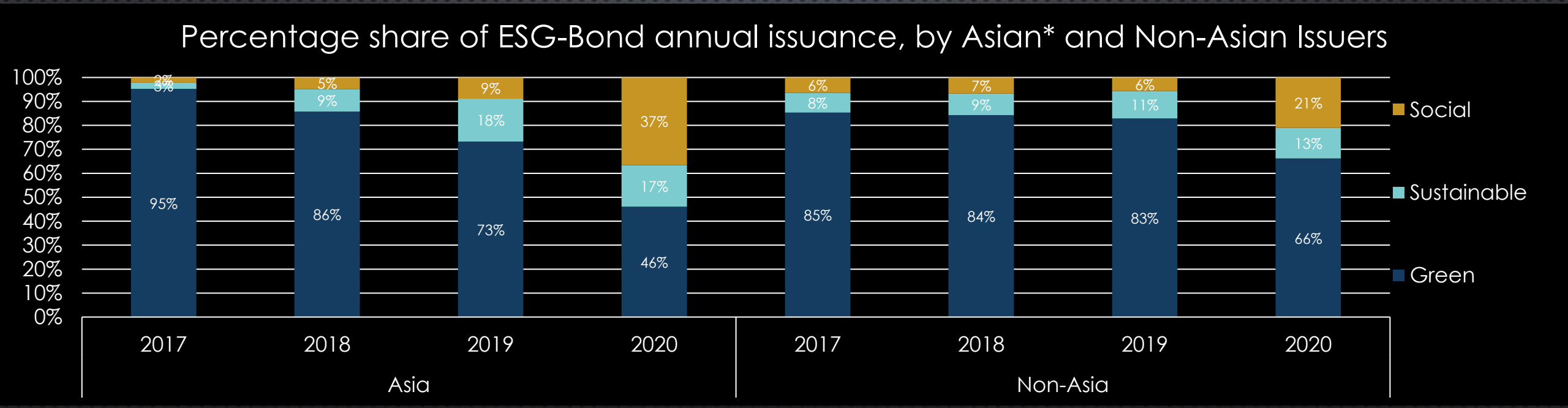
2020 data is Year-to-date as of August 7

The Asian Social Bond market has a relatively high share of annual ESG Bond issuance, accounting for 37% of Asia's ESG Bond market in 2020 YTD



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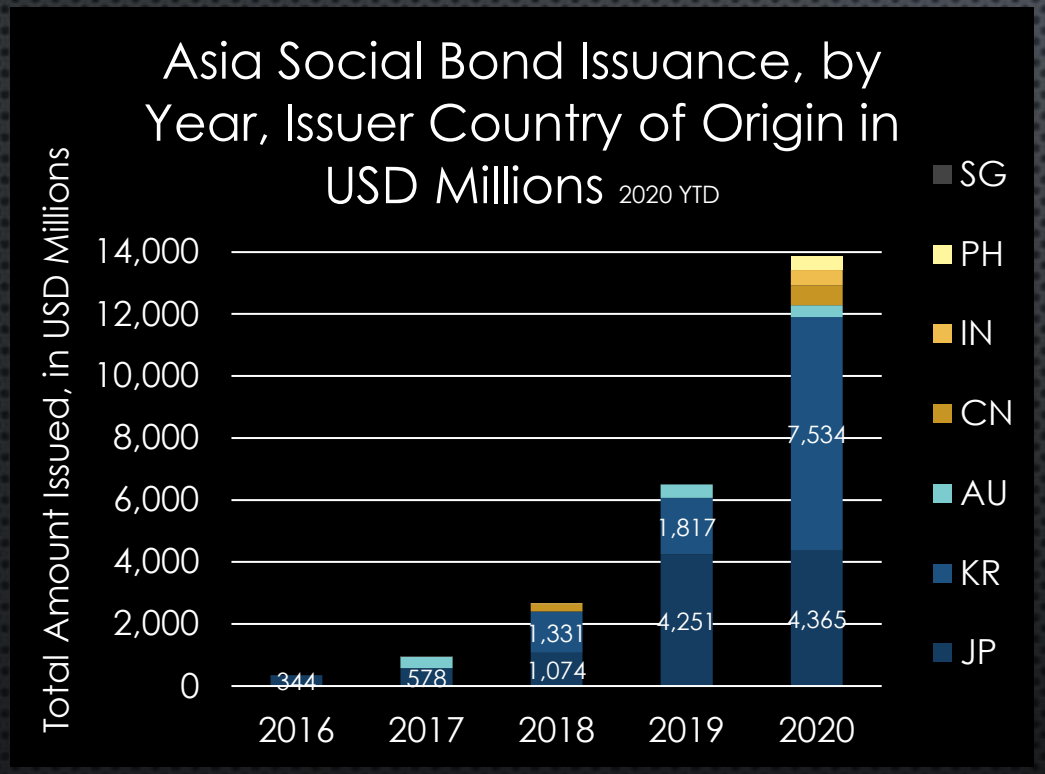
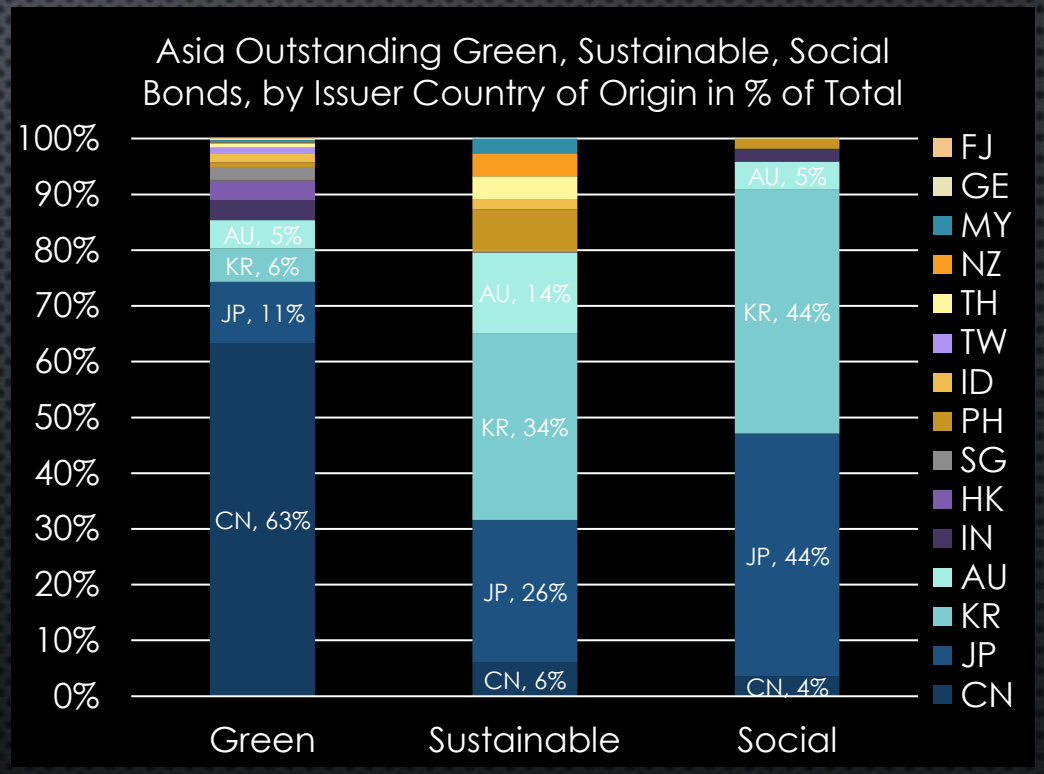
** ADB Asia Regional Members, sum of USD and equivalent notional amounts. 2020 data is Year-to-date as of August 7*

Asian Social Bond issuance is led by high-income economies (Japan and Republic of Korea), in contrast to Green Bonds





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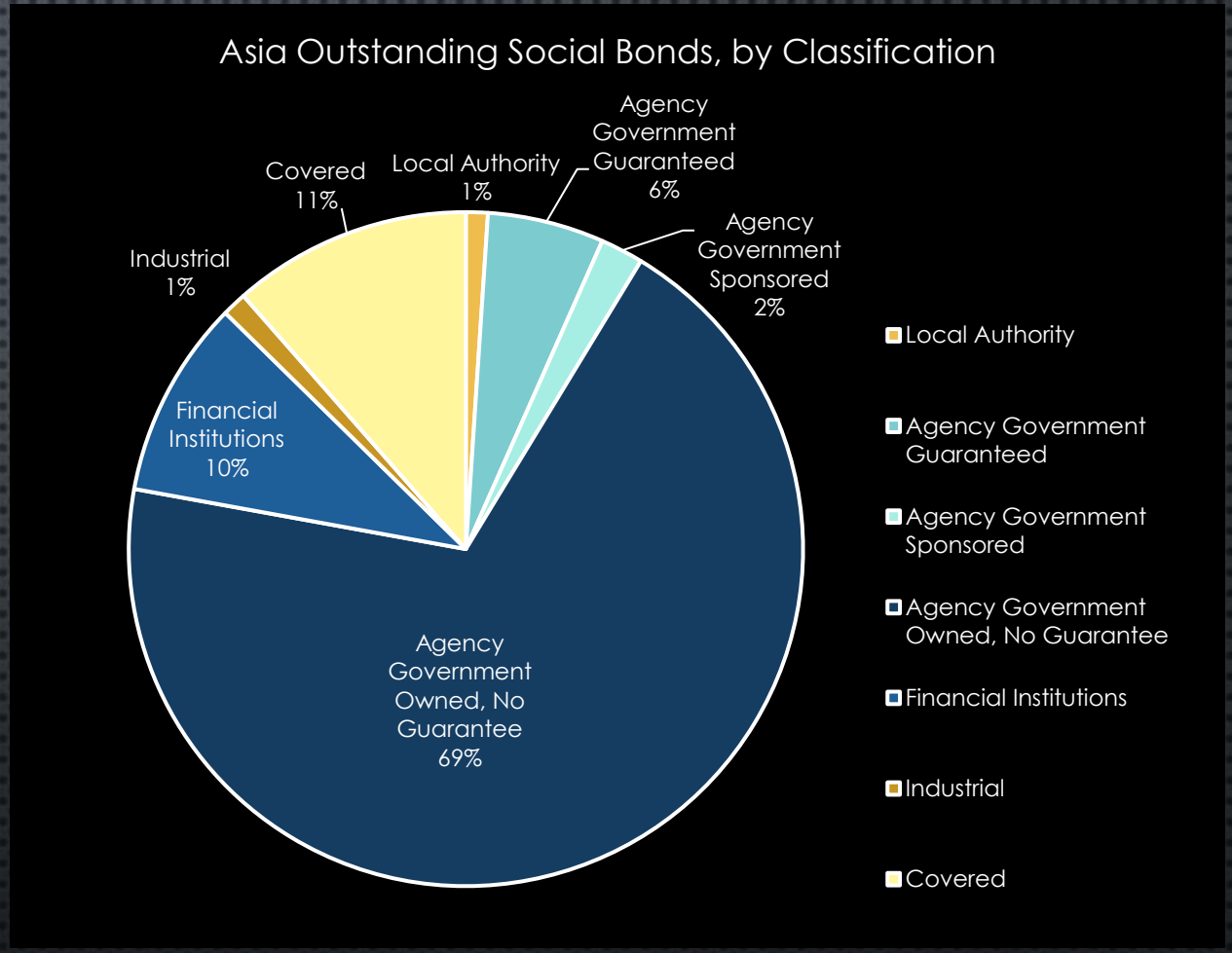
2020 data is Year-to-date as of August 7

OUTSTANDING ASIA SOCIAL BOND MARKET COMPOSITION BY CLASSIFICATION

- The Asian Social Bond market is heavily weighted to public-sector debt, with a 78% combined share vs 70% for Social Bonds globally
- Asian private sector issuance is limited to 11% vs 21% globally



Data does not include Indonesian sovereign "Covid Response" bond or or Thailand treasury Sustainability Bond, and excludes China "Covid bonds" & private placements
Market composition excluding Supranational issuance. Public sector = Sovereign, Local, and Agency debt. Private sector = Financial Institutions and Industrials. Covered = MBS

COMPARISON OF ASIA ESG BOND OUTSTANDING MARKET, BY ISSUER CLASSIFICATION

- Government agency issuers make up nearly one half of outstanding Asian Social Bonds
- More Asian Social Bond issuance from private sector financials may be possible
- The Social Bond market has the potential to add issuer diversity to the Asian ESG Bond market

Sector and Sub-Sector Share	Green	Sustainable	Social
Government	**13%**	**39%**	**57%**
Government Agencies	1.8%	12.5%	49.8%
Government Development Banks	6.2%	16.1%	7.3%
Sovereigns	2.2%	5.6%	
Government Regional	2.2%	4.7%	0.2%
Government Local	0.4%		
Financials	**59%**	**46%**	**17%**
Banks	45.4%	35.0%	10.3%
Real Estate	7.3%	2.9%	1.0%
Diversified Banks	2.6%	7.1%	0.6%
Commercial Finance	2.5%		2.1%
Financial Services	1.1%	1.1%	
Property & Casualty Insurance			2.4%
Consumer Finance	0.1%		1.1%
Industrials	**5%**	**1%**	**23%**
Infrastructure	3.0%		23.2%
Transportation & Logistics	0.5%	0.7%	
Building Construction	0.3%	0.4%	
Waste & Environment Services & Equipment	0.3%		
Electrical Equipment Manufacturing	0.3%		
Manufactured Goods	0.1%		
Engineering	0.1%		
Machinery Manufacturing	0.1%		
Health Care			**1%**
Utilities	**13%**	**6%**	**1%**
Consumer Discretionary	**4%**	**3%**	**0%**
Automobiles Manufacturing	2.7%		
Travel & Lodging	1.4%	1.4%	
Educational Services	0.1%	1.3%	0.2%
Apparel & Textile Products	0.1%	0.7%	
Airlines	0.1%		0.2%
Department Stores	0.1%		
Technology	**1%**		
Materials	**1%**	**4%**	
Energy	**3%**		
Consumer Staples	**0%**		

Data does not include Indonesian sovereign "Covid Response" bond or or Thailand treasury Sustainability Bond, and excludes China "Covid bonds" & private placements
Market composition excluding Supranational issuance. Individual ESG-Bond issues with less than 10 million USD or equivalent are excluded.

ASIA SOCIAL BOND ISSUERS BY TOTAL OUTSTANDING

- Agency issuers with clear Social finance-aligned mandates have successfully issued Social Bonds
- Most Asian bank issuers are policy or government-related although private-sector issuance is expected to increase
- Road infrastructure issuers in Japan that have not yet sold Green bonds have been able to sell Social Bonds

Country and Issuer Classification	Social Bond Issuance in USD mil
JP	
Infrastructure	
East Nippon Expressway Co Ltd	4,902
Hanshin Expressway Co Ltd	738
Government Agencies	
Japan International Cooperation Agency	2,229
Japan Student Services Organization	2,191
National Institution For Academic Degrees & Quality Enhancement	55
Government Regional	
Osaka Prefectural Housing Corp	37
KR	
Government Agencies	
Korea Land & Housing Corp	200
Korea SMEs and Startups Agency	3,199
Korea Student Aid Foundation	624
Government Development Banks	
Industrial Bank of Korea	1,000
Korea Development Bank/The	769
Property & Casualty Insurance	
KDIC Special Account Bond	580
Banks	
NongHyup Bank	500
Power Generation	
Korea Hydro & Nuclear Power Co Ltd	254
CN	
Banks	
Bank of China Ltd/Macau	640
Real Estate	
Beijing Infrastructure Investment Co Ltd	218
AU	
Government Agencies	
National Housing Finance and Investment Corp	822

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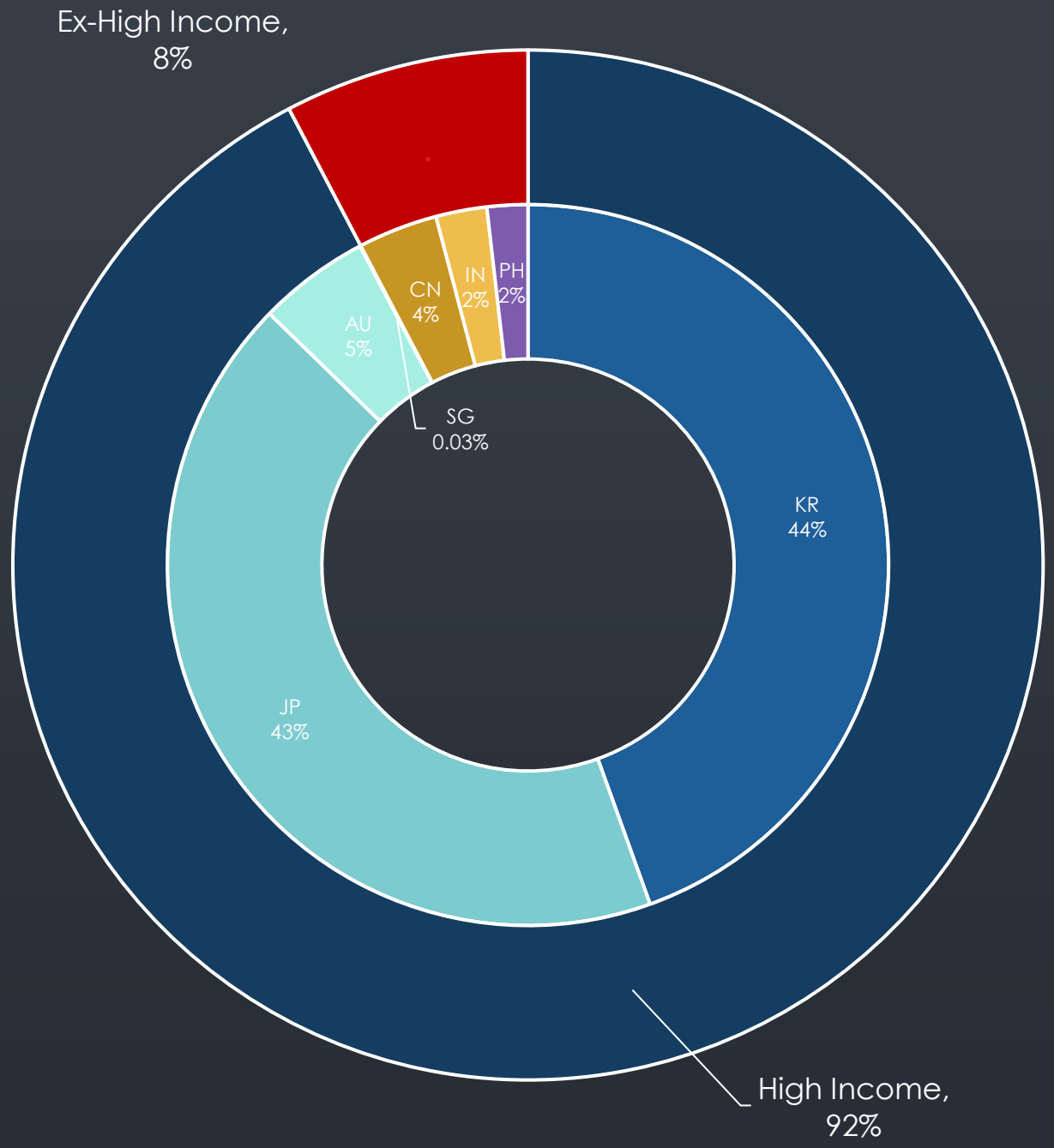
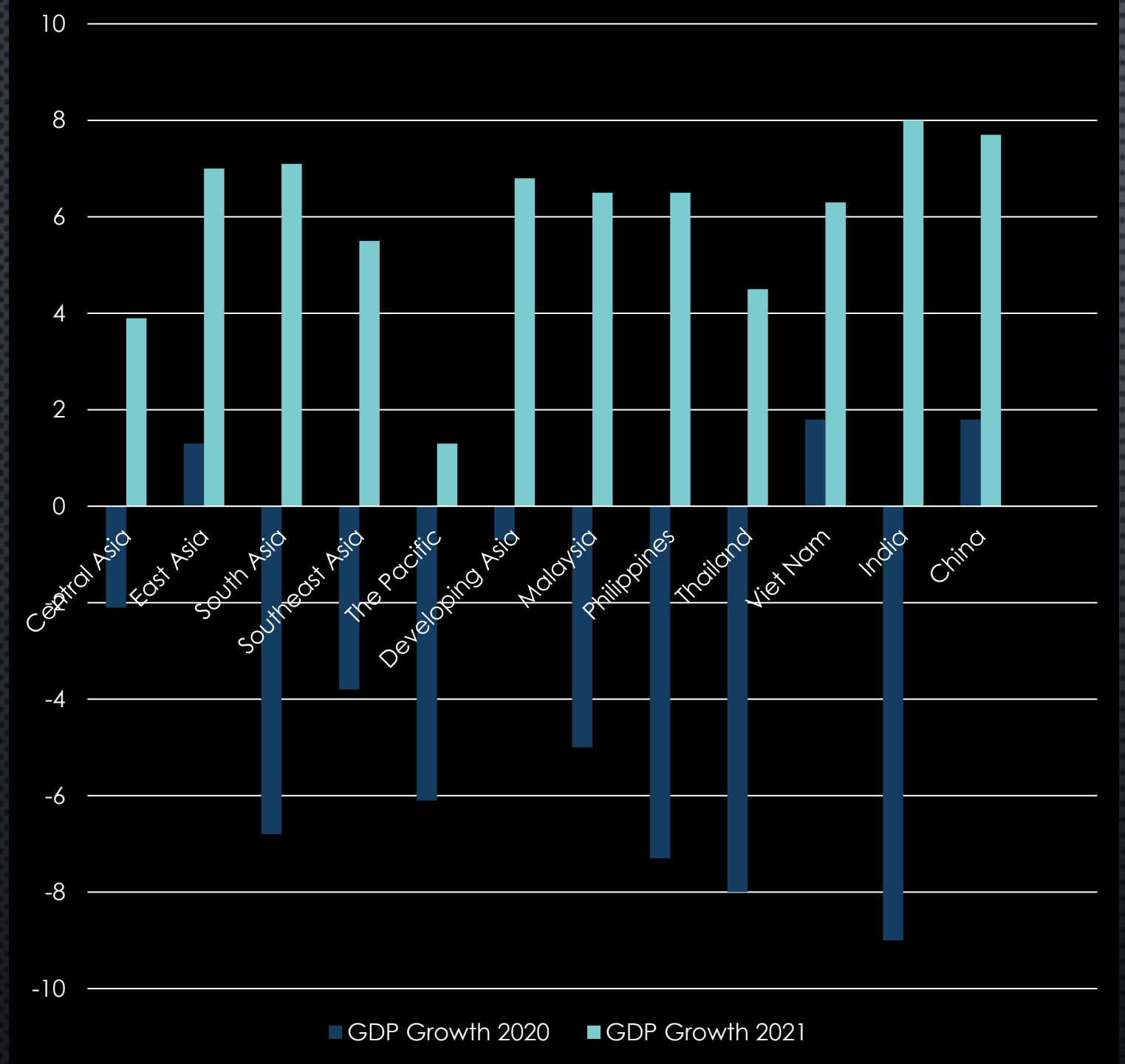
Market composition excluding Supranational issuance. Individual ESG-Bond issues with less than 10 million USD or equivalent are excluded.

URGENT NEED FOR ROBUST SOCIAL
BOND MARKET IN ASIA

CUMULATIVE ASIAN SOCIAL BOND ISSUANCE BY INCOME LEVEL AND COUNTRY, 2017-2020 YTD

(SOURCE: BLOOMBERG)





ASIAN ECONOMIC DEVELOPMENT NEEDS

(SOURCE: ADB)

ASIAN SOCIAL DEVELOPMENT NEEDS

- Micro, small, medium sized enterprises
- Inequality
- Resilience
- Health
- Sanitation
- Infrastructure (especially digital)
- Education (especially for girls)
- Poverty and inequality
- Gender equity

FUNDING GAP

- UNCTAD estimates that $5-7 trillion will be required annually to achieve SDGS by 2030
- This includes $3.3-4.5 trillion per annum in developing countries
- **And $1.5 trillion in developing Asia**
- *NOTE: These estimates are pre-pandemic*

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ASIA IS CURRENTLY NOT ON TRACK TO MEET THE SUSTAINABLE DEVELOPMENT GOALS BY 2030 (UN ESCAP)

- By 2030, region will be worse on 20% of the SDGs than they were in 2015
- Asia-Pacific is unlikely to meet any of the SDGs without major new initiatives
- *NOTE: These assessments are pre-pandemic*

THE WAY FORWARD

OBSTACLES TO SOCIAL BOND MARKET DEVELOPMENT IN ASIA

- RISK OF SOCIAL-WASHING
- NEED FOR TRANSPARENT & CONSISTENT DISCLOSURE ON IMPACT MEASUREMENT
- DUE DILIGENCE
- LACK OF SUPPLY

OVERCOMING THE OBSTACLES: GOVERNMENT, PHILANTHROPY, SUPRANATIONALS

- Regulatory and policy support
- Thought leadership
- Halo effect
- First-loss capital and guarantees to crowd in private investment
- Technical support

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GENDER LENS INVESTING

- Jeff Skoll: Girls' education is the silver bullet
- OECD: 7.5% of global GDP is lost due to gender discrimination
- More than one billion people in Asia are unbanked; in India and China, 60% of these are women
- Over 70% of women-led SMEs are unserved/underserved financially in the developing world

THE WAY FORWARD

- SOCIAL BONDS: A financial opportunity whose time has come
- A critical funding gap requires private capital
- Investors are willing and eager, but supply is short
- Asian Social Bond issuance is growing sharply, spurred by COVID pandemic
- Agency issuers lead the way; corporate and sovereign issuers face more obstacles
- Overcoming these obstacles: from gender-lens investing to public policy
- **A robust Asian Social Bond market will pave the way to "build back better"**

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Discussion of "A Primer on Social Bonds" by Jane Hughes & Jason Mortimer

Ulrich Volz

ADB Workshop on
"Developing Social Bond Markets in Asia: A Primer on Social Bonds"
8 October 2020

Centre for Sustainable Finance
SOAS University of London

Outline

- General remarks
- Social Impact Bonds & Development Impact Bonds
- The “Urgent Need for Robust Social Bond Market in Asia”
- What is the value added of Social Bonds?
- Sustainability-Linked Bonds
- Policy recommendations
- Thinking further

General remarks

- An informative paper that provides a good overview of the current state of play for social bonds.
- Well written and easy to read.

But…

- The reader would benefit from a clearer structure.
  - Add an outline of the paper at the end of the introduction to inform the reader what to expect.
  - The paper has 11 sections – can this be trimmed down?
  - A bit of overlap in presenting data on development of ESG/SB markets.
  - [Will surely be added, but section numbers would have made the reading easier.]
- Add numbering to tables and figures and refer to them in the text.
- Include proper references for citations and data sources.
- The text would benefit from more interaction with scholarly and grey literature.

Social Impact Bonds (SIBs) & Development Impact Bonds (DIBs)

- SIBs and DIBs are quickly dismissed:
  - “not really bonds at all”
  - “suffer from many deficiencies, including a dependence on philanthropy to fund outsize project development costs; complexity; small size; the potential for adverse consequences; and a spotty track record”
- Perhaps this is an adequate assessment of SIBs and DIBs, but this should be backed up by empirical evidence.
  - For now, there is not a single reference.

The “Urgent Need for Robust Social Bond Market in Asia”

- Economic Development Needs
  - Mentions UNCTAD estimates of financing needs of $5-7tn p.a. to achieve the SDGs by 2030.
  - Presents figures of economic impact of COVID-19 on Asian economies, and latest ADB growth projections.
- Social Development Needs
  - “The coronavirus pandemic threatens to wipe away many of the hard-won gains in social indicators of development in Asia.”
    - Gig workers, informal economy, tourism, SMEs, digital divide are mentioned, but no data, no analysis.
- Funding Gap
  - Mentions same UNCTAD estimates for investment needs of $5-7tn p.a., incl. $3.3-4.5tn in developing countries.

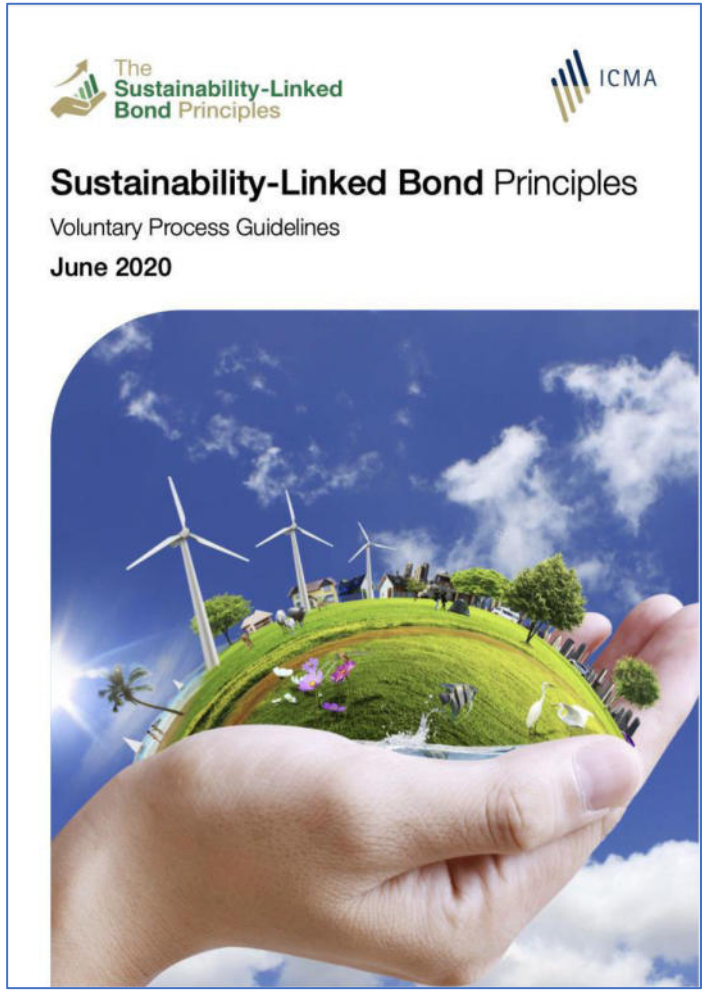
- It would be good to have more specific analysis relating to Developing Asia, and areas where Social Bonds could be used for financing, e.g. investment needs in healthcare, education, …
- Is there really an “urgent need” & would Social Bonds make a difference?

What is the value added of Social Bonds?

- Undoubtedly, there is a great need for investment in social areas, in Asia and beyond (and even greater in times of COVID-19).
- This needs to be financed.
- But does issuing a bond that is labelled and structured as a Social Bond make any difference?
- Do Social Bonds generate any additionality?
  - The basic principle behind impact bonds is to allocate money to new projects that bring social and/or green benefits.
- Additionality from green bond issuance has been a contentious point of discussion – this should be discussed for Green Bonds!

Sustainability-Linked Bonds (SBLs)

- Can SBLs facilitate good policies and outcomes?
- ICMA (2020): “Sustainability-Linked Bonds aim to further develop the key role that debt markets can play in funding and encouraging companies that contribute to sustainability (from an environmental and/or social and/or governance perspective).”
- SLBs are a forward-looking performance-based instrument.
  - Issuers commit explicitly to future improvements in sustainability outcome(s) within a predefined timeline.
- Mentioned only in a footnote.



Policy recommendations

- P. 66: “Every actor in the ecosystem has a role to play. Governments, supranationals, and philanthropic institutions can all support the development of this market, offering technical assistance, guarantees of capital, education, thought leadership, and a positive regulatory environment. Issuers can seek out social investment opportunities and put into place the scaffolding for Social Bond issues that can be quickly erected and completed in accordance with ICMA and ASEAN guidelines. And investors – the key to making this work – should seek out well-constructed and well-documented Social Bond investments while remaining ever vigilant for social-washing.”
- Can the recommendations be made more specific?

Thinking further

- What about current debt sustainability challenges?
- It would be interesting to discuss Social Bonds in the context of debt-for-sustainability-swaps for countries with unsustainable debt burdens.
  - E.g. bondholders accept a haircut and receive new SBLs with a guarantee attached, i.e. they trade old debt against new, safer ESG assets.

Session 2

Panel discussion

Social bonds and the international Principles

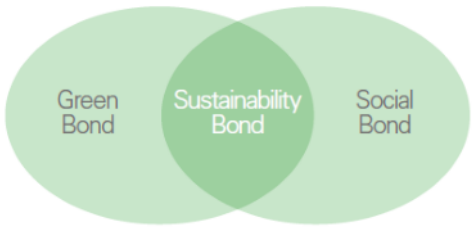
Asian Development Bank workshop

Mushtaq Kapasi, ICMA
8 October 2020, Hong Kong

Green, social and sustainability bonds

- Green, social and sustainability bonds are any type of **bond where the proceeds will be exclusively applied to eligible environmental and social projects.**
- ICMA's **Green Bond Principles (GBP) and Social Bond Principles (SBP)**, as well as the **Sustainability Bond Guidelines (SBG), referred to as the "Principles"** have become the world's leading framework for green, social and sustainability bonds.
- Green, social and sustainability bonds are subject to the same capital market and financial regulation as other listed fixed income securities.

Bond Type	Use of Proceeds
Green Bond	Finance projects with clear environmental benefits (e.g. renewable energy, energy efficiency, climate change adaptation)
Social Bond	Finance projects that seek to achieve positive social outcomes especially for a target population (e.g. poor, vulnerable, unemployed, uneducated)
Sustainability Bond	Finance a mix of green and social projects



ICMA and the Principles

Best practices for issuing Green, Social and Sustainability Bonds

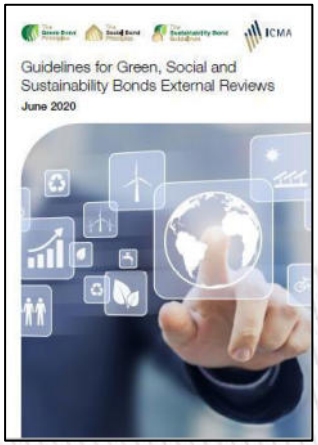
- GBP, SBP and SBG ("the Principles") were launched with ICMA's help, and now ICMA serves as the secretariat for the Principles.

Green Bond Principles (GBP)

Social Bond Principles (SBP)

Sustainability Bond Guidelines (SBG)

Guidelines for Green, Social and Sustainability Bonds External Reviews



Four pillars of the Principles:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

- Guidelines for External Reviews provide guidance on professional and ethical standards for external reviewers, as well as to the organization and content of their reports.

What can social bonds finance?

Social Project categories include:

- Affordable clean drinking water, sewers, sanitation, transport, energy)
- Access to healthcare, education and financial services
- Affordable housing
- Employment (including through SME financing and microfinance)
- Food security
- Socioeconomic advancement and empowerment, equitable access to services, resources, and opportunities, reduction of income inequality

Examples of target populations:

- Living below the poverty line
- Excluded and/or marginalised populations
- People with disabilities
- Migrants and/or displaced persons
- Undereducated
- Underserved
- Unemployed
- Women and/or sexual and gender minorities
- Aging populations and vulnerable youth
- Other vulnerable groups, including as a result of natural disasters

"Target populations" can vary depending on local contexts and, in some cases, may address the general public

Social bonds and COVID-19

In March, the Social Bond Principles working group underlined that Social and Sustainability Bonds are immediately applicable to COVID-19.

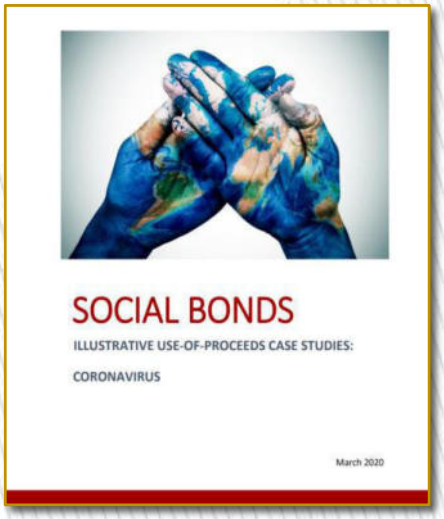
1

Q&A on COVID-19 with advice for issuers to address the coronavirus crisis with social bonds.

- *What types of issuers can issue Social Bonds related to COVID-19?*
- *What types of proceeds are eligible for a COVID-19 focused Social Bond?*
- *Would an existing Social or Sustainability Bond issuer require a change to its framework to enable issuances related to COVID-19?*

2

Case studies from issued COVID-19 themed social bonds as well as illustrative case studies, authored by IFC, that highlight how issuers from various industries may use social bonds to raise financing which will go towards addressing social issues that have emerged as a consequence of the COVID-19 pandemic.



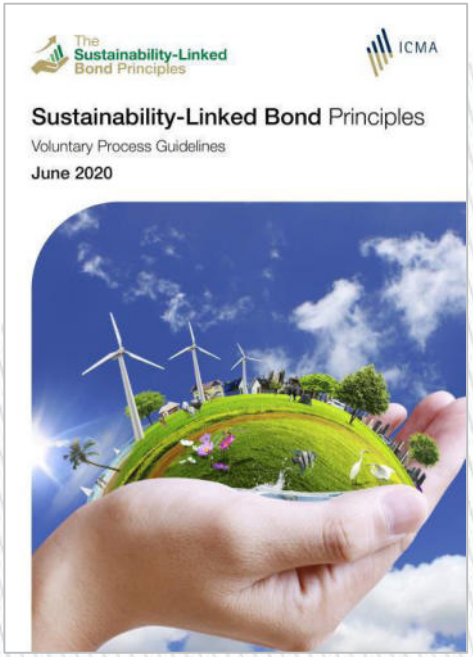
Sustainability-linked bonds

A new standard, the Sustainability-Linked Bond Principles (SLBP), was released in June 2020.

- SLBs are any type of bond instrument for which the **financial and/or structural characteristics** can vary depending on whether the issuers achieve **predefined Sustainability/ESG objectives**
- Issuers are committing, to **future improvements in sustainability outcome(s)** within a predefined timeline. It is a forward-looking performance-based instrument
- Such outcomes are:
  - measured by **predefined KPIs** and
  - assessed against **Sustainability Performance Targets**.
- Within these parameters, SLBs are to be used for general purposes

Five core components:

1. Selection of KPIs
2. Calibration of SPTs
3. Bond characteristics
4. Reporting
5. Verification



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PHILIPPINE EXPERIENCE:
DEVELOPING SOCIAL BOND MARKETS IN ASIA

A PRIMER ON SOCIAL BONDS

08 October 2020

Securities and Exchange Commission
PHILIPPINES

EPHYRO LUIS B. AMATONG
COMMISSIONER

WHY SOCIAL/SUSTAINABILITY BONDS?

- "**SOCIAL**" Use of Proceeds are more intuitive
  - Philippine domestic Issuers, Intermediaries and Investors all seem to be more comfortable identifying "**Social**" use of proceeds.
  - In comparison, "**Green**" use of proceeds perceived to be very technical
- Large overlap between **Green** and **Social** projects
  - **Green** + **Social** = **Sustainability**
  - e.g. Energy efficient low cost housing; waste water treatment

SOCIAL BONDS: CHALLENGES

- Definition of "**SOCIAL**" can be **context-specific**
  - e.g. For developed countries, Education and Healthcare may not be considered as "social," however this is not necessarily true for developing countries which still lack adequate provision of education and healthcare.
  - Poses an issue for SPOs - Further assessment by third-party verifiers is sometimes needed to validate use of proceeds for social bonds
- Objective **Criteria/Metrics** of "**SOCIAL**" more **difficult**
  - Difficulty in measuring "Social" impact
  - Were "Social" objectives attained?

BPI'S COVID ACTION RESPONSE (CARE) BONDS (2020)

TERMS AND CONDITIONS	
Issuer	Bank of the Philippine Islands (BPI)
Issue	COVID Action Response (CARe) Bonds
Facility	**PHP 21.5 Bn (~US$ 443 MM equiv)**
Tenor	1.75 years
Use of Proceeds	**For financing or refinancing eligible SMEs or MSMEs**
Joint Lead Managers and Bookrunners	BPI Capital HSBC
Final Spread	42.76 bps over the 3-day average interpolated 1.75Y BVAL
Coupon	3.05% per annum
Listing	PDEx

ISSUER BACKGROUND

- The 168-year-old Bank of the Philippine Islands is the first bank in the Philippines and Southeast Asia.
- The Bank established its Sustainable Funding Framework on June 3, 2020.

TRANSACTION HIGHLIGHTS

- The BPI CARe Bonds are the first COVID-19 response bonds in the country, compliant with ASEAN Social Bond Standards.
- Execution took only ~three (3) months, inclusive of the workstreams in relation to the expansion of BPI's framework.
- **More than 7 times oversubscribed** from its original target issuance size of PhP3Billion and have **attracted a diverse pool of both Institutional and Retail investors.**
- Proceeds of the bonds will **be used to finance or refinance MSME loans** under the BPI Group that meet qualifications under its **Sustainable Funding Framework.**

MANILA WATER'S US$ SUSTAINABILITY BONDS (2020)

TERMS AND CONDITIONS	
Issuer	Manila Water Company, Inc. (MWC)
Issue	USD Sustainability Bonds
Facility	**USD 500m**
Tenor	10 years
Use of Proceeds	**will be used to fund Manila Water's eligible sustainable projects**
Joint Lead Managers and Bookrunners	BPI Capital Corporation, Citi, Credit Suisse, HSBC, Mizuho Securities and UBS
Final Spread	priced at 99.002%; yield of 4.50%; in line with the final price guidance and 25bp inside the initial price range of 4.75% area
Coupon	4.375% per annum
Listing	SGX-XT

ISSUER BACKGROUND

- Manila Water holds the exclusive right to provide water and wastewater services to the eastern side of Metro Manila in the Philippines. Outside of the Philippines, Manila Water's operations include investments in Vietnam, Thailand and Indonesia.
- Manila Water established a sustainable financing framework with DNV GL providing a second party opinion. The framework is aligned with Green Bond Principles 2018 and Social Bond Principles 2018, while complying with the ASEAN Sustainability Bond Standard.

TRANSACTION HIGHLIGHTS

- This is the single largest green, social or sustainability bond issued by a listed private water utility in Asia and the first ASEAN sustainability bond by a corporate issuer out of the Philippines.
- The deal generated a final **order book** of US$1 billion – reaching a peak of **nearly US$1.96 billion** – from **85 accounts**, with **79% of the bonds distributed in Asia** and **21% in Europe**. By type of investors, **fund managers bought 57% of the paper, private banks 19%, insurance companies 14% and banks 10%.**

DBP PHP 50 BILLION ASEAN SUSTAINABILITY BOND PROGRAMME (2019)

TERMS AND CONDITIONS	
Issuer	Development Bank of the Philippines (DBP)
Issue	Peso-denominated ASEAN Sustainability Bond
Facility	**PHP 18.125 billion (~US$373MM equiv)**
Tenor	2 years
Coupon	4.25% p.a., quarterly
Use of Proceeds	To finance and/or refinance DBP's loans to customers or its own operating activities in Eligible Green and Social Categories as defined in DBP's Sustainable Financing Framework
Standard Chartered Role	Issue Manager and Structuring Advisor, Joint Lead Arranger, Bookrunner and Selling Agent

ISSUER BACKGROUND

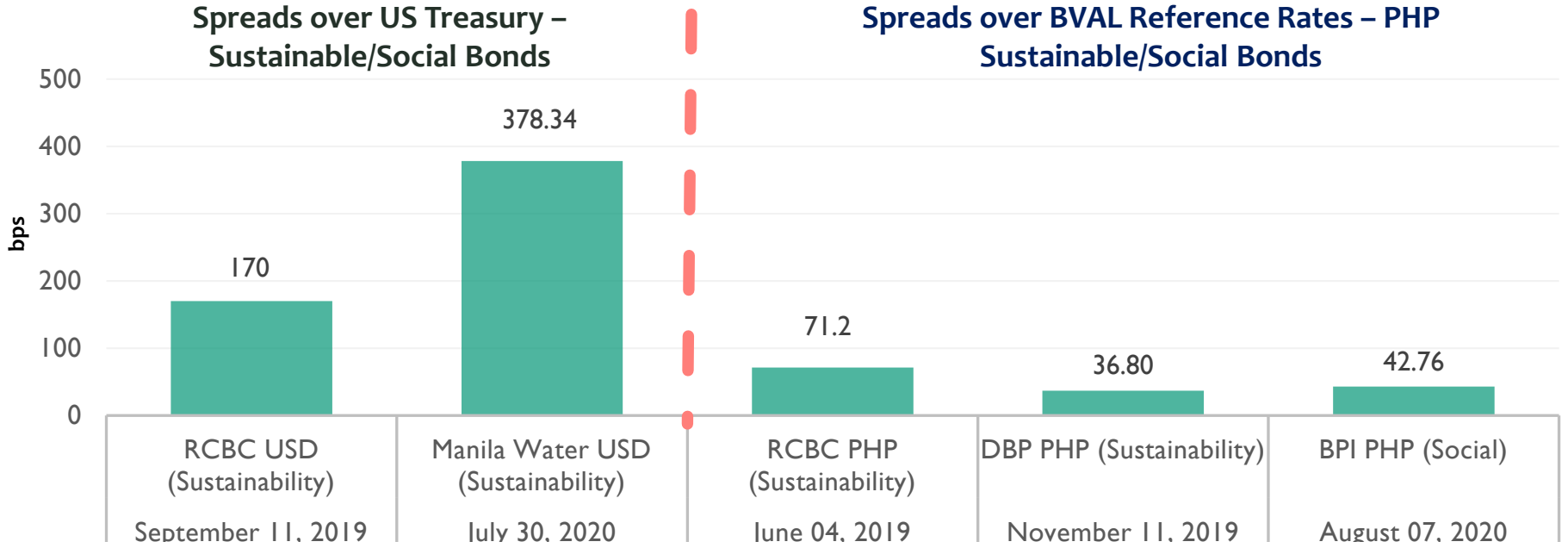
- The DBP, under its new charter, is classified as a development bank and may perform all other functions of a thrift bank.
- Its primary objective is to provide banking services principally to cater to the medium and long-term needs of agricultural and industrial enterprises with emphasis on small and medium-scale industries.

TRANSACTION HIGHLIGHTS

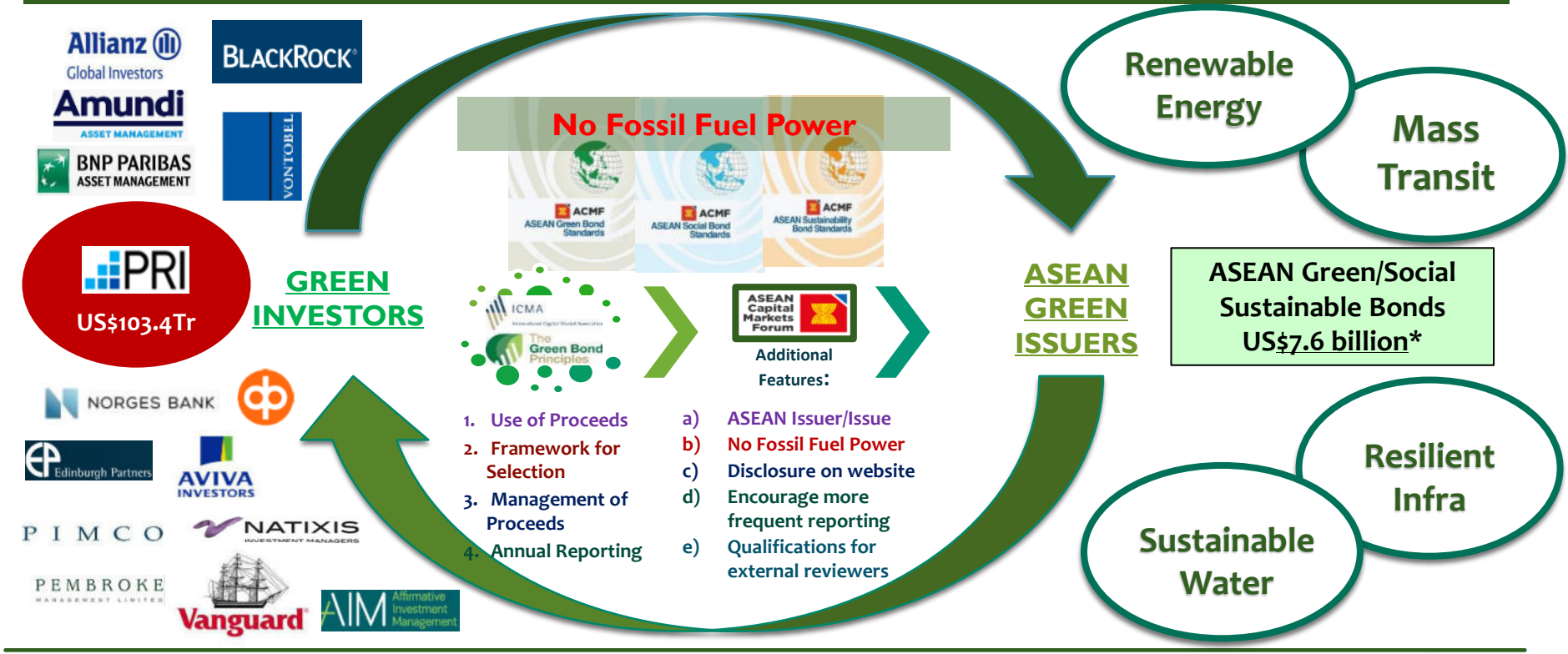
- First Sustainability Bond Programme in the Philippines.
- DBP's First Peso Bond Issuance
- Largest Sustainability Bond Issuance From a Philippine Issuer: The 2-year Bond Issuance is the largest Sustainability Bond issuance from a Philippine Issuer, with a total issue size of PHP18.125 billion or **USD348.55 billion**.
- The transaction was met with favorable reception in the market, enabling the bank to raise **PHP13.125 billion (~USD252.40 million) more** than its target offering size of PHP5 billion (~USD93.15 million), leading to an orderbook which was more than 3.5x oversubscribed

PHILIPPINE SOCIAL / SUSTAINABILITY BOND SPREADS

Sustainable/Social: Philippine issuers have raised $1.76 billion across five transactions



ASEAN GREEN, SOCIAL & SUSTAINABLE (GSS) STANDARDS



Data as of September 22, 2020

ACMF ROADMAP FOR ASEAN SUSTAINABLE CAPITAL MARKETS

4 Priority Areas	
Priority Area I: Strengthening foundations	• 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	• 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	• Enhancing Technical Competence • Promoting Knowledge Transfer • Increasing Public Awareness
Priority Area IV: Increasing connectivity	• Developing a Public Database of Sustainable Products, Projects and Investors • Leveraging Multilateral and Philanthropic Efforts • Coordinating Efforts with Public & Financial Sectors

ASEAN Capital Markets Forum

ROADMAP FOR ASEAN SUSTAINABLE CAPITAL MARKETS

Securities and Exchange Commission

THANK YOU!

The views and opinions that are expressed in relation to this presentation are only that of the presenter and do not necessarily reflect those of the Commission, the Commissioners, or the other staff members.

krungsri
กรุงศรี

A member of MUFG
a global financial group

Developing Social Bond Markets in Asia: A Primer on Social bonds

8 October 2020

Bank of Ayudhya (Krungsri): Women Entrepreneurs Bonds

- The SME sector is one of **Thailand's key engines of growth**
- Over three million SME entities, generating **over 12 million jobs** for the Thai population.
- Key issues related to SMEs and entrepreneurship development includes **their access to finance**
- There is a need to broaden the range of financing instruments available to SMEs and women entrepreneurs
- Introduction of new asset class for investors which benefits socially-responsible initiatives/enterprises

Bank of Ayudhya: ESG's Highlights

High-profile mandates and successful O&D transactions in ESG

สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

Kingdom of Thailand
THB 30 Billion
Green and Social (Covid)
Notes due 2035

ESG Structuring Advisor & JLM
August 2020, Thailand

- ✓ Debut Sustainability Bond
- ✓ **Established Sustainable Finance Framework & SPO**
- ✓ 1st bond in Thailand to fund COVID-19 expenditures
- ✓ 1st issuance of overall THB 100b green & social bonds

krungsri กรุงศรี
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Bank of Ayudhya
USD 220 Million
Women Social Bond

Sole Placement Agent and ESG Structuring Advisor
October 2019, Thailand

- ✓ Debut Social and USD Bond
- ✓ **Established Social Bond Framework & SPO**
- ✓ 1st private-sector Gender bond in APAC
- ✓ 1st social bond in Asia complying with ICMA & ASEAN Social Bond Principles and Standards

GPSC

GPSC
THB 5 Billion
Green Bond 2025, 2030, 2035

Green Structuring Advisor & JLM
August 2020, Thailand

- ✓ Debut Green Bond
- ✓ **Established Green Finance Framework & SPO**
- ✓ 1st Green bond in Thailand funding a WTE project
- ✓ 1st digital bond priced via Thai BMA e-book building platform

ptt

PTT
THB 15 Billion
Green THB Notes due 2023
THB Notes due 2027

Joint Bookrunner
July 2020, Thailand

- ✓ Debut Green Bond
- ✓ 1st Climate Bonds Initiative (CBI) certified bond for financing forest conservation projects
- ✓ 1st Asian National Oil Company to issue a Green Bond
- ✓ 1st issuance to allow for subscription with Krungsri's Digital App (KMA).

“This issuance reaffirms our commitment to corporate citizenship practices and our broader ambition to meet the UN Sustainable Development Goals.”

Mr. Seiichiro Akita,
President and Chief Executive Officer
Bank of Ayudhya Public Company Limited

Thank you

ADB Seminar

SMBC NIKKO

Social Bonds Case study in Japan

SMBC Nikko Securities
SDGs Finance
2020/10/08

SMBC日興証券

Qualification & Credentials on Green, Social, Sustainability (GSS) bond Issuance

SMBC Nikko's Track Record as Structuring Agent

GLP J-REIT JPY5.1bn Dec 2018	SMBC Group USD227.8mn / AUD83.2mn Dec 2018	TOENEC JPY14.0bn (PP) March 2019	ANA Holdings JPY5.0bn May 2019	United Urban Investment Corp JPY10.0bn May 2019	SMBC Group EUR5.0mn May 2019	Meidensha JPY6.0bn July 2019	Japan Hotel REIT JPY2.0bn July 2019	Mitsui Real Estate JPY50.0bn Sep 2019	Miraca Holdings JPY20.0bn Oct 2019
Daiwa House REIT JPY6.0bn Nov 2019	Gunma Bank JPY10.0bn Nov 2019	GLP J-REIT JPY5.0bn Nov 2019	AEON REIT JPY12.0bn Dec 2019	Nagoya Bank JPY10.0bn Dec 2019	Kenedix Residential Next Investment Corp JPY2.0bn Dec 2019	Healthcare & Medical Investment Corp JPY2.0bn Feb 2020	ARUHI (Green RMBS) JPY5.0bn Jan 2020	Tohoku Electric Power Co. JPY5.0bn Feb 2020	Kajima Corp JPY10.0bn Feb 2020
Mitsui-Soko JPY5.0bn Mar 2020	Sumitomo Mitsui Finance and Lease JPY15.0bn Mar 2020	Daiwa House REIT JPY 4.0bn May 2020	Nippon Accommodations Fund JPY 4.0bn July 2020	CRE Logistics REIT ファンド投資法人 20億円、2020年9月	Sumitomo Mitsui Auto Service JPY 10.0bn Sept 2020	Tohoku Electric Power Co JPY10.0bn Sep 2020	Honda Finance JPY 30.0bn 2020年9月	GLP J-REIT JPY5.0bn Sep 2020	Chugoku Bnak JPY10.0bn Sep 2020

GSS Bond Structuring Agent League Table(FY 2019)

	Bank	# of Deals
1	SMBC Nikko	20
2	Mizuho	15
3	MUMSS	12
4	Nomura	7
5	Daiwa	5
	Total	59

Note :If bonds are issued in multiple maturities at the same time, the number of issuers is counted (not the number of bonds issued).

Domestic Corporate GSS Bond League Table (FY2019)

	Bank	# of Deals	Amount	Share
1	Mizuho	60	3,050	22.8%
2	**SMBC Nikko**	67 Ranked 1st in # of deals	2,780	20.8%
3	Daiwa	50	2,518	18.8%
4	MUMSS	46	2,326	17.4%
5	Nomura	43	2,259	16.9%
6~	Other Banks	Total 8	448	3.3%
	Total		13,332	100.0%

Note :GSS bonds whose terms were determined between April 1, 2019 and March 17, 2020

SMBC Nikko's Recent Track Records of GSS bonds

USAA $1,500mn 3 / 5 Year Sustainable JLM April 2020	conEdison, inc. $1,600mn 10 / 30 Year Green JLM March 2020	VENA ENERGY $325mn 5 Year Green JLM & Green Bond Structuring Advisor February 2020	e.on €2,250mn Short 4 / Long 7 (Green) / Short 11 Year JLM January 2020	ENGIE €1,500mn 11 (Green) / 22Year JLM October 2019
enel €2,500mn Long 4 / Long 7 / 15 Year SDG-Linked JLM October 2019	e.on €1,500mn 5 / 10.5 Year Green JLM August 2019	TenneT €1,250mn 11 / 20 Year Green JLM May 2019	vesteda €500mn 8 Year Green JLM & Green R/S Coordinator May 2019	ALEXANDRIA $200mn Jan 2024 Tap Green JLM March 2019

Note :Includes Enel's SDGs-Linked Bond

Global GSS Bond league Table (As of July 31st, 2020)

Concerning global green bond underwriting, we are ranked 2nd amongst Japanese securities companies.

Rank	Banks	Amount	Share
1	HSBC	4,446	5.97%
2	CACIB	4,316	5.79%
3	BofA	4,102	5.51%
4	BNPP	3,954	5.31%
:			
18	Nomura	1,350	1.81%

Rank	Banks	Amount	Share
27	Mizuho	772	1.04%
:			
30	SMFG	620	0.83%
31	Daiwa	598	0.80%
49	MUFG	252	0.34%

Source : Bloomberg (As of July 31st, 2020)

Source: SMBC Nikko, as of July 31st, 2020

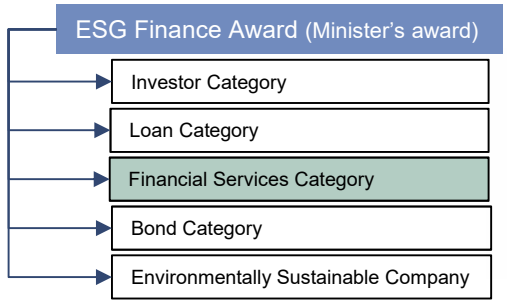
SMBC日興証券

SMBC Nikko received a Silver Award in Financial Services Category of the “ESG Finance Award Japan”, by the Ministry of the Environment (MoE)

SMBC Nikko is the only securities company to be awarded in the Financial Services Category for the ESG Finance Awards hosted by MoE, not only for its excellent structuring agent ability for green bonds, but simultaneously an issuer, where we acted as the green bond structuring agent, also received the same silver award in the Bond Category.

ESG Finance Awards

- This award was established by Mr. Koizumi, Minister of the Environment in October 2019 to promote ESG finance.
- Awards consists of the following categories:
  Investor, Loan, Financial Services, Bond and Environmentally Sustainable Company



Award Ceremony

(Left: Mr. Kira, Managing Executive Officer, Right: Mr. Koizumi, Japanese Minister of Environment)

Silver Award in the Financial Services Category

- SMBC Nikko received the Minister of Environment Award (Silver Award), ranking amongst the highest within domestic securities companies.
- Meidensha, where SMBC Nikko acted as sole bookrunner and green bond structuring agent, also received a Silver award in the Bond category.
  This shows that SMBC Nikko can deliver high quality service to green bond issuers.

<Selection evaluation>

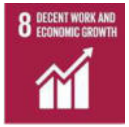
- SMBC Nikko Securities clearly indicates in its policy of focusing on green finance.
- **Especially SMBC Nikko have many track records of supporting issuers in green bond issuance.**
- The Selection Committee of the award highly evaluated that SMBC Nikko supported many green bond issuers and contributed to expanding the horizon of the domestic green bond market.

	Financial Services Category	Bond Category
Gold award	S & P Dow Jones Index (rating company)	Fuyo General Leasing (SA: Ministry of the Environment Model Project)
Silver award	**SMBC Nikko Securities (securities firm)**	**Meidensha (SA: SMBC Nikko Securities)**
Silver award	Sompo Japan Insurance Inc. (insurance company)	Tokyo Tatemono (SA: Daiwa Securities)
Silver award	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	-

Note: No Award of Minister of the Environment after the Bronze Award
Source: Ministry of the Environment website

(Case Study) Chugoku Bank Social Bond

In September 2020, Chugoku Bank issued its first social bond where Use of Proceed is loans to customers affected by the pandemic of COVID-19.

Issuer	Industry	Use of Proceeds	Type of Socio-economic Outcome OR Specific social issue addressed or mitigated	Target Population (for socio-economic outcomes)	SDG Linkages (if any)	Indicators
Chugoku Bank	Bank	**Loans to customers directly or indirectly affected by the pandemic of COVID-19** 1) Central Bank Emergency Special Loan for corporate and/or self-employed individual directly or indirectly affected by COVID-19 (In case of capital investment, eligible facilities are limited to infection control measures) 2) Prefecture's loan program to respond pandemic crisis (including net interest-free, unsecured loan) 3) Capital Loans to corporates temporally affected by pandemic of COVID-19 in order to stabilize customers' cashflow and/or strengthen customers' financial base 4) Other loans related to COVID-19 in accordance with the above	Direct impact: • Stabilizing customers' cash flow and strengthening customers' financial base Indirect impact: • Maintaining company's business • Maintaining employment • Restoring regional economic stability	• Customers affected by COVID-19		• Total loans outstanding and number of eligible loans
Link to the Second Party Opinion	• https://www.r-i.co.jp/news_release_sof/2020/08/news_release_sof_20200831_jpn_05.pdf					

Source: Issuer's HP and R&I's HP

SMBC日興証券

(Case Study) H.U. Group Holdings (previously Miraka Holdings) Social Bond

In October 2019, H.U. Holdings which provides outsourced clinical laboratory testing service and manufacturing/selling clinical diagnostics reagents and testing equipments.

Issuer	Industry	Use of Proceeds	Type of Socio-economic Outcome OR Specific social issue addressed or mitigated	Target Population (for socio-economic outcomes)	SDG Linkages (if any)	Indicators
H.U. Holdings	Bank	• Introduction of equipment and IT systems upon the establishment of the state of the art testing laboratory • Research and Development for the improvement of testing and development of innovative technologies	• Create new value in healthcare and contribute to the prosperity of People • Develop innovative diagnostic solutions to enhance trust in Healthcare and drive its evolution	General public		• Output – New CLT Laboratory ▪ Summary, investment, operational time, etc of newly introduced equipment/IT systems – R&D ▪ Summary of R&D • Outcome – New CLT Laboratory ▪ Rate of increased tests ▪ Rate of cost reduction – R&D ▪ Progress in R&D ▪ Number of published research papers ▪ Number of joint researchs in and outside of group ▪ Number of patent application ▪ Case leading to commercialization • Impact ▪ Reduction of medical remuneration points for testing leading to the restraint of social ▪ security expenses ▪ Expansion of local medical care and progress in comprehensive local care systems ▪ Progress in cutting edge medical care/individualized medical care as a result of R&D in new testing techniques, and improvement in QOL through them
Link to the Second Party Opinion	• https://www.r-i.co.jp/en/opinion_social/2019/07/opinion_social_20190718_eng.pdf					

Source: Issuer's HP and R&I's HP

(Case Study) ANA Holdings Inc. Social Bond

ANA Holding, a Japanese airline, issued a first social bond, as a Japanese private company.

Issuer	Industry	Use of Proceeds	Type of Socio-economic Outcome OR Specific social issue addressed or mitigated	Target Population (for socio-economic outcomes)	SDG Linkages (if any)	Indicators
ANA Holdings Inc.	Airlines	**Website Renovation** (Compliance with international W3C accessibility guidelines)	• Access to essential services (public transportation)	• Persons with disabilities • Elderly		• Functions of websites that have completed universal compatibility • Number of airports whose universal facilities and equipment have been renovated
		Renovation of domestic airport facilities and equipment 1) A customer service counter (low counter) is set up at the check-in counter. 2) Lounge renovation (Installation of low counters at reception, expansion of doors and passageways, establishment of priority areas for wheelchair users, etc.) 3) Modification of boarding gates (Increasing the width of ticket gates)				• Number of passengers with disabilities
		Renovation of facilities and equipment at domestic sites Installation of wheelchair-accessible parking spaces, introduction of multifunctional toilets, and securing door and passageway widths	• Socioeconomic advancement and empowerment	• Persons with disabilities, LGBT.		• Number of business establishments that have completed universal facility and equipment renovation • Ratio of employees with disabilities
Link to the Second Party Opinion		• https://www.jcr.co.jp/download/4b5674455e64505655618b60406676176aa0d65a5058070006/19d0050-1.pdf				

Source: Social Bond Working Group Members, Company filings

SMBC Nikko's Track Record as Lead Manager (1/2)

Since 2017, we have involved in more than 30 GSS bond transactions, including corporate bonds, FILP agency bonds and retail bonds as lead manager.

GSS Corporate Bond (FY2018~FY2020YTD)

Issuer	Bond Category	Date	Amount (JPYbn)	SMBC Nikko Role
Sumitomo Mitsui Auto Service	Green	2020/9	10	Lead Manager
NOMURA REAL ESTATE MASTER FUND	Green	2020/8	7	JLM
Seiko Epson Corp	Green	2020/7	50	Manager
Comforia Residential REIT	Green	2020/7	1.5	JLM
Nippon Accommodations Fund	Green	2020/7	4	Lead Manager
Japan Housing Finance Agency	Green	2020/7	35	JLM
Asahi Kasei	Green	2020/6	10	JLM
NTT Finance	Green	2020/6	40	JLM
Daiwa House REIT	Green	2020/5	5	Lead Manager
Tohoku Electric Power Corp	Green	2020/2	5	Sole Lead Manager
Kajima Corp	Green	2020/2	10	Lead Manager
Mistui-Soko Holdings	Green	2020/3	5	Lead Manager
Sumitomo Mistui Finance and Leasing	Green	2020/3	15	Lead Manager
SEKISUI HOUSE REIT	Green	2020/2	2	JLM
LaSalle LOGIPORT REIT	Green	2020/2	3	JLM
Health Care & Medical Investment Corp	Social	2020/1	2	Lead Manager
EAST JAPAN RAILWAY(JR EAST)	Sustainability	2020/1	30	JLM
NEXCO EAST	Social	2020/1	30	JLM
NEXCO EAST	Social	2020/1	60	JLM
Kenedix Residential Next Investment Corp	Social	2019/12	1.5	Lead Manager
Nagoya Bank	Green	2019/12	10	Lead Manager
ITOUCHU Advance Logistics Investment Corp	Green	2019/12	1.5	JLM
SEIBU HOLDINGS	Green	2019/12	10	JLM
Nidec Corp	Green	2019/11	30	JLM
Nidec Corp	Green	2019/11	20	JLM
Nidec Corp	Green	2019/11	50	JLM
Gunma Bank	Green	2019/11	10	JLM
NEXCO EAST	Social	2019/11	30	JLM
NEXCO EAST	Social	2019/11	40	JLM
Daiwa House REIT	Green	2019/11	6	Lead Manager
GLP J-REIT	Green	2019/11	5	Lead Manager
Activia Properties	Green	2019/11	4	JLM
Sekisui House Reit	Green	2019/11	5	JLM
Miraca Holdings Inc.	Social	2019/10	10	JLM
Miraca Holdings Inc.	Social	2019/10	5	JLM
Miraca Holdings Inc.	Social	2019/10	5	JLM
NOMURA REAL ESTATE MASTER FUND	Green	2019/9	3	JLM
Sumitomo Warehouse Co.	Green	2019/9	5	Lead Manager

GSS Corporate Bond (FY2018~FY2020YTD)

Issuer	Bond Category	Date	Amount (JPYbn)	SMBC Nikko Role
Mitsui Fudosan Co.	Green	2019/9	50	Lead Manager
Japan Prime Realty Investment	Green	2019/7	5	JLM
Japan Hotel REIT	Green	2019/7	2	Lead Manager
NEXCO EAST	Social	2019/7	40	JLM
NEXCO EAST	Social	2019/7	40	JLM
Advance Residence Investment	Green	2019/7	5	JLM
Meidensha	Green	2019/7	6	Lead Manager
Mitsui O.S.K. Lines	Sustainability	2019/7	5	JLM
Orix JREIT	Green	2019/7	7	JLM
Takasago Thermal Engineering Co	Green	2019/7	5	JLM
Sekisui House Reit	Green	2019/7	4	JLM
Sekisui House Reit	Green	2019/7	2.5	JLM
Activia Properties	Green	2019/7	5	JLM
GLP J-REIT	Green	2019/7	8	JLM
Japan Retail Fund Investment	Green	2019/6	7	JLM
ANA Holdings	Social	2019/5	5	Lead Manager
United Urban Investment	Green	2019/5	10	Lead Manager
Tokyo Tatemono Co.	Green	2019/3	50	JLM
Asics Corp	Sustainability	2019/3	20	JLM
Hitachi Capital Corp	Green	2019/2	10	JLM
Kenedix Office Investment Corporation	Green	2019/2	2	JLM
GLP J-REIT	Green	2018/12	5.1	Lead Manager
Invesco Office J-Reit,Inc.	Green	2018/12	5.5	JLM
Japan Real Estate Investment	Green	2018/11	10	JLM
ANA Holdings	Green	2018/10	10	JLM
NIPPON PROLOGIS REIT INC.	Green	2018/8	6	JLM
Japan Excellent, Inc.	Green	2018/8	4	JLM
Japan Retail Fund Investment	Green	2018/5	8	JLM

Note: As of July 31st, 2020

SMBC Nikko's Track Record as Lead Manager (2/2)

Since 2017, we have involved in more than 30 GSS bond transactions, including corporate bonds, FILP agency bonds and retail bonds as lead manager.

GSS FILP Agency Bond (FY2017~FY2019YTD)

Issuer	Bond Category	Date	Amount	SMBC Nikko Role
NEXCO EAST	Social	2020/7	50	JLM
Orient Corporation	Social	2020/7	10	JLM
Tokyo Tatemono	Sustainability	2020/7	40	JLM
JICA	Social	2020/6	23	Lead Manager
Tokyo Metro	Sustainability	2020/6	10	JLM
Japan Student Services Organization	Social	2020/6	30	JLM
Japan Railway Construction Transport	Sustainability	2020/5	30	JLM
NEXCO EAST	Social	2020/4	70	JLM
JICA	Social	2020/3	10	JLM
Japan Railway Construction Transport	Sustainability	2020/2	9	JLM
Japan Railway Construction Transport	Sustainability	2020/2	8	JLM
Japan Railway Construction Transport	Sustainability	2019/11	10	JLM
Japan Railway Construction Transport	Sustainability	2019/11	10	JLM
Japan Student Services Organization	Social	2019/10	30	JLM
Japan Housing Finance Agency	Green	2019/10	20	Lead Manager
Japan Housing Finance Agency	Green	2019/10	10	Lead Manager
Japan Housing Finance Agency	Green	2019/9	20	JLM
JICA	Social	2019/9	12	JLM
Japan Railway Construction Transport	Sustainability	2019/8	10	JLM
Japan Railway Construction Transport	Sustainability	2019/8	10	JLM
Japan Railway Construction Transport	Sustainability	2019/8	14	JLM
Japan Housing Finance Agency	Green	2019/7	10	JLM
JICA	Social	2019/6	10	JLM
JICA	Social	2019/6	10	JLM
Japan Student Services Organization	Social	2019/5	30	JLM
Japan Railway Construction Transport	Sustainability	2019/5	10	JLM
Japan Railway Construction Transport	Sustainability	2019/5	10	JLM
Japan Railway Construction Transport	Sustainability	2019/5	13	JLM
Japan Railway Construction Transport	Sustainability	2019/5	10	JLM
JICA	Social	2018/9	20	Lead Manager
JICA	Social	2018/6	15	JLM
JICA	Social	2018/6	10	JLM
JICA	Social	2017/12	20	Lead Manager
JICA	Social	2017/9	20	JLM
JICA	Social	2017/6	10	JLM

GSS Retail Bond (FY2017~FY2019 YTD)

Issuer	Bond Category	Date	Amount	SMBC Nikko Role
AEON REIT Investment	Green	2019/12	12	Sole-Manager
GLP J-REIT	Green	2019/6	8	JLM
United Urban Investment	Green	2019/5	10	Sole-Manager
Toda Corporation	Green	2018/12	5	JLM
SMBC	Green	2018/12	USD 227.8m AUD 83.2m	Sole-Manager
Tokyo Metropolitan prefecture	Green	2017/12	AUD 117m	JLM

GSS Miscellaneous Bonds (FY2017~FY2019 YTD)

Issuer	Bond Category	Date	Amount	SMBC Nikko Role
Aruhi Corp (Green RMBS)	Green	2020/01	5.04	Sole-Manager

Note: As of July 31st, 2020

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