Securities and Exchange Commission
PHILIPPINES

7 February 2020

GREEN, SUSTAINABILITY BOND MARKETS POISED FOR GROWTH

The Green and Sustainability debt markets in the Philippines and other members of the Association of Southeast Asian Nations (ASEAN) are poised for growth, with the "necessary foundations" for their development already in place.

In a keynote speech at the ASEAN+3 Bond Market Forum Meeting at the Asian Development Bank (ADB) Headquarters in Manila on February 5, SEC Commissioner Ephyro Luis B. Amatong cited the "notable" issuances of bonds worth more than US$3.8 billion under the ASEAN Green and Sustainability Bond Standards in 2019 as positive indication of the market's development.

Last year's issuances amounted six times more than the $639 million issued in 2018, when the value increased by over 50% from 2017. Sustainability bonds accounted for $1.4 billion or 36% of last year's total, up 14 times from just $100 million in 2018.

"While ASEAN may still be a relatively small player in the global Green/ Sustainability debt market – with $330 billion raised in 2019 – the rate of growth in ASEAN appears to show the necessary foundations for the development of such a Green/ Sustainability debt market have indeed been laid, including the issuance of a clear set of guidelines for issuers to follow and which investors, both international and domestic, recognize as holistic and reliable," Mr. Amatong said.

Where ASEAN stands

For now, Indonesia, Malaysia, Philippines, Singapore and Thailand dominate the ASEAN Green and Sustainability bond market.

The Philippines has seen 15 issuances worth $3.04 billion by a range of private sector issuers, including renewable energy firms and banks taking advantage of both on- and offshore markets.

Philippine banks particularly have had notable success in this market. Among them is Rizal Commercial Banking Corporation (RCBC), which has issued two Sustainability bonds and one Green bond totaling $742 million, of which $442 million is peso-denominated.

Bank of the Philippine Islands also issued Green bonds under the ASEAN Standards to raise $300 million and CHF100 million, with the latter transaction achieving a

negative yield. Most recently, state-owned Development Bank of the Philippines entered the domestic Sustainability market, raising $352 million from the issuance of peso-denominated Green bonds in late 2019.

In 2016, there were only three Green bonds outstanding in ASEAN, for a total of $252 million. Now there are at least 57 issues under the ASEAN Standards for Green, Social and Sustainability bonds for a total of $4 billion.

In the Philippines, the private sector-led foray into the Green and Sustainability capital markets first relied on strategic support from development partners, particularly in the case of renewable energy producers.

Overall, seven of the Philippines' 15 Sustainability transactions have received some form of support or engagement by multilateral development finance institutions, namely the ADB and International Finance Corporation.

'Necessary foundations' in place

Mr. Amatong cited the issuance of a clear set of guidelines for issuers among the "necessary foundations" for the development of the ASEAN Green and Sustainability debt market.

"First, we at the ASEAN Capital Markets Forum (ACMF) recognized early on the potential of green and sustainable finance to attract international investors, who, generally speaking, have had more funds to invest than investible options," Mr. Amatong said.

"We at ACMF see this as an opportunity for ASEAN countries, many of whom have significant infrastructure development programs, to access as yet untapped sources of much needed financing. Resilient and adaptable infrastructure is particularly important to those of us in ASEAN since we are particularly at risk to the impact of climate change."

In this light, ACMF developed the ASEAN Green Bond Standards in 2017, in line with the Green Bond Principles formulated by the International Capital Market Association. Fundamentally, the Standards provide a framework to ensure transparency and allow investors to make informed judgments regarding an offering's "green-ness" and sustainability.

The Philippines adopted the Standards in August 2018, as the SEC issued the guidelines on the issuance of bonds for the financing or refinancing of new and/or existing projects that must provide clear environmental benefits, such as those relating to renewable energy, energy efficiency, pollution prevention and control,

environmentally sustainable management of living natural resources and land use, clean transportation, climate change adaptation, and green buildings.

The Philippines likewise adopted the ASEAN Social Bonds Standards and ASEAN Sustainability Bonds Standards. In April 2019, the SEC issued the guidelines on the issuance of bonds for social projects aimed at providing or promoting affordable basic infrastructure, access to healthcare and education, and food security, among others, as well as those for social projects with environmental co-benefits.

“ASEAN’s commitment to a sustainable future and sustainable capital markets goes beyond the issuance of standards and the debt capital markets,” Mr. Amatong said, as six of the 10 ASEAN members require publicly listed companies to issue sustainability reports.

The Philippines, for one, requires publicly listed companies to disclose certain information in relation to their non-financial performance across the economic, environmental and social aspects of their organizations. The SEC issued the guidelines on sustainability reporting in February 2019.

Mr. Amatong also cited the participation of five ASEAN members in international initiatives that seek to enhance sustainability risk management and the adoption by seven members of policies to mainstream sustainable finance.

In March, the ACMF is expected to adopt a broader sustainable finance roadmap, which it intends to present during the ASEAN Finance Ministers’ meeting for endorsement.

“All this is to say, that we think that ASEAN is off to a good start in its sustainability journey,” Mr. Amatong said. “But there is still so much we can do, and so much we need to do, to realize our shared goal of sustainable economic growth in the real economy supported by sustainable capital markets.”

END

Office of the Commission Secretary
S-309, 3F PICC Secretariat Building
Philippine International Convention Center (PICC) Complex
Pasay City
8888-8141; 8818-5478