Session 2

Green bond certification, external verification, and review
External Review Process: Sustainable Bond Market Developments in Emerging East Asia

Ms. Gladys Chua

Sustainability Services
RAM Sustainability Sdn Bhd
External Review Process

Sustainable Bond Market Developments in Emerging East Asia
29 November 2021

Gladys Chua  
Head, Sustainability Services
RAM Group
Pioneering Sustainability Services in ASEAN

Our commitment:
Serving local market needs & innovation in sustainable finance
Provide regional value

Credit Rating on the World’s 1st Green SRI Sukuk by Tadau Energy Sdn Bhd

Credit Rating & Second Opinion on the World’s 1st Mini-hydro Green Sukuk by Telekosang Hydro One Sdn Bhd

Credit Rating & Second Opinion on Malaysia’s 1st ASEAN Sustainability SRI Sukuk by Edra Solar Sdn Bhd (First Solar Socio-Agriculture Project)

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A member of the Advisory Council to GBP & SBP Executive Committee for two terms

A Founding CRA to the Statement on ESG in Credit Ratings

One of the 5 GRI Community Members in Malaysia

Approved Verifier for Climate Bonds Certification in Malaysia

RAM’s SUSTAINABILITY Rating

1st ASEAN-based ESG Analytics & Sustainability Rating Provider

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Our Repertoire

Published Sustainability Ratings

Published Second Opinions

Published R1ESGo Reports

102 listed companies
# Listing of Malaysia’s Sustainability Bond/Sukuk as of 25 November 2021

- Mostly green issuances in the early stage
- Growing sustainability issuances since 2019

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Instrument Label</th>
<th>Alignment</th>
<th>Conventional/ Islamic</th>
<th>Type of Project</th>
<th>Issued RM mil</th>
<th>First Issue Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ihsan Sukuk Berhad</td>
<td>SRI Sukuk</td>
<td>SRI</td>
<td>Islamic</td>
<td>Education</td>
<td>200</td>
<td>6/18/2015</td>
</tr>
<tr>
<td>2 Tadau Energy Sdn Bhd</td>
<td>Green SRI Sukuk</td>
<td>ICMA/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>227</td>
<td>7/27/2017</td>
</tr>
<tr>
<td>3 Quantum Solar Park (Semenanjung) Sdn Bhd</td>
<td>Green SRI Sukuk</td>
<td>ICMA/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>905</td>
<td>10/6/2017</td>
</tr>
<tr>
<td>4 FNB Merdeka Ventures Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Green Building</td>
<td>1,570</td>
<td>12/29/2017</td>
</tr>
<tr>
<td>5 Segi Astana Sdn Bhd</td>
<td>ASEAN Green Bond</td>
<td>ICMA/ASEAN</td>
<td>Conventional</td>
<td>Green Building</td>
<td>340</td>
<td>1/8/2018</td>
</tr>
<tr>
<td>6 Sinar Kamiri Sdn Bhd</td>
<td>Green SRI Sukuk</td>
<td>ICMA/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>230</td>
<td>1/30/2018</td>
</tr>
<tr>
<td>7 UiTM Solar Power Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>212</td>
<td>4/27/2018</td>
</tr>
<tr>
<td>8 HSBC Amanah Malaysia Berhad</td>
<td>UN SDG Sukuk</td>
<td>SRI</td>
<td>Islamic</td>
<td>Portfolio</td>
<td>500</td>
<td>10/2/2018</td>
</tr>
<tr>
<td>9 Pasukhas Green Assets Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Portfolio green projects (including mini hydro)</td>
<td>15</td>
<td>2/28/2019</td>
</tr>
<tr>
<td>10 Telekosang Hydro One Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Mini-hydro</td>
<td>470</td>
<td>8/8/2019</td>
</tr>
<tr>
<td>11 Telekosang Hydro One Sdn Bhd</td>
<td>ASEAN Green Junior Bonds</td>
<td>ICMA/ASEAN</td>
<td>Conventional</td>
<td>Mini-hydro</td>
<td>120</td>
<td>8/5/2019</td>
</tr>
<tr>
<td>12 Cypark Ref Sdn Bhd</td>
<td>SRI Sukuk</td>
<td>SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>550</td>
<td>10/11/2019</td>
</tr>
<tr>
<td>13 Edra Solar Sdn Bhd</td>
<td>ASEAN Sustainability SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Solar + Agriculture</td>
<td>235</td>
<td>10/11/2019</td>
</tr>
<tr>
<td>14 CIMB Bank Berhad</td>
<td>SDG Bond</td>
<td>ICMA/ASEAN</td>
<td>Conventional</td>
<td>Portfolio</td>
<td>2,850*</td>
<td>10/9/2019</td>
</tr>
<tr>
<td>15 Leader Energy Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>260</td>
<td>7/16/2020</td>
</tr>
<tr>
<td>16 Cagamas Berhad</td>
<td>Sustainability Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Portfolio</td>
<td>200</td>
<td>10/26/2020</td>
</tr>
<tr>
<td>17 Solar Management (Seremban) Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>260</td>
<td>10/21/2020</td>
</tr>
<tr>
<td>18 Sime Darby Property Berhad</td>
<td>ASEAN SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>150</td>
<td>12/3/2020</td>
</tr>
<tr>
<td>19 reNIKOLA Solar Sdn Bhd</td>
<td>ASEAN Green SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>390</td>
<td>5/11/2021</td>
</tr>
<tr>
<td>20 UiTM Solar Power Dua Sdn Bhd</td>
<td>Green SRI Sukuk</td>
<td>ICMA/SRI</td>
<td>Islamic</td>
<td>Solar</td>
<td>100</td>
<td>3/5/2021</td>
</tr>
<tr>
<td>21 Malaysia Wakala Sukuk Bhd</td>
<td>Sustainability Sukuk</td>
<td>ICMA/ASEAN</td>
<td>Islamic</td>
<td>Portfolio</td>
<td>5,353*</td>
<td>4/22/2021</td>
</tr>
<tr>
<td>22 SME Development Bank Malaysia Berhad</td>
<td>Sustainability Sukuk (CP/MTN)</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Portfolio</td>
<td>500</td>
<td>6/23/2021</td>
</tr>
<tr>
<td>23 Agroto Business (M) Sdn Bhd</td>
<td>ASEAN Sustainability SRI Sukuk</td>
<td>ICMA/ASEAN/SRI</td>
<td>Islamic</td>
<td>Sustainable Agriculture + Food Security</td>
<td>200</td>
<td>8/5/2021</td>
</tr>
</tbody>
</table>

* Estimated issuance amount in RM for USD issuances.  
Source: RAM Sustainability
### Listing of Malaysia’s Sustainability Linked Financial Instruments

#### Sustainability-linked financial instruments gaining traction...

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Conventional / Islamic</th>
<th>Financing Size RM mil</th>
<th>Published Date</th>
<th>Sustainability Performance Target &amp; Financing Characteristic</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ajinomoto (Malaysia) Berhad</td>
<td>Conventional</td>
<td>100</td>
<td>19-Aug-19</td>
<td>Preferential contract terms will be given depending on the result of the compliance towards the fiscal 2025 environmental target set by Ajinomoto Group for GHG emissions and also maintain an ESG Index recognized by Bursa Malaysia. The SLF is used to facilitate the company’s planned relocation and new plant construction.</td>
<td>MUFG Bank (Malaysia) Berhad</td>
</tr>
<tr>
<td>2 Yinson Holdings Berhad</td>
<td>Islamic</td>
<td>200</td>
<td>28-Feb-20</td>
<td>Discount on the financing rate of the facility if they are able to meet ambitious targets that have been agreed upon related to their Environmental, Social and Governance (ESG) rating. This is achieved by, amongst other things, a decrease in the carbon intensity of the business operations, a reduction in the waste produced, increased diversity and improvements in the overall ESG performance ratings.</td>
<td>HSBC Amanah Malaysia Berhad</td>
</tr>
<tr>
<td>3 Axiata Group Bhd</td>
<td>Islamic</td>
<td>3,467*</td>
<td>11-May-20</td>
<td>Target linked to reduction in carbon footprint.</td>
<td>OCBC Al-Amin Bank Bhd; Maybank Islamic Bank Berhad; MUFG Bank (Malaysia) Berhad.</td>
</tr>
<tr>
<td>4 Malaren International Sdn. Bhd. (subsidiary of Starhub Group Singapore)</td>
<td>Conventional</td>
<td>270</td>
<td>18-Sep-20</td>
<td>Rebate against the loan interest based on StarHub’s performance in its annual climate change scores from FY2021 to FY2023.</td>
<td>CIMB Bank Berhad</td>
</tr>
<tr>
<td>5 Sarawak Energy Berhad</td>
<td>Conventional</td>
<td>100</td>
<td>22-Oct-20</td>
<td>To improve the environmental and social performance of Sarawak Energy from FY2020 to FY2023, and serves as a reminder for Sarawak Energy to keep its grid emission intensity in alignment with the Paris Agreement and the renewable energy developer’s pledge to ‘Business Ambition for 1.5°Celsius’. It also keeps Sarawak Energy on track in its goal to fully electrify Sarawak by 2025. Rebate against the loan interest if these pre-agreed SPTs are met. Sarawak Energy intends to use the interest rebates received for its youth education sustainability programmes, as a way of giving back to the community.</td>
<td>CIMB Bank Berhad</td>
</tr>
<tr>
<td>6 CIMB Bank Berhad</td>
<td>Conventional</td>
<td>2,450</td>
<td>20-Oct-21</td>
<td>This Sustainability Linked Derivative (SLD) is structured where a premium or discount will be applied depending on the outcome of CIMB Group in achieving the pre-agreed sustainability performance targets which are namely, the ESG Assessment and the reduction of Scope 1 and 2 GHG in-line with the group’s net zero ambition. This SLD is used for hedging purposes.</td>
<td>Standard Chartered Bank Malaysia Berhad</td>
</tr>
</tbody>
</table>

* Estimated amount in RM for USD transactions.  
Source: Company and bank public disclosures.
What are External Reviews?

To ensure alignment/compliance of Sustainability Bond/Sukuk:
• **Pre-issuance**: alignment/compliance with the core components of the respective principles & standards
• **Post-issuance**: allocation of proceeds in line with adopted framework

### Objective
Of external reviews

### Types
Of external reviews

1. **SECOND PARTY OPINION**
   - An entity with environmental/social/sustainability expertise may provide a Second Party Opinion

2. **CERTIFICATION**
   - An entity certifies the bond framework against a recognized external green/social/sustainability standard or label

3. **VERIFICATION**
   - An entity provides independent verification against a designated set of criteria, typically pertaining to environmental/social/sustainability

4. **RATING**
   - An entity evaluates or assesses the environmental and social credentials, according to an established scoring/rating methodology
RAM Sustainability’s External Review Services

Second Party Opinion

RAM Sustainability provides an independent second opinion assessment on issuer’s framework against the transparency and disclosure requirements of the applicable Principles & Standards. The exercise also tiers projects based on their environmental and/or social impact for the benefit of investors.

Certification

RAM Sustainability is an Approved Verifier for the certification of Climate Bonds under the Climate Bonds Standard & Certification Scheme. As an Approved Verifier, RAM Sustainability provides a verification statement that the bond meets the Climate Bonds Standard.
Where Do External Reviewers Come In?

- Identify eligible projects/assets
- Prepare a Green/Social/Sustainability Bond/Sukuk Framework

**PLANNING**

**PRE-ISSUANCE**
- Appoint external reviewer for independent assessments
- Structure the bond/sukuk with an investment bank or advisor
- Get credit rating

**ISSUANCE**
- Execute the transaction
- Allocate proceeds to eligible projects

**POST-ISSUANCE**
- Prepare annual allocation and impact reporting
- Conduct post-issuance external review
External Review: Second Party Opinion
Due Diligence Process

RAM Sustainability assesses the impact of projects to be financed, including through interviews with management, technical experts and site visits. Other assessments include ESG risks of the projects and issuers.

Enhanced Labelling

External reviewer assesses the alignment of the bond/sukuk’s framework with the applicable Principles & Standards and market best practices.

Gain Investors’ Confidence

An external review from a trusted sustainability services provider offers additional assurance on the credibility of the issuance & issuer.

Enhanced Profiling

An external review makes the issuance stands out as a credible instrument, as well as showcase issuer’s sustainability commitments to the marketplace.

Gain Investors’ Confidence

An external review makes the issuance stands out as a credible instrument, as well as showcase issuer’s sustainability commitments to the marketplace.
RAM Sustainability’s Second Opinion
An Overview

- Review alignment of issuer’s framework to principles/standards
- Review environmental/social benefit of eligible projects
- Conduct sustainability assessment of issuer
RAM Sustainability’s Second Opinion
Environmental Benefit Assessment

**Tier-1**
- The project is an important component of a low-carbon future and has clear, demonstrable environmental benefits.
- The project directly contributes towards substantial and sustainable reductions of greenhouse gas emissions.

**Tier-2**
- The project is aligned with the goals of a low-carbon future and has some demonstrable environmental benefits.
- The project directly contributes towards improvement in greenhouse gas emissions.

**Tier-3**
- The project has minimal contribution to a low-carbon future and has minimal demonstrable environmental benefits.
- The project indirectly contributes to the broader environment and is focused on asset-level environmental improvements.

Projects that do not conform with the long-term vision of the 2 Degrees Scenario reaffirmed under COP21 will not be assigned any Environmental Benefit Rating.
RAM Sustainability’s Second Opinion
Social Benefit Assessment

**Tier-1**
- The project is important, highly strategic and provides significant social benefit(s) at the global, regional or national level.
- The project could directly contribute to measurable solution for society and create net positive contribution on a significant scale, depth and duration.

**Tier-2**
- The project has considerable social benefit(s) at the national level.
- The project could directly contribute to measurable social improvement and create net positive contribution on a sizeable scale, depth and duration.

**Tier-3**
- The project has demonstrable social benefit(s).
- The project could directly contribute to measurable social improvement and create net positive contribution on a relatively minor scale, depth and duration.

Utilisation for purposes that directly cause harm will not be assigned any Social Benefit Rating.
### Utilisation of Proceeds

<p>| | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>To refinance project cost of the solar power plant (RM235 million, 96% of total project cost)</td>
</tr>
<tr>
<td>2.</td>
<td>To refinance project cost of the solar power plant, including cost of land for pineapple cultivation and other crops by local farmers (RM10 million, 4% of total project cost)</td>
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</tbody>
</table>

### Assessment

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<tbody>
<tr>
<td><strong>Environmental Benefit</strong></td>
</tr>
<tr>
<td>Tier-1</td>
</tr>
<tr>
<td>- The 50MW solar power plant has clear and demonstrable environmental benefit as it generates clean and renewable energy. It is an important contribution to a low-carbon future and the project conforms with Malaysia’s renewable energy commitments.</td>
</tr>
<tr>
<td>- Compared against the grid emission intensity for Peninsular Malaysia, this translates into potential avoidance of approximately 54,715 tonnes of carbon emissions for the year based on the projected energy generation of 79GWh/year.</td>
</tr>
</tbody>
</table>

<p>| |</p>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Benefit</strong></td>
</tr>
<tr>
<td>Tier-3</td>
</tr>
<tr>
<td>- The agriculture project at the solar power plant will be managed by Pertubuhan Peladang Kawasan Kuala Ketil (PPKKK), together with local farmers. PPKKK, also known as the Farmers Organisation Authority, is a Malaysian government agency under the Ministry of Agriculture and Agro-based Industry. This project has the potential to raise the income of agro-entrepreneurs in the district and provide employment opportunities to local communities.</td>
</tr>
<tr>
<td>- As the agriculture project is a long-term but relatively small social scheme at a district level, it has been assigned a Tier-3 Social Benefit. The potential annual dividend contribution from this pineapple cultivation project is estimated to be RM34 per member per year.</td>
</tr>
</tbody>
</table>
Information gathering. List of information required will be given and reasonable time will be provided for completion by the issuer. This includes the submission of Green/Social/Sustainability Bond Framework.

Management meeting & site visits. Due diligence meeting(s), including site visit(s), will be held with key personnel of the issuer to discuss issues pertinent to the case.

Draft report for comments. The issuer will be provided with the report for feedback on accuracy before finalisation of the report for publication.

Publication of final report.
External Review: Certification
What are Climate Bonds?

Green Bond/Loan

Climate Bond/Loan

Green Bond Principles
ASEAN Green Bond Standards
Green SRI Sukuk

- Renewable Energy
- Sustainable Water & Wastewater Treatment
- Green Buildings
- Clean Transportation
- Energy Efficiency
- Terrestrial and Aquatic Biodiversity Conservation
- Pollution Prevention & Control
- Climate Change Adaptation
- Eco-efficient and/or Circular Economy Products, Production Technologies & Processes
- Sustainable Management of Living Natural Resources & Land Use

Climate Bonds Standard
Sector Criteria Available for Certification

- Agriculture
- Bioenergy
- Buildings
- Electrical Grids and Storage
- Forestry, Land Conservation and Restoration
- Geothermal Energy
- Hydropower
- Low Carbon Transport
- Marine Renewable Energy
- Solar Energy
- Shipping
- Wind Energy
- Waste Management
- Water Infrastructure
What are Certified Climate Bonds?

Bonds/loans which are verified to conform with the Climate Bonds Standard are called Certified Climate Bonds/Loans.

The Standard contains rigorous scientific criteria which are consistent with the 2 degrees Celsius warming limit declared in the 2015 Paris Agreement.

To receive the Certification mark, the issuer must appoint an Approved Verifier, who will provide assurance that the bond meets the Climate Bonds Standard’s requirements.

The Climate Bonds Standard Board provides the final confirmation of all Climate Bond Certifications.
Benefits of Certification for Issuers/Borrowers

**Robust label**
Best practice standards for climate integrity, management of proceeds and transparency

**More diverse investor base**
Investors’ interest is much broader compared to their usual group of investors

**Easier-to-find**
Stands out as credible green / climate bond on providers of market information

**Enhanced reputation**
Organisation’s effort to scale up financial flows for delivering the low-carbon economy

**International Standard**
The only green bond standard that is used globally, by issuers in 30 countries
RAM Sustainability’s Approved Verification for Climate Bonds Standard and Certification Scheme

The Certification Process

1. Pre-Issuance Certification*
2. Post-Issuance Certification*
3. Ongoing Certification

*1 and 2 are compulsory.

Issuer begins by Preparing the Bond
- Identify assets and compile supporting information
- Create Green Bond Framework

Engage a Verifier
- Engage an Approved Verifier for Pre- and Post-Issuance Certification
- Receive a Verifier’s Report giving assurance that Climate Bonds Standard requirements are met

Get Certified & Issue a Certified Climate Bond
- Submit the Verifier’s Report and Information Form to CBI
- Receive a decision on Pre-Issuance Certification
- Issue the bond, using the Certified Climate Bond mark

Confirm the Certification Post-Issuance
- Within 24 months of issuance, submit the Verifiers Post-Issuance Report
- Receive notification of Post-Issuance Certification

Report Annually
- Prepare an Update Report each year for term of the bond
- Provide it to bond holders and CBI
- Provide updates through public disclosure


Documents Required for Application of Certification

*Process 1 and 2 are required*

1. Pre-Issuance Certification*
   - Certification Agreement
   - Climate Bond Information Form
   - Green Bond Framework
   - Verifier’s Pre-Issuance Report

2. Post-Issuance Certification*
   - Updated Climate Bond Information Form
   - Updated Green Bond Framework
   - Verifier’s Post-Issuance Report

3. Ongoing Certification
   - Annual Reporting
   - Verifier’s Report
# RAM Sustainability’s Verification Process & Indicative Timeline

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<th>Planning &amp; Initial Information Gathering</th>
<th>Risk Assessment</th>
<th>Testing &amp; Fieldwork</th>
<th>Evidence Gathering and Documentation</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-Issuance</strong></td>
<td><strong>Estimated 4 – 6 weeks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Post-Issuance</strong></td>
<td><strong>Estimated 4 weeks</strong></td>
<td></td>
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</table>

**Planning & Initial Information Gathering.** RAM Sustainability will develop a Verification Plan setting out the expected verification processes.

**Risk Assessment.** RAM Sustainability will conduct risk assessment to identify possible types of errors and the probability of them occurring.

**Testing & Fieldwork.** The procedures and extent of testing & fieldwork would be determined based on risks identified to obtain limited assurance. The procedures would include inquiry, inspection, observation, confirmation, recalculation, analytical procedures, substantive testing of samples of data or sighting.

**Evidence Gathering and Documentation.** RAM Sustainability may seek written representations from the Borrower to confirm any matter relied on in the testing procedures. The Borrower should acknowledge responsibility for the accuracy of such representations.

**Reporting.** RAM Sustainability will issue two versions of the Verifier’s Report: (a) The final version of the Verifier’s Report for publication on the CBI website and (b) Long-hand version of the final Verifier’s Report.
THANK YOU

For more information on the above presentation, please contact

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Book Launch: Guidance on Issuing Green Bonds

Mr. Kosintr Puongsophol

Financial Sector Specialist
ADB
SUSTAINABLE BOND MARKET DEVELOPMENTS IN EMERGING EAST ASIA

29 November 2021
13:30 – 16:30 (via zoom)
Phnom Penh time
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ការការណ៍សោកសារការផ្សារនៃប្រាកដជាតិស្ថាន
ខេត្តសុខភាព ឈុតសុខកុមារ
អាហារ ភាពជាប្រជាជន
SUSTAINABLE BOND MARKET DEVELOPMENTS IN EMERGING EAST ASIA

29 November 2021
13:30 – 16:30 (via zoom)
Phnom Penh time
មក្មេងៗដើម្បីអំពីការវាយតម្លាត់ អំពីការបង្កើតប្រាក់ជាតិដែលសមស្រួលៗ និងអំពីការកែតម្រូវការដ៏ល្អជាងម្ចាស់ឱ្យការវាយតម្លាត់។

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ASEAN EU

អនកសមាជីអំពីការបង្កើតប្រាក់ជាតិដែលសមស្រួលៗ និងអំពីការកែតម្រូវការដ៏ល្អជាងម្ចាស់ឱ្យការវាយតម្លាត់។

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# SUSTAINABLE BOND MARKET DEVELOPMENTS IN EMERGING EAST ASIA

### Symposium Details:
- **Date:** 29 November 2021
- **Time:** 13:30 – 16:30 (via zoom)
- **Location:** Phenom Penh time

### Agenda:
1. **Sustainable Bond Market Developments**
2. **Current Trends and Challenges**
3. **Case Studies and Best Practices**
4. **Future Directions and Opportunities**

### Hosts:
- ADB
- Securities and Exchange Commission of Cambodia
- PRC FDH
- ABO

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### Key Takeaways:
- The sustainable bond market in Emerging East Asia is rapidly growing.
- Key challenges include regulatory frameworks and investor awareness.
- Case studies highlighting successful bond issuances.
- Future directions focus on increasing the volume and diversity of sustainable bonds.

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### Additional Information:
- For more details, visit [Sustainable Bond Market in Emerging East Asia](#).
- Register at [Register Here](#).
Regional Technical Assistance Program on Green, Social, and Sustainability Bond Market Development

ASEAN+3 Asian Bond Markets Initiative

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AsianBondsOnline
Green Bond
LOCAL CURRENCY BOND FINANCING PLAYS AN IMPORTANT ROLE IN THE FIGHT AGAINST COVID-19

**SIZE OF LCY BOND MARKET**

- Government Bond
- Corporate Bond

Source: [AsianBondsOnline](https://asianbondsonline.adb.org)

**SIZE OF BOND MARKET IN ASEAN**

- Local Currency-denominated Bond
- Foreign Currency-denominated Bond


Billion USD


Billion USD
SIMILARLY, ASEAN'S SUSTAINABLE BOND MARKET EXPANDED SIGNIFICANTLY IN RECENT YEARS, PARTICULARLY AFTER THE COVID-19 PANDEMIC.

POSITIVE RESPONSES FROM CURRENT THEMATIC BOND ISSUERS

BROADEN THE INVESTOR BASE AND OFFER NEW ENGAGEMENT OPPORTUNITIES
- 98% of respondents said that their green bond attracted new investors
- 91% of respondents said a green bond facilitated more engagement with investors
- Over two thirds (70%) of respondents said the demand for their green bond was higher

STRENGTHEN INTERNAL INTEGRATION
- The process of issuing a green bond appears to be triggered by internal stakeholders
- Most respondents said that issuing a green bond had positively impacted their internal commitment to sustainability

ENHANCE REPUTATION AND VISIBILITY
- By issuing a green bond, an organization is letting the world know it is open for green business
- 88% of respondents said they planned to issue more green bonds

GAINS COMPENSATE FOR EFFORT
- Most respondents (84%) said they had help from independent third parties on the issuance process of their green bond, including setting up the framework
- Costs of issuing a green bond were regarded either as negligible or valid due to other benefits
- For 90% of respondents, the cost of borrowing for green bonds was either very similar to, or lower than vanilla equivalents.

Source: Climate Bonds Initiative
RESOURCES FOR ISSUERS AND UNDERWRITERS IN ISSUING THEMATIC BONDS IN CAMBODIA
TECHNICAL ASSISTANCE: CREATING ECOSYSTEMS FOR GREEN LOCAL CURRENCY BONDS FOR INFRASTRUCTURE DEVELOPMENT IN ASEAN+3

For more TA info, please visit: https://www.adb.org/projects/53300-001/main

SUPPLY

Guide issuers and underwriters through the process of sustainable bonds issuances, post-issuance reporting requirements.

Develop sustainable bond framework based on international and regional standards and taxonomies

Address other constraints that are market-specific e.g. language, lack of awareness etc

DEMAND

Partner with the AsianBondsOnline (ABO) to create a regional green bond information section on the ABO

Other market-specific initiatives that can promote greater demand for sustainable bonds

MARKET PRACTICES

Make Asian voices heard

Document and publish case studies to guide sustainable bond issuers, and to develop good practices in issuing bonds

Leverage on other initiatives under the Asian Bond Markets Initiative

For more information, please visit:
TECHNICAL ASSISTANCE TO SUPPORT POTENTIAL SUSTAINABLE BOND ISSUERS

PRE-CONDITIONS:

1. Given ABMI’s mandate is to support local currency bond market development, sustainable bonds must be issued in local currency of ASEAN+3 markets

2. The bond should at least align with the ASEAN Green, Social or Sustainability Bond Standards developed by the ASEAN Capital Markets Forum (ACMF), plus other international standards such as Climate Bond Standards and/or ICMA’s sustainable bond principles

3. Issuers should demonstrate willingness to issue sustainable bonds on a regular basis

4. Issuers must be willing to share experience in issuing sustainable bond with ADB so that a case study can be published

SCOPE OF TA SUPPORT:

1. Support issuers in identifying eligible projects/assets that are aligned with international/regional standards and principles

2. Confirm internal process and controls

3. Review draft sustainable bond framework --> create good storyline

4. Engage, facilitate, and seek external review processes with external reviewer and/or approved verifier*

5. Participate in roadshow to educate investors, media and press release

HOW TO APPLY:

1. Get in touch with ADB (kpuongsophol@adb.org) and (rsupangan@adb.org) for further discussion

*S Subsidy can be provided on a case-by-case basis

SUPPORT TO DEVELOP OVERALL ECOSYSTEM: The TA can support development of necessary ecosystem e.g., strengthen capacity of local service providers to become an approved green bond verifier.
1. LAUNCH OF GREEN BOND VERIFICATION SERVICE BY DOMESTIC CREDIT RATING AGENCIES (TRIS Rating and RAM Sustainability)

2. LAUNCH OF THE GREEN BOND SECTION ON ASIANBONDSONLINE to disseminate information on sustainable local currency bond market development in ASEAN+3 to international investors
   - Green bond issuance handbook (English, Bahasa Indonesia, Thai, Vietnamese, Cambodia - 29 Nov)
   - ASEAN+3 sustainable bonds highlights

3. KICKED OFF SERIES OF WEBINARS AND MARKET AWARENESS PROGRAMS

4. TECHNICAL AND HAND-ON SUPPORT TO PRIVATE SECTOR ISSUERS
   - Thaifoods Group’s social bond (11 November)
   - Several issuers in the pipeline

APPROVED VERIFIERS IN ASEAN:
INTRODUCTION TO THE SINGLE SUBMISSION FORM UNDER ASEAN+3 MULTICURRENCY BOND ISSUANCE FRAMEWORK (AMBIF)

- The Single Submission Form (SSF) is aimed to facilitate an AMBIF bonds/notes issuance application to regulatory, listing and registration authorities in each participating market.

- SSF is prepared for the benefit of issuers aiming to issue bonds/notes to Professional Investors in ASEAN+3.

- SFF should be looked at together with the AMBIF Implementation Guidelines, which explain specific issuance processes in respective markets.
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AMBIF IMPLEMENTATION GUIDELINES

- SFF should be referenced to the AMBIF Implementation Guidelines, which explain specific issuance processes in each market.
- The Implementation Guidelines increase market transparency.
  - The Implementation Guidelines should minimize or reduce legal uncertainty.
  - Where a market does not, or no longer, requires the physical submission of documentation, the SSF can serve as a checklist or a guiding template while the Implementation Guidelines should always be able to support issuance application in any form.
AMBIF-PARTICIPATING MARKETS

[Images of flags from theAMBIF-participating markets: Cambodia, Hong Kong, Japan, Malaysia, Philippines, Singapore, and Thailand]
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