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OPENING REMARKS

Ms. Benedicta Du-Baladad
Co-Chair
Capital Market Development Council
ASEAN+3 BOND MARKETS: RECENT REGULATORY AND MARKET DEVELOPMENT AND FUTURE OUTLOOK

Mr. Donghyun Park
Principal Economist
Asian Development Bank
Key Messages

➢ Asian economies are recovering but at divergent speeds. The recovery of global trade is giving a big boost to the entire region.

➢ Between 28 February and 25 July, bond yields, equities, and currencies in emerging East Asia declined over economic growth concerns due to rising COVID-19 cases.

➢ LCY bond market in emerging East Asia expanded to USD20.3 trillion at the end of March, growing at 15.9% y-o-y, a slower pace than Q4 2020.

➢ LCY bonds continued to dominate the regional bond market, highlighting the importance of LCY financing to fund COVID-19 measures.

➢ The risk outlook for regional financial markets remains tilted to the downside. Uncertainty over recovery prospects due to COVID-19 and possible monetary tightening in response to inflationary pressures are the main concerns.
The pandemic lingers, and vaccination progress varies widely across the region.

A new wave of COVID-19 cases arose in 2021, peaking in mid-May

Vaccination is progressing in many economies, but developing Asia is still far from achieving herd immunity

**Covid-19 daily cases**

- New cases, 7-day moving average, per million population
- Note: Vertical line on 31 March 2021 denotes the data cutoff for the April 2021 ADO. Data is as of end of June.

**Total doses administered per 100 people**

- Note: Developing Asia average is a population-weighted average. Only economies with 15 doses per 100 people or more are shown.

**Sources:** Bloomberg (accessed 1 July 2021).
Divergent recovery continues, with many outbreak-affected economies downgraded.

<table>
<thead>
<tr>
<th>Region</th>
<th>April 2021</th>
<th>July ADOS</th>
<th>April 2021</th>
<th>July ADOS</th>
<th>April 2021</th>
<th>July ADOS</th>
<th>April 2021</th>
<th>July ADOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>7.4</td>
<td>7.5 ▲</td>
<td>5.1</td>
<td>5.1</td>
<td>4.4</td>
<td>4.0 ▼</td>
<td>5.1</td>
<td>5.2 ▲</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>4.6</td>
<td>6.2 ▲</td>
<td>4.5</td>
<td>3.4 ▼</td>
<td>4.5</td>
<td>4.1 ▼</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>People’s Rep. of China</td>
<td>8.1</td>
<td>8.1</td>
<td>5.5</td>
<td>5.5</td>
<td>6.0</td>
<td>5.5 ▼</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>3.5</td>
<td>4.0 ▲</td>
<td>3.1</td>
<td>3.1</td>
<td>4.5</td>
<td>4.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Taipei, China</td>
<td>4.6</td>
<td>5.6 ▲</td>
<td>3.0</td>
<td>3.0</td>
<td>6.0</td>
<td>6.3 ▲</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>South Asia</td>
<td>9.5</td>
<td>8.9 ▼</td>
<td>6.6</td>
<td>7.0 ▲</td>
<td>6.7</td>
<td>5.8 ▼</td>
<td>7.0</td>
<td>7.0</td>
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<tr>
<td>India</td>
<td>11.0</td>
<td>10.0 ▼</td>
<td>7.0</td>
<td>7.5 ▲</td>
<td>1.4</td>
<td>0.3 ▼</td>
<td>3.8</td>
<td>4.0 ▲</td>
</tr>
<tr>
<td>Central Asia</td>
<td>3.4</td>
<td>3.6 ▲</td>
<td>4.0</td>
<td>4.0</td>
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<tr>
<td>Kazakhstan</td>
<td>3.2</td>
<td>3.4 ▲</td>
<td>3.5</td>
<td>3.5</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Developing Asia</td>
<td>7.3</td>
<td>7.2 ▼</td>
<td>5.3</td>
<td>5.4 ▲</td>
<td>7.7</td>
<td>7.5 ▼</td>
<td>5.6</td>
<td>5.7 ▲</td>
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<tr>
<td>Excluding NIEs</td>
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</tr>
</tbody>
</table>

▲ = upgraded forecast, ▼ = downgraded forecast, no sign = unchanged.

Source: Asian Development Outlook database.
Bond yields fell in the region, largely due to uncertainty in recovery pace amid rising COVID-19 cases.

Note. Data reflect changes between 28 February and 25 July 2021.
Source: AsianBondsOnline calculations based on Bloomberg LP data.
Equity and currency markets showed declines

Equity market echoes economic performance and covid cases patterns

Dynamics in regional equity markets

Regional currencies weakened in Q2 2021

Changes in FX rates (against the USD)

Note. Data reflect changes from 28 February to 31 March and 31 March to 25 July 2021.
Source: AsianBondsOnline calculations based on Bloomberg LP data.

Note. Data coverage is from 1 January 2020 to 25 July 2021.
Source AsianBondsOnline calculations based on Bloomberg LP data.
Risk premiums were stable, and capital inflows were recorded in June.

Credit Default Swap spreads remain stable…

Bond markets experienced net inflows in Q2 2021

Note. Data coverage is from 1 January 2020 to 25 July 2021.
Source: Bloomberg LP.

Note. Data coverage is from June 2020 to June 2021.
Source: AsianBondsOnline.
Local currency bond markets expanded further during the pandemic.

LCY bond market in emerging East Asia reached USD20.3 trillion by Q1 2021.

LCY bond market growing by 2.2% q-o-q and 15.9% y-o-y in Q1 2021.

Note: ASEAN comprises Indonesia; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.


Note: Emerging East Asia comprises the People’s Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Local currency bonds dominate regional bond markets

Share of LCY and FCY Bonds Outstanding

Note: Data as of 31 March 2021.
Source: AsianBondsOnline.
Banks are important domestic investors and more diversified investor bases are needed.

Changes in Domestic Investor Profile

Note: Others include central banks, governments, individuals, securities companies, custodians, private corporations, and all other investors not elsewhere classified.

Source: AsianBondsOnline.
Welcome! AsianBondsOnline is a one-stop source of information on bond markets in emerging East Asia.

TrackingAsia is a simple tool that brings together a broad set of economic information to give a timely measure of macroeconomic activity in selected economies in Asia. Its framework can complement the monitoring toolkit of decision makers and economy watchers to capture the state and course of Asian economies.

Key Macroeconomic Indicators

<table>
<thead>
<tr>
<th>Economy</th>
<th>GDP (%) year on year</th>
<th>Inflation (%) year on year</th>
<th>Manufacturing PMI</th>
<th>Industrial Production (%) year on year</th>
<th>Exports (%) year on year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong, China</td>
<td>7.9 (Q1 2021)</td>
<td>0.8 (Mar 2021)</td>
<td></td>
<td></td>
<td>24.4 (Q1 2021)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-0.7 (Q1 2021)</td>
<td>1.7 (Mar 2021)</td>
<td>55.3 (May 2021)</td>
<td>2.0 (Jun 2021)</td>
<td>58.8 (Mar 2021)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-0.5 (Q1 2021)</td>
<td>4.7 (Mar 2021)</td>
<td>51.3 (Mar 2021)</td>
<td>50.1 (Jul 2021)</td>
<td>62.7 (Mar 2021)</td>
</tr>
<tr>
<td>People's Republic of China</td>
<td>18.3 (Q1 2021)</td>
<td>1.3 (Mar 2021)</td>
<td>52.0 (May 2021)</td>
<td>9.8 (Jun 2021)</td>
<td>30.1 (May 2021)</td>
</tr>
<tr>
<td>Philippines</td>
<td>4.2 (Q1 2021)</td>
<td>4.5 (May 2021)</td>
<td>49.9 (May 2021)</td>
<td>164.1 (Aug 2021)</td>
<td>72.1 (Aug 2021)</td>
</tr>
</tbody>
</table>

Visit [https://asianbondsonline.adb.org/](https://asianbondsonline.adb.org/)
DEVELOPING SUSTAINABLE FINANCE: RECENT TRENDS AND IMPLICATIONS FOR INSTITUTIONAL INVESTORS

Ms. Shu Tian
Economist
Asian Development Bank
DEVELOPING SUSTAINABLE FINANCE: RECENT TRENDS AND IMPLICATIONS FOR INSTITUTIONAL INVESTORS

Shu Tian
Economist
Asian Development Bank
July 2021
Green and social finance grew rapidly in recent years

• Advanced economies still dominate the global green and social finance landscape.
• But developing Asia leads emerging markets in terms of green, social and sustainability bonds, as well as regulation and policy guidance.

Global Green Bond Issuance by Region

Global Social Bond Issuance by Region

Source: AsianBondsOnline computations based on Bloomberg LP data.
Sustainable bond market in ASEAN+3 reached USD345.2 billion at the end of June 2021

Outstanding Amount of Green, Social, and Sustainability Bonds in ASEAN+3 Markets

Issuance of Green, Social, and Sustainability Bonds in ASEAN +3 Markets

Note: ASEAN+3 includes ASEAN members plus the People’s Republic of China; Hong Kong, China; the Republic of Korea, and Japan.
Source: ASEAN+3 Sustainable Bonds Highlights, July 2021.
Social and sustainable bonds continued to expand while LCY issuances dominate

Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 (% share of total)

Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Currency

Note: ASEAN+3 includes ASEAN members plus the People’s Republic of China; Hong Kong, China; the Republic of Korea, and Japan.
Source: ASEAN+3 Sustainable Bonds Highlights, July 2021.
Financial firms are major players in the ASEAN+3 sustainable bonds

Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Sector of Issuer

Note: ASEAN+3 includes ASEAN members plus the People’s Republic of China; Hong Kong, China; the Republic of Korea, and Japan.

Source: ASEAN+3 Sustainable Bonds Highlights, July 2021.
ASEAN accounts for near 20% of regional sustainability bond markets

Outstanding Green, Social, and Sustainability Bonds in ASEAN +3 by Economy

Note: ASEAN+3 includes ASEAN members plus the People’s Republic of China; Hong Kong, China; the Republic of Korea, and Japan.
Source: ASEAN+3 Sustainable Bonds Highlights, July 2021.
The expansion of sustainable finance can be sustained with financial motives.

- Increased demand from investors
- Changing stakeholder preferences
- Seeking greater resilience to shocks
- Hedging and mitigating climate related risks

Increased demand from investors
Financial motives drive companies towards SDGs

After the ratification of the Kyoto Protocol, high emitting Australian firms witnessed increase in relative financing costs

Stock prices respond positively to green bond issuance announcements in Asia

0.5% 16-day cumulative abnormal stock return around announcement of green bond issuance (8% annualized)
Green finance sends a credible signal of commitment to environmental impact

At the firm level, Asian green bond issuers improved their average environmental performance score by 17% and 30% one year and two years after green bond issuance.

At the market level, countries witnessed a decrease in carbon emission after the first green bond issuance in the market.

### Percentage change in environmental score after green bond issuance

<table>
<thead>
<tr>
<th>Time</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year post issuance</td>
<td>17%</td>
</tr>
<tr>
<td>2 year post issuance</td>
<td>30%***</td>
</tr>
</tbody>
</table>

### Average percentage reduction in CO2 emissions across different countries after first green bond issuance for two sample periods

<table>
<thead>
<tr>
<th>Period</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2019</td>
<td>-0.37%***</td>
</tr>
<tr>
<td>2000-2019</td>
<td>-0.77%***</td>
</tr>
</tbody>
</table>
Policies are nurturing green and social finance in Asia

- **Align finance with SDGs while safeguarding financial stability**
  - Develop standards of disclosure and impact metrics aligned with international practice
  - Incorporate sustainability risks into micro- and macroprudential frameworks
  - Improve market infrastructure and ecosystem

- **Mobilize domestic resources**
  - Adopt effective tax policies to increase revenues for SDG oriented fiscal measures

- **Guide private capital**

- **Strengthen public finance**

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- **Mobilize domestic resources**
  - Adopt effective tax policies to increase revenues for SDG oriented fiscal measures

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Key Messages

• The rapid growth of private green and social finance in recent years is sustainable as it is increasingly driven by financial considerations.

• Evidence confirms positive environmental and social impacts of sustainable finance in Asia.

• Engaged public policy is central for nurturing social and environmental finance. Policy to enforce common standards of disclosure and impact measurement will significantly benefit the market.
POLICIES TO DEVELOP SUSTAINABLE FINANCE MARKET AND BROADEN INVESTOR BASE IN THE PHILIPPINES

Panelist:
Mr. Kelvin Lester K. Lee, Commissioner, SEC

Ms. Thea Josefina Natalia W. Santos, Director and Head of Capital Markets and Trust Supervision Department, BSP

Mr. Camilo Carl I. Roque, IC Director I, Technical Services Group, Officer-In-Charge, Investment Services Division, IC

Moderator:
Mr. Rob Fowler, Sustainable Finance Expert, ADB
SEC POLICIES TO DEVELOP A SUSTAINABLE FINANCE MARKET AND BROADEN INVESTOR BASE
Environment

Social

Governance

E  S  G
Growth of Sustainable Funds

Inflows hit $185.3 billion in Q1 of 2021

Total assets nearly $2 trillion in Q1 of 2021

17% Increase from Q4 of 2020

Source: https://www.reuters.com/business/sustainable-business/sustainable-fund-inflows-hit-record-high-q1-morningstar-2021-04-30/
US investors plan to increase ESG investment either significantly or moderately by the end of 2021.

Covid-19 accelerated move to ESG

“The move towards incorporating environmental, social and governance (ESG) considerations into investment decisions accelerated due to the pandemic, transitioning from a side-fund to a main-fund issue.”

Asia-Pacific investors plan to increase ESG investment either significantly or moderately by the end of 2021.

Source: MSCI 2021 Global Institutional Investor survey
SEC: Ongoing and Planned Initiatives

1. Promotion of Investments in ESG Products
2. Encouragement for sustainable business practices
Sustainability Reporting Initiative

- 2030 SDGs
- Economic, Environmental and Social aspects
- Non-financial performance
- PLCs
- AmBisyon Natin 2040
SEC TAKES TOP HONORS IN UN SUSTAINABILITY REPORTING AWARDS
Green, Social and Sustainability Bond Standards

2018
ASEAN Green Bonds

2019
ASEAN Social Bonds

2019
ASEAN Sustainability Bonds
ASEAN-labellede Green, Social, and Sustainability Bonds

Green Bonds

Social Bonds

Sustainability Bonds

US$12.18 billion

35%

US$4.23 billion

Philippine Companies

as of May 31, 2021
Development of Sustainable and Responsible Investment Funds

1. Environment
2. Social
3. Governance

ESG Factors into Investment Process
Roadmap for ASEAN Sustainable Capital Markets

Priority Area I
STRENGTHENING FOUNDATIONS

Priority Area II
CATALYSING PRODUCTS & ENABLING ACCESS TO UNDER-SERVED AREAS

Priority Area III
RAISING AWARENESS & CAPACITY BUILDING

Priority Area IV
INCREASING CONNECTIVITY

ASEAN Sustainable and Responsible Fund Standards
Doing Business 2020 Report
SEC Policy of Strengthening Minority Investor Protection

Company Disclosures

- Requiring greater disclosure of transactions with interested parties
- Enhancing director liability for transactions with interested parties
2021 Ease of Doing Business Summit

Doing Business Competitiveness Ranking Mover

Protecting Minority Investors (PMI)

"Big Impact Indicator"

"Most Improved Indicator"
Rules allowing minority shareholders in publicly listed companies to call special stockholders’ meetings

Rules empower minority shareholders to better protect and advance their interests

Rules help listed firms have a wider perspective and be more inclusive in their decision-making process.

SEC Memorandum Circular No. 7 Series of 2021

Protecting Minority Investors
SEC WINS GLOBAL AWARD FOR ADVOCATING GOOD CORPORATE GOVERNANCE
Disclosures

Policy and process on how they will discharge their stewardship responsibilities.

Management of conflicts of interest voting policies and activities.

Incorporation of sustainability considerations including ESG issues into their investment analysis and activities.

Policy and process on how they will discharge their stewardship responsibilities.

Policy and process on engagement with other shareholders of the investee companies;
SEC PHILIPPINES: 4TH SIGNATORY OF ASEAN CIS FRAMEWORK
SEC Philippines Journey: ASEAN CIS

01 Regulatory Mapping Exercises

02 Resolve Regulatory Gaps

03 Harmonize Local Rules with ASEAN

04 Independent Oversight Entity and Rules on Investment in Financial Derivatives
CROSS-BORDER OFFERING OF CIS

ASEAN CIS FRAMEWORK

Thailand

Malaysia

Philippines

Singapore
“We are the gateway to doing business in the Philippines. We provide a competitive and secure environment for easy company registration, efficient capital formation, and broad investor participation.”
Thank you!
The BSP’s Policies to Develop the Sustainable Finance Market

Creating Sustainable and Responsible Investment Portfolios
30 July 2021
Enabling regulations for BSFIs

In the pipeline...

Environmental and Social Risk Management Framework covering
- Credit Risk Management
- Operational Risk Management

Under consideration...

Investment Guidelines

Want to have...

Market Risk Management
Liquidity Risk Management
BSP’s role as mobilizer

- Sustainable Central Banking Roadmap
- Investment in BIS green bond fund
- EMEAP agreement to promote green bond investment
BSP’s support to capital market development

- Simplified issuance of bank bonds
  - Circular No. 1010
- Streamlining of UITF licensing
  - Forthcoming
- Promotion of digital transactions
  - Digital Payments Transformation Roadmap
- Consumer protection
  - Sales and Marketing Guidelines, Circular No. 1048

<a href="https://www.streamlinehq.com">Free Phone Banknote PNG illustration by Streamline</a>
EXPERIENCE SHARING: INTEGRATING ESG AS PART OF PRODUCT DEVELOPMENT AND INVESTMENT STRATEGIES

Ms. Edris Boey
Head of ESG Research, Maitri Asset Management, Singapore

Mr. Jason Mortimer
Head of Sustainable Investment – Fixed Income and Senior Portfolio Manager, Nomura Asset Management, Japan

Mr. Henry Loh, Investment Manager, Aberdeen Standard Investments, Singapore
SPECTRUM OF ESG INVESTING

Adapted from: Driving ESG Investing in Asia - The Imperative for Growth by Oliver Wyman & Asian Venture Philanthropy Network (AVPN) 2018
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Adapted from: Driving ESG Investing in Asia - The Imperative for Growth by Oliver Wyman & Asian Venture Philanthropy Network (AVPN) 2018
Q&A
NEXT STEPS AND WRAP-UP

Mr. Satoru Yamadera
Advisor
Asian Development Bank
THANK YOU FOR YOUR PARTICIPATION