



# SUSTAINABLE BOND MARKET DEVELOPMENTS IN EMERGING EAST ASIA

## Session 1

# Preparing for a green bond issuance





# SUSTAINABLE BOND MARKET DEVELOPMENTS IN EMERGING EAST ASIA

## Preparing For A Green Bond Issuance

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# ESG AND SUSTAINABLE FINANCE: TWO SIDES OF THE SAME COIN

## Environment-Social-Governance

- Risk focus
- Looks at how ESG aspects flow through to financial risk
- Used to screen out investments with high ESG risks



## Sustainable Finance

- Impact focus
- Looks at the positive impacts / credentials of investments in terms of sustainability
- Used to identify investments which are ready for the future



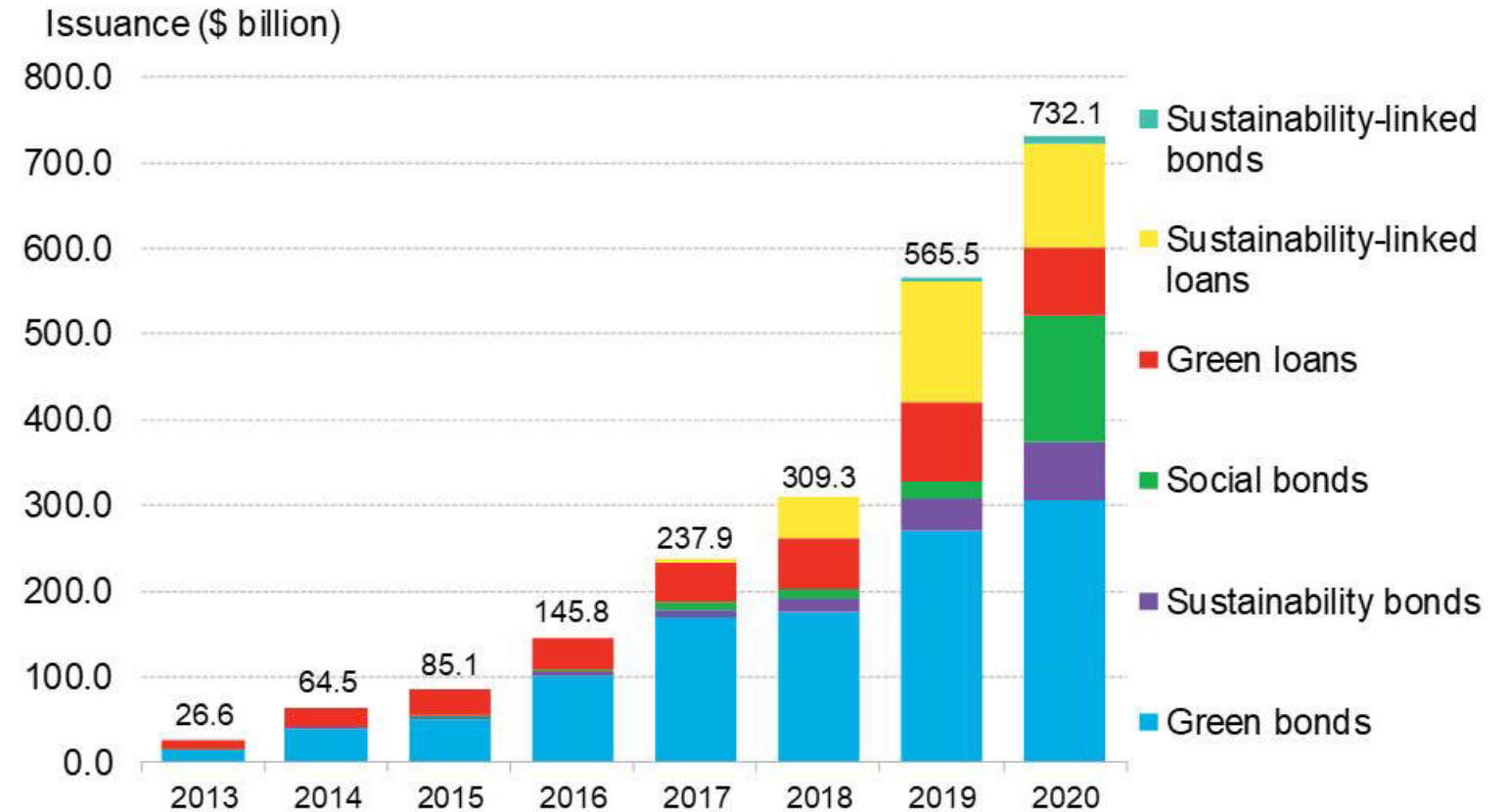


# THE VOLUME OF LABELLED SUSTAINABLE FINANCE PRODUCTS IS NOT KEEPING UP WITH INVESTOR DEMAND

## Issuers are playing catch-up

- All deals are seeing oversubscription and more favorable issuance
- The products are diversifying AND growing strongly at the same time
- Different flavors and structures are a healthy sign of the market maturing to meet the massive demand from AMs and investors

**Figure 1: Global sustainable debt annual issuance, 2013-2020**



Source: BloombergNEF, Bloomberg L.P.



# THE MANY FLAVORS OF SUSTAINABLE FINANCE: GREEN, SOCIAL, SUSTAINABLE, BLUE, GENDER, PANDEMIC, TRANSITION...

## Environmental Focus

- Green
- Climate
- Blue
- Transition

## Social Focus

- Pandemic
- Gender
- Microfinance
- Catastrophe

## Sustainability Focus

- Green + Social = Sustainable
- Sustainable Development Goals (SDGs)

## Instruments

- Bonds
- Loans
- Sukuk
- ABS
- RMBS
- Funds
- ETFs
- Indices



# TWO DIFFERENT STRUCTURES ARE BEING USED IN SUSTAINABLE FINANCE

## Use of Proceeds

- Net proceeds, or equivalent amount, must be allocated to “eligible” projects, assets or activities
- Provides direct “line of sight” between the investor high up in the tree and the eligible assets on the ground
- Enables different levels of the investment chain to issue debt and refinance their own book, such as banks or public funding agencies
- Requires definitions of what is eligible
- Getting difficult to find enough product to meet investor demand

## Sustainability Linked

- Financing deal has step-up or step-down (or both) depending on the issuer / borrower achieving specified targets related to sustainability
- Cost to achieve the target is not related to the size of the financing
- Very large Revolving Credit Facilities with sustainability targets have recently emerged
- Difficult for investors high up in the tree to add up their contribution
- Challenges to identify whether targets for specific issuer / borrower situations are ambitious enough



# USE OF PROCEEDS STRUCTURES: PILLARS AND DEFINITIONS ARE KEY

## Global Good Practice has been set

- The Green Bond Principles (GBPs) have been important for establishing good practice in all capital markets
- Developed by issuers, investors and banks, and published by ICMA
- GBPs have four pillars to guide issuers on systems and transparency:  
Use of proceeds; Selection process; Management of proceeds; Reporting
- Plus an External Review to check it all
- Also have Social Bond Principles and many other useful guidance  
<https://www.icmagroup.org/sustainable-finance/>

## Definitions: What is “green” enough?

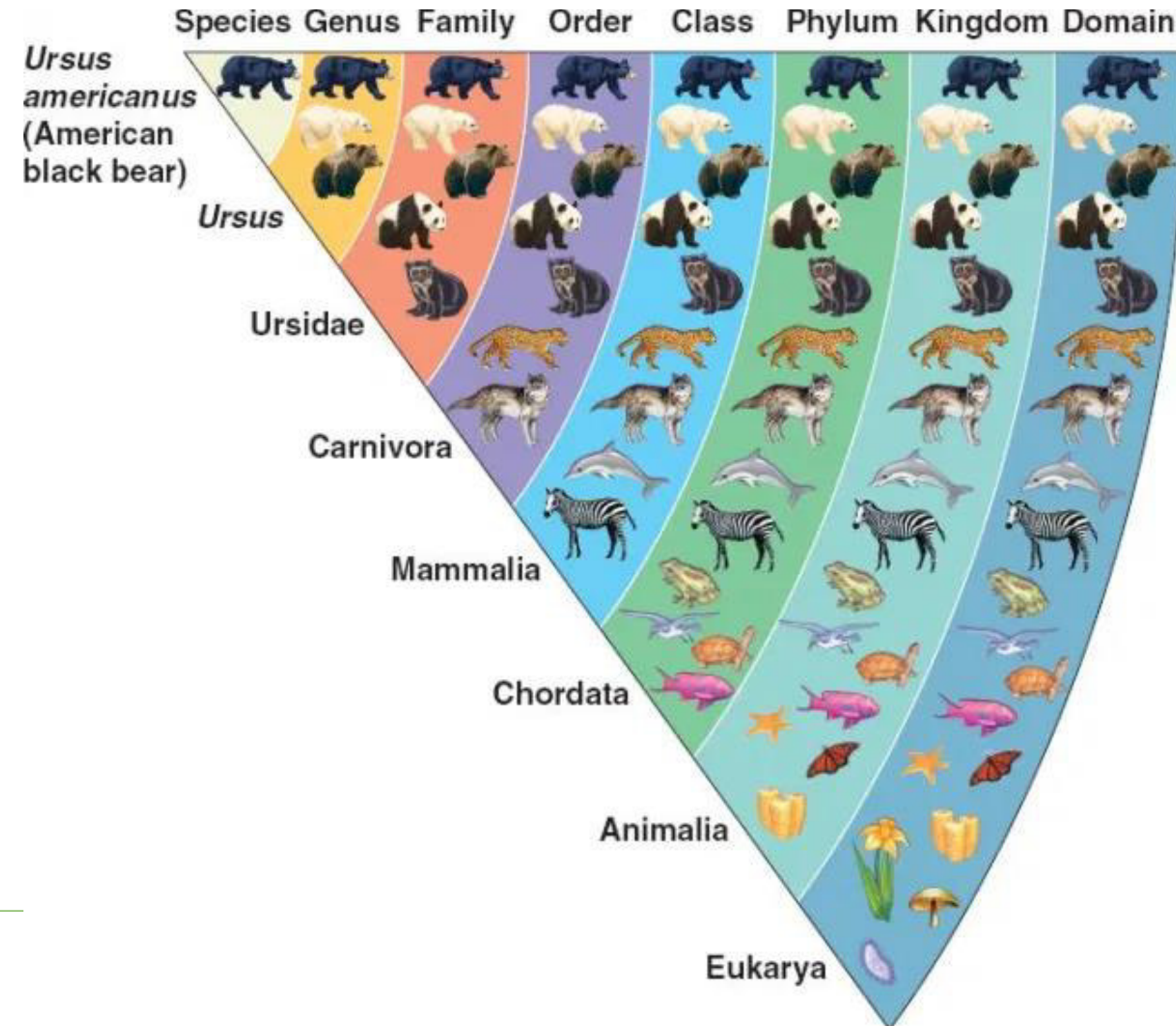
- Can include investments and expenditures
- Past, present and future outlays are all ok
- Definitions are emerging every where and consistency is a key challenge
- “Taxonomy” has been adopted to describe the list of categories, definitions and criteria
- Everyone needs one... with the objective of “globally consistent and locally relevant”
- EU has created maximum complexity while China has a much more practical approach
- What will ASEAN produce?



# “TAXONOMY” HAS BECOME A BUZZ WORD IN CAPITAL MARKETS WORLDWIDE

## What is a Taxonomy?

- Normal use of the word is in biology:  
“Taxonomy is the process of naming and classifying things such as animals and plants into groups within a larger system, according to their similarities and differences”
- In the Sustainable Finance context, the word taxonomy is used to describe a classification system which establishes a list of environmentally sustainable projects, assets and activities.
- Complexity of the classification system is a key factor for developers and users of these tools.  
Too simple and it may allow greenwashing.  
Too complex and no-one will want to use it.





# ASEAN IS MOVING AHEAD WITH ITS OWN TAXONOMY APPROACH

- The ASEAN Taxonomy Board (ATB) is set up under the auspices of the ASEAN Finance Ministers and Central Bank Governors' Meeting (AFMGM) and is jointly driven by the ASEAN Capital Markets Forum (ACMF), the ASEAN Insurance Regulators' Meeting (AIRM), the ASEAN Senior Level Committee on Financial Integration (SLC) and ASEAN Working Committee on Capital Market Development (WC-CMD).
- The ATB will develop, maintain and promote a multi-tiered ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) that will identify economic activities that are sustainable and help direct investment and funding towards a sustainable ASEAN.
- The ASEAN Taxonomy will be the overarching guide for all ASEAN Member States (AMS), complementing their respective national sustainability initiatives and serving as ASEAN's common language for sustainable finance. It will be designed to ensure that AMS have a framework that suits their economic and social structures that other frameworks may not be able to address.
- Transition is a key element of ASEAN's sustainability agenda and the ASEAN Taxonomy will incorporate an effective pathway to enable an orderly transition.



# APPROACHES TO RECOGNITION OR CERTIFICATION OF A GREEN BOND

**VARIOUS APPROACHES AROUND THE WORLD AND AT DIFFERENT LEVELS OF COVERAGE.**



# LABELLING OF TRANSACTIONS IS A SUBSTANTIAL PROCESS

## Outline of the Labelling Process



ADB has created a Green Bonds section on the Asian Bonds Online website. This includes 12 factsheets which step through the labelling process in detail.  
<https://asianbondsonline.adb.org/green-bonds/index.html>

# THE FIRST THREE STEPS ARE FOCUSED ON INTERNAL WORK

## Identifying green projects and assets

- Selecting an Appropriate Set of Green Definitions
- Creating the List
- Tracking and Information Flows
- Managing the Green Portfolio Over Time

## Developing a Green Bond or Sustainable Finance Framework

- Expected Contents
- Clarity of the Issuer's Narrative
- Flexibility and Updating
- Leveraging Successful Examples

## Confirming Internal Processes and Controls

- Leveraging Existing Arrangements
- Creating New Groups and Conversations
- Documentation of Procedures
- Decision-Making, Disclosure, and Governance





# IDENTIFYING GREEN PROJECTS AND ASSETS

Projects, Assets, and Expenditures Eligible for Inclusion in a Green Bond

## Owned Projects and Assets

- **Physical assets:** Existing and operational equipment, machinery, infrastructure, buildings, or land
- **Projects:** Equipment, machinery, infrastructure and/or buildings in construction, redevelopment, (e.g., upgrades, expansion); and similar asset-value creation or enhancement activity

## Financing Arrangements for Projects and Assets

- Capital expenditure undertaken to increase the value and/or lifetime of the physical assets or projects
- Acquisition costs or purchase price for an entity (e.g., company, division or similar)
- Long leaseholds on land, buildings, and infrastructure; or leasing structures resulting in right-of-use assets and liabilities
- Loans and mortgages
- Subsidies, taxes and other incentives, credit schemes and grants, and other similar arrangements provided by public entities or agencies, including local and national governments

## Related and Supporting Expenditures

- Relevant installation and routine maintenance expenditure and upgrades undertaken to maintain the value and/or lifetime of the asset
- Relevant performance monitoring costs with respect to tracking climate credentials (e.g. GHG emissions) and climate information services
- Relevant research and development, training, and program implementation costs and expenditures

GHG = greenhouse gas.

Source: Climate Bonds Standard version 3.0.



# ISSUERS NEED A SPECIFIC LIST OF GREEN PROJECTS, ASSETS, AND EXPENDITURES

## CREATING THE LIST

The issuer needs to prepare documents and internal procedures to do the following:



Identify the green projects and assets that are proposed to be associated with the green bond and that have been assessed as likely to be eligible;



Establish a list of green projects and assets that can be kept up-to-date during the full term of the green bond;



Establish, document, and maintain a decision-making process to determine the eligibility of the green projects and assets in the list; and



Establish, document, and maintain a process to identify and manage potentially material social and environmental risks associated with the projects.



# DEVELOPING GREEN BOND OR SUSTAINABLE FINANCE FRAMEWORK

## GREEN BOND FRAMEWORK

A

A statement on the green objectives of the green bond;

B

How the green objectives of the green bond are positioned within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;

C

Confirmation that the bonds that will be issued under the green bond framework are aligned with one or more established approaches to labeling. This may include statements of alignment with applicable standards such as the Green Bond Principles, the Association of Southeast Asian Nations Green Bond Standards, the Climate Bonds Standard, or local or regional regulations or guidelines;

D

A summary of the green projects and assets that will be associated with the green bond such as sectors covered or geographic distribution;

E

The list of proposed green projects and assets associated with the green bond (if this is available and/or can be disclosed prior to issuance of the green bond);

F

A description of the decision-making process that has been used to select the green projects and assets;

G

A summary of the approach to the management of unallocated proceeds from the green bond and the expected timeline for green bond proceeds to be fully allocated;

H

An estimate of the share of the green bond proceeds that will be used for financing new green projects and assets and the share used for refinancing existing green projects and assets, including the relevant green projects and assets or investment areas that may be refinanced and how long since those green projects and assets were originally financed; and

I

The intended approach to providing update reports while the green bond remains outstanding.





# DOCUMENTATION OF PROCEDURES IS A KEY STEP FOR THE ISSUER



## Selection of green projects and assets

The selection process determines whether the green projects and assets meet the relevant eligibility requirements of the chosen set of green definitions or taxonomy. This should include any green standards or certifications referenced in the selection criteria. It can also refer to exclusion criteria or any other process applied to identify and manage potentially material environmental, social, or governance risks associated with the projects and assets.

## Management of the green bond proceeds

These need to cover three key aspects with respect to management of proceeds:

### ► Tracking of proceeds

The proceeds of the green bond can be credited to a subaccount, moved to a sub-portfolio (often called “ring-fencing” of proceeds), or otherwise tracked by the issuer in an appropriate manner and documented (often called “earmarking” of proceeds).

### ► Earmarking funds to green projects and assets

An earmarking process can be used to manage and account for funding to the green projects and assets and enables estimation of the share of the green bond proceeds being used for financing and refinancing.

### ► Managing unallocated proceeds

The balance of the green bond proceeds that have not yet been allocated to green projects and assets can be managed so that the proceeds are not being used for nongreen projects and assets. This usually involves holding cash or cash-equivalent instruments as part of a broader Treasury function.



## Reporting on allocations, eligibility, and impact

This refers to processes to bring together all of the relevant information and provide robust reports for internal and external audiences. See further details on reporting in Factsheet 11.





# REPORTING IS A KEY FOCUS FOR POTENTIAL INVESTORS AND OTHER STAKEHOLDERS

## Reporting on Allocations and Green Credentials

- Two approaches to allocation of proceeds
- Satisfying Green Eligibility Requirements
- Investor and Market Expectations
- Reporting Formats and Channels

## Setting Up for Impact Reporting

- Output–Outcome–Impact Frameworks
- Examples of Impact Indicators
- Ex-Post versus Ex-Ante Reporting
- Data and Systems



# APPROACHES TO ALLOCATION OF PROCEEDS



**Ringfencing.** This occurs when the issuer decides to separate the proceeds from its business-as-usual operations by putting the proceeds into a specific subaccount or sub-portfolio. For instance, ring-fencing could happen when a portfolio of solar farms is being financed and the proceeds are held in a special purpose vehicle for each of the wind farms.



**Earmarking.** The proceeds enter the balance sheet of the issuer and are matched up, or “allocated,” to the issuer’s list of green projects and assets so that the proceeds are “tracked by the issuer in an appropriate manner”. There is no segregation of proceeds in separate subaccounts. This is common practice among issuers of green bonds (including sovereign issuers) and is widely used to finance future capital investment or to refinance investments in longer-term projects.



# EXAMPLES OF IMPACT INDICATORS

**Examples of the impact indicators for green projects and assets include the following:**

## **Renewable energy**

- o energy capacity installed
- o electricity generated
- o greenhouse gas emissions reduced or avoided
- o number of households provided with access to clean power

## **Green buildings**

- o greenhouse gas emissions performance of buildings
- o certifications under recognized building rating systems

## **Clean transportation**

- o number of passengers carried by public transport
- o number of electric vehicles manufactured
- o reduction in number of cars required due to public transport options being available

## **Sustainable water infrastructure**

- o volume of wastewater treated
- o number of new access points for clean water
- o decrease in water use from investments in better water management assets



# EXTERNAL REVIEW IS A KEY STEP IN THE LABELLING PROCESS

## Engaging the External Reviewer

- Scoping Out What You Need
- Engagement Contracts
- Pre-Issuance and Post-Issuance Assessments
- Pricing and Timing Expectations

## Managing the External Review Process

- Sharing Information with the External Reviewer
- External Review Procedures
- Draft Reports and Close-Out Processes
- Form and Use of Final Reports

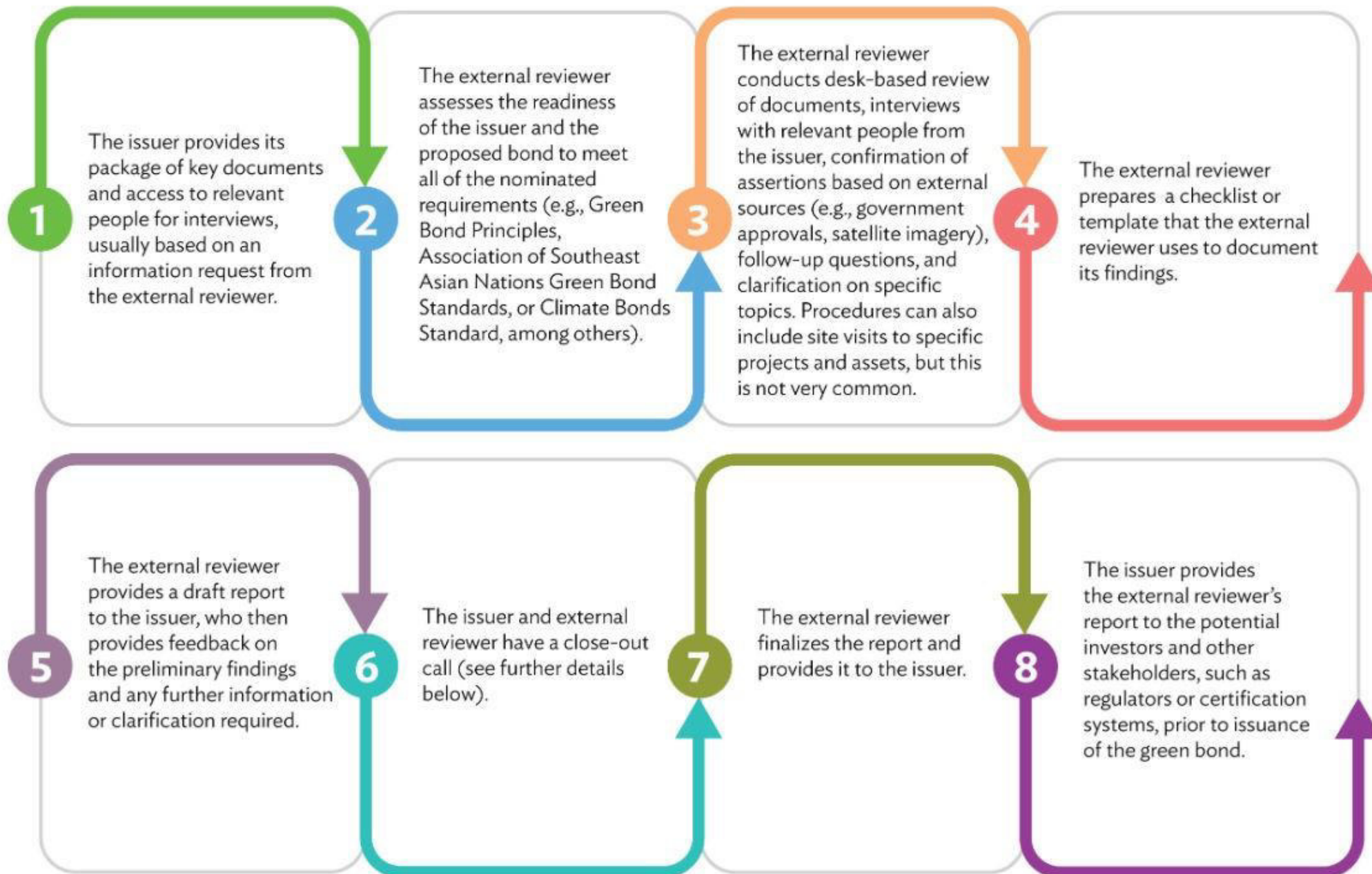
## Seeking Certification or Recognition

- Investor and Market Expectations
- International versus Regional versus National Approaches
- Pathways for Recognition
- Key Decision Points





## EIGHT STEPS FOR AN EXTERNAL REVIEW, FROM THE ISSUER'S PERSPECTIVE



# AFTER ISSUANCE THE FOCUS IS ON HARVESTING THE ONGOING BENEFITS

## Media, Stakeholders, Indices, and Listings

- Building Momentum
- Media Formats and Channels
- Index Inclusion
- Listing Platforms

## Post-Issuance Reporting and Disclosure

- Allocations Reporting
- Eligibility Reporting
- Impact Reporting
- Reporting Formats and Channels

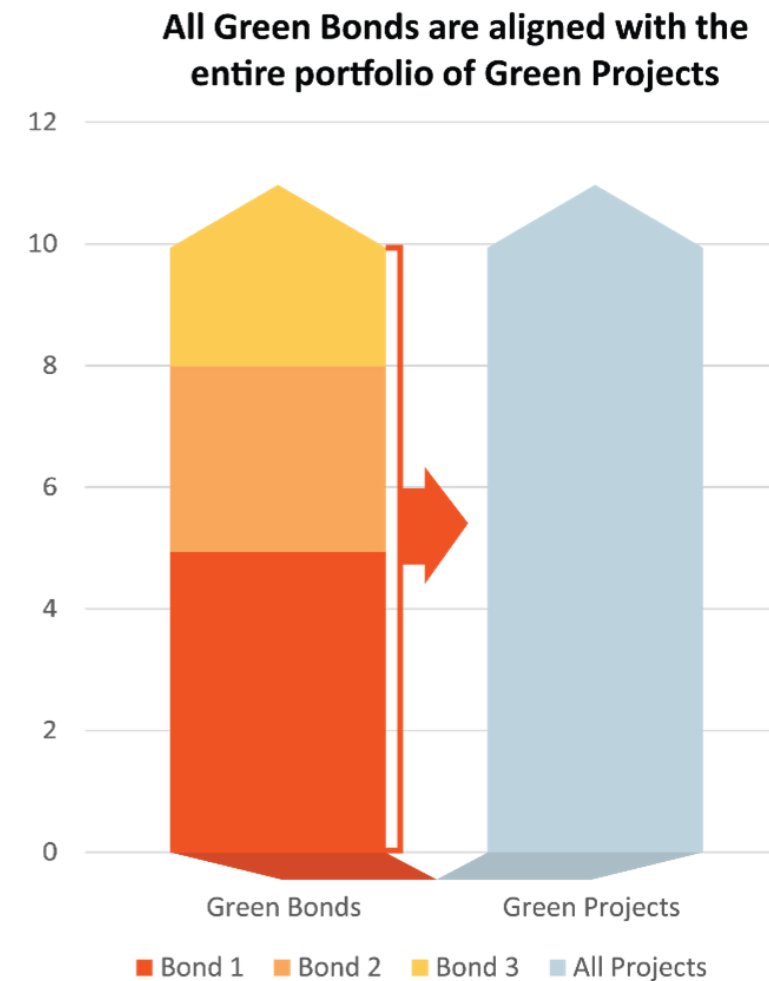
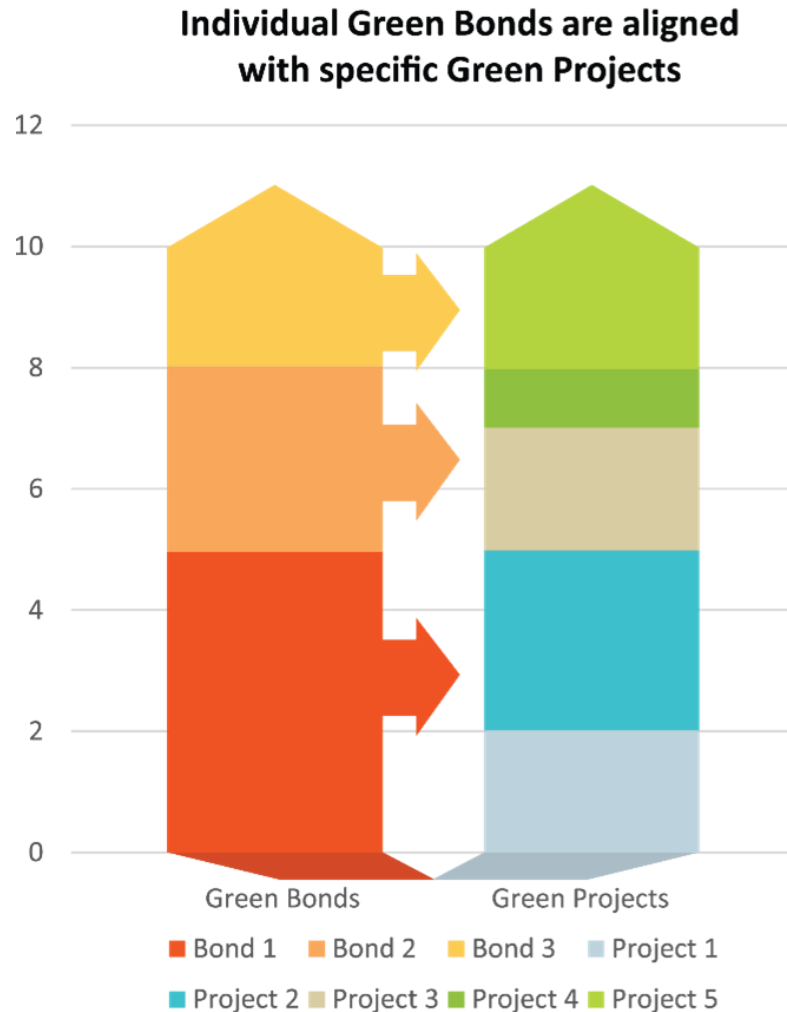
## Further Issuance of Labelled Instruments

- Strong Investor Appetite
- Green, Social, and Sustainable Portfolios
- Tracking the Stacks
- Efficiencies and Transaction Costs



# TRACKING THE STACKS

## Different Approaches to Tracking Green Bonds and Green Projects



# THERE HAVE BEEN THOUSANDS OF ISSUANCES FROM MANY COUNTRIES SO THERE IS INCREASING UNDERSTANDING OF HOW TO DO IT WELL

## Key lessons from labelling experience to date

1. Labelling a bond / loan / sukuk / etc is essentially a marketing tool so it should be aligned with other branding and messaging to have maximum effect
2. Transparency is what investors want and expect from sustainable finance products, both before the transaction and from the ongoing reporting
3. This green / sustainable / ESG trend is not going away
4. Pricing benefit is possible but other benefits dominate for issuers and borrowers
5. Almost all treasurers who label a transaction want to figure out how to do another





# FREQUENTLY ASKED QUESTIONS FROM ISSUERS

- How much does it cost?
- What are the benefits in terms of cost of capital?
- How much time will it take to prepare everything?
- Will it distract the deal team from the core objective of capital raising?
- Will I get my name in the newspaper / industry news?
- Will my kids think I am awesome for trying to save the planet?
- What are the risks?
- What happens if it goes badly?
- Is this new focus on green and sustainable really going to last?





# THANK YOU

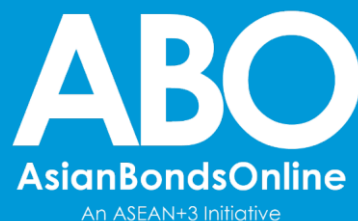
## FOR FURTHER INFORMATION:

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# SUSTAINABLE BOND MARKET DEVELOPMENTS IN EMERGING EAST ASIA

## Issuing Green Bonds: The AC Energy Experience

**Ms. Joyce Dominique J.  
Cotaoco**

Head for Investor Relations and Corporate Planning  
AC Energy Philippines



# Issuing Green Bonds: The AC Energy Experience

Joyce Cotaoco  
Head of Corporate Planning  
and Investor Relations

ADB-SERC Workshop on Sustainable  
Finance for Emerging Markets  
29 November 2021



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# ACEN is the energy platform of the Ayala Group



## CORE VALUE DRIVERS



**Ownership: 44.4%\***

Leading and most diversified property developer in the country with the largest land bank

**Market cap: ~\$10.9 B**



**Ownership: 48.5%\***

Pioneering financial institution and one of the most profitable banks in the country

**Market cap: ~\$8.2 B**



**Ownership: 30.8%\***

Purveyor of the Filipino digital lifestyle supported by a robust telecom infrastructure

**Market cap: ~\$9.3 B**



**Ownership: 62.5%\*\***

One of the fastest growing renewables companies and aspires to be the largest listed renewables platform in Southeast Asia

**Market cap: ~\$9.4 B**

## Emerging Businesses



**Healthcare**



**Logistics**

## Portfolio Investments



\* Ownership & market cap from Philippine Stock Exchange data as of 11 November 2021

\*\* AC's expected ownership of ACEN after the sale of secondary shares from ACEIC to GIC and the issuance of primary shares to UPC and Northwind partners, subject to regulatory and shareholder approvals.



# ACEN Generation Portfolio Overview Pro Forma

Total Net Attributable Capacity<sup>1</sup>

**3,028 MW**

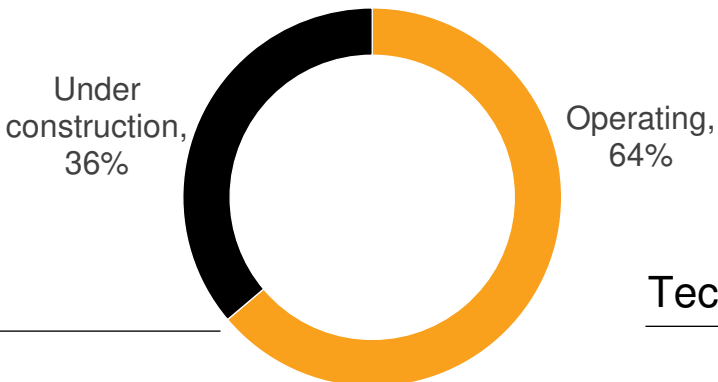
Renewable Capacity<sup>1</sup>

**2,509 MW**

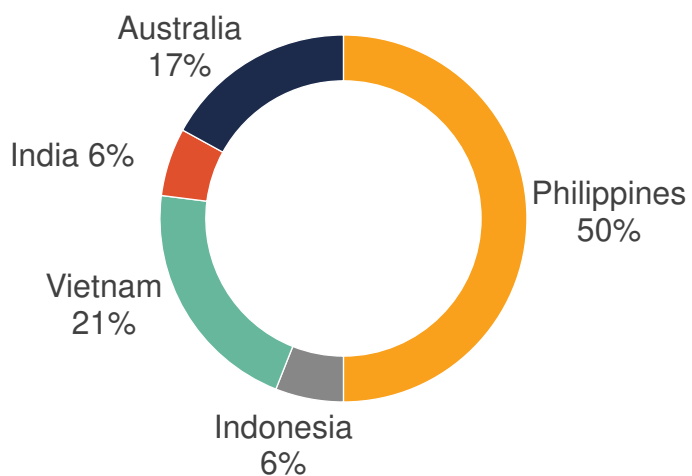
Share of Renewables  
to Total Capacity

**83%**

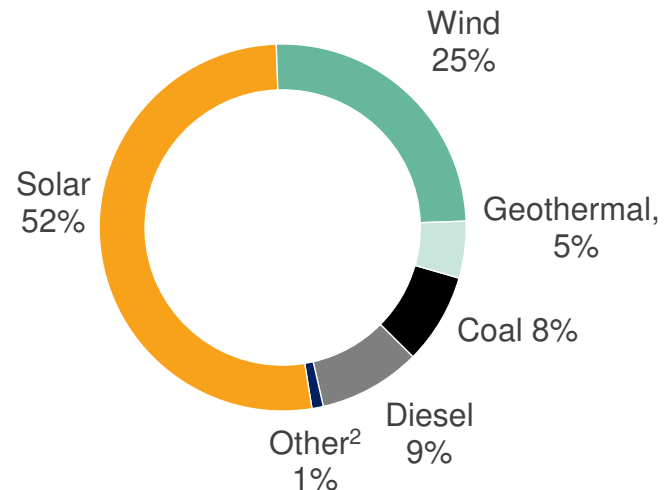
Operating Status



Geography



Technology



1. Pro Forma -- Includes 154 MW in recently announced transactions approved by the Board on 18 Oct 2021, subject to regulatory and shareholder approvals.  
2. Pertains to battery storage, powered by solar



# AC Energy Green Bonds Timeline

2019

February

We launched our maiden bonds and established our **\$1 Bn Medium Term Note (MTN) Programme** utilizing a CBI certified green bond framework in 2019.

The first issuance totaled **\$410 Mn spread across 5-year (\$300 Mn) and 10-year (\$110 Mn) tenors**. ADB and IFC were anchor investors for this tranche.



2020

December

Our second issuance was a **\$400 Mn fixed-for-life bonds (FFL) callable at the option of the Issuer in 2022 (NC2022)**.

The green FFLs were issued and certified by the SEC under the ASEAN green bond framework.

July

Our third issuance was a **\$60 Mn tap** under the \$1 Bn MTN Programme for the 5-year bonds. These bonds have the same maturity date as the existing 5-year green bonds.

December

Our fourth issuance was under a \$2 Bn MTN Programme amounting to **\$300 Mn of FFLs callable at the option of the Issuer in 2025 (NC2025)**.

The green FFLs were issued and certified by the SEC under the ASEAN green bond framework.

2021

September

Listed entity ACEN guaranteed **\$400 Mn of FFLs callable at the option of the Issuer in 2025 (NC2025)**.

The green FFLs were issued and certified by the SEC under the ASEAN green bond framework.

November

**Tender offer** for remainder of US\$400 Mn bonds (5.65% coupon) issued in December 2019.

Liability management deal, after securing lower-cost debt (4.00%)



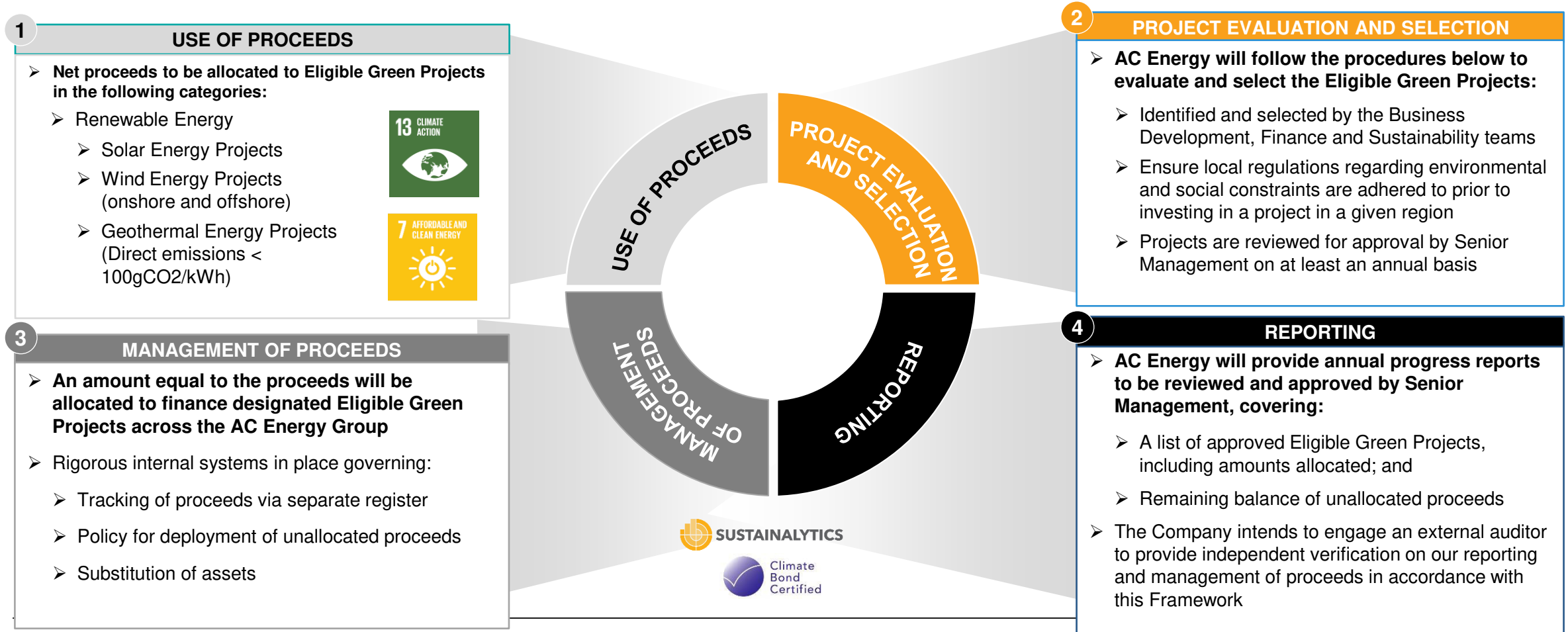
- AC Energy Group's green bond issuances totaled over US\$1 Bn, all of which are listed in the Singapore Stock Exchange.
- We issued the first CBI-certified USD green bonds listed in Southeast Asia.
- The \$410mn issued Green Bonds underwent a rigorous certification process performed by Sustainalytics and CBI.
- All our green bonds also comply with ASEAN Green Bond Standards.



# Increased Focus on Sustainable Investing

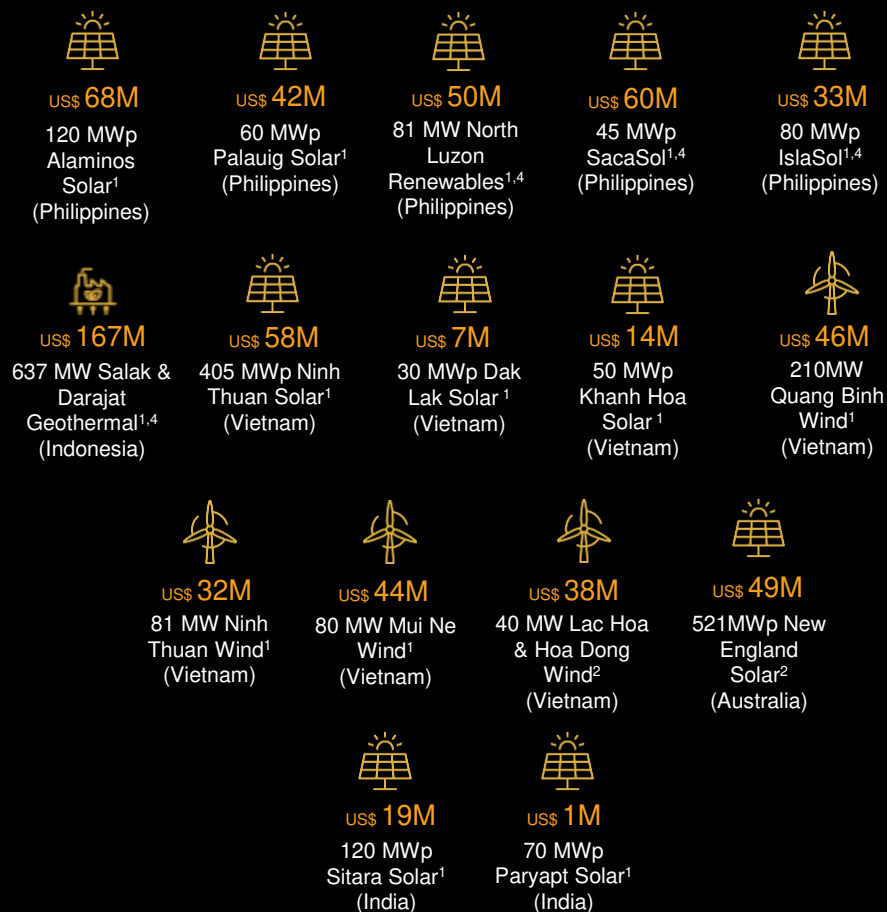
## AC Energy developed its Green Bond Framework to fund Eligible Green Projects

- AC Energy developed a Green Bond Framework to utilize proceeds of recent bond issuance for selected Eligible Green Projects
- The Framework was established to continue its thrust to promote positive environmental and social practices in its core markets



# Use of Green Bond Proceeds

as of 31 January 2021<sup>5</sup>



2024/2029 Senior Green Bonds  
Issued Jan 2019 and Nov 2020

US\$ 470 million  
US\$ 470 mn deployed

Perpetual Green Bond NC2022  
Issued Nov 2019

US\$ 213 million  
US\$ 213 mn deployed

Perpetual Green Bond NC2025  
Issued Nov 2020

US\$ 300 million  
US\$ 46 mn deployed  
[US\$ 254 mn] outstanding



Total Deployed  
US\$ 729 million

Percent Deployed  
74% of total

1. Operating as of 23 Nov 2021  
2. Under construction as of 23 Nov 2021  
3. Acquisition of operating assets

4. Refinancing of acquisition  
5. Amount of proceeds (in US\$) used as of 31 Jan 2021

# Recognition on a Regional Scale

## Awards Received



### 2019

International Finance

- Best New Green Bond Issuer – Philippines

The Asset Triple A Awards

- Best Green Bond



### 2020

The Asset Triple A Awards

- Best Green Bond

The Banker Deals of the Year

- Best Corporate Bond



### 2021

The Asset Triple A Infrastructure Awards

- Renewable Energy Deal of the Year-Wind for Vietnam - Quang Binh Wind
- Renewable Energy Deal of the Year-Wind for Indonesia - UPC Sidrap Wind

# Green Finance Leadership

- The AC Energy Group retains its place as one of the Philippines' largest issuers of green bonds, with four tranches of outstanding green bonds, ranging from US\$75 million to as large as US\$400 million

## Our Priority SDGs

The AC Energy Group's commitment to sustainability is linked to its corporate strategy and vision and aligned with the UN Sustainable Development Goals.

We focus on these SDG areas where we believe we can make the most difference and are most relevant to our business.







# COMMITTS TO NET ZERO GREENHOUSE GAS EMISSIONS BY 2050



In October 2021, ACEN committed to reach **Net Zero** greenhouse gas emissions **by 2050** or earlier.

## Key Milestones

---

Transition its generation portfolio to 100% renewables by 2025

Spin-off or divest all thermal capacity by 2025

Work towards early retirement and just transition of its coal plant by 2040 (15 years earlier than end of technical life)

# Sustainable Financing and the Path Forward



## Key Opportunities

- Strong prospects for renewable energy globally
- Access to a broader base of investors, including growing number of ESG investors
- Strengthen the company's ESG commitments through ESG policies.



## Considerations

- Organization-wide alignment on achievement of sustainability goals
- Projects pursued are compliant with E&S standards
- Continuous tracking of ESG investor expectations, and availability of incentives in sustainable financing





2025 Vision

# Largest Listed Renewables Platform in Southeast Asia

**5,000 MW**

Renewable Energy Capacity



Thank You!

For more information, kindly contact  
**AC Energy Investor Relations**  
[investorrelations@acenergy.com.ph](mailto:investorrelations@acenergy.com.ph)

Or visit  
[acenergy.com.ph/investors](https://acenergy.com.ph/investors)