ASEAN SDG Bond Toolkit

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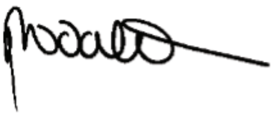
Issued: December 2021

Foreword from ACMF Chair



Rashidah Sabtu

ACMF Chair 2021

The ASEAN 2025 ('Vision 2025') and the United Nations' (UN) 2030 Agenda for Sustainable Development encapsulate a vision of progress across the economic, environmental and social dimensions of sustainable development in which there are many interlinkages.

This vision is of paramount importance and is profoundly relevant for Southeast Asia. Our region is considered to be one of the most at-risk regions in the world from the impact of climate change facing various environmental challenges such as flooding, drought as well as conditions of rising heat and humidity. In efforts to mitigate these impacts from severely affecting the region, ASEAN countries have made significant commitments at the international, regional and domestic levels to foster sustainable development.

The ASEAN securities regulators through the ASEAN Capital Market Forum (ACMF) have been taking various efforts to support the region's commitment to sustainability through the issuances of the ASEAN Green Bond Standards and ASEAN Social Bond Standards; ASEAN Sustainability Bond Standards; and the Roadmap for ASEAN Sustainable Capital Markets in 2017, 2018 and 2020 respectively.

Different ASEAN countries face different challenges in the pursuit of our SDG agendas. To date, debt issuances have been issued based on the available suite of ASEAN standards. We acknowledge that some ASEAN countries have issued bonds that direct the use of proceeds to sustainable purposes linked to the SDGs and that the concept is still relatively new to many potential issuers in the region.

This year the ACMF, with assistance from the Asian Development Bank (ADB) have engaged Climate Bonds Initiative (CBI) to produce the ASEAN SDG Bond Toolkit. The toolkit is part of a wider effort of the ACMF to expand the knowledge and understanding of ASEAN market participants including policy banks and lending institutions on how to issue sustainable finance-themed bonds.

The issuance of the ASEAN SDG Bond Toolkit supports the work under the Roadmap of an ASEAN Sustainable Capital Market and indirectly contributes to one of the policy recommendations under the ASEAN Working Committee – Capital Market Development (WC-CMD)'s Report on Promoting Sustainable Finance in ASEAN. We hope that with this toolkit, it will indeed be an enabler to attract more issuers to participate in the SDG bond market.

I would like to take this opportunity to thank members of the ACMF, ADB and Sustainable Finance Institute Asia (SFIA) for the support in developing the toolkit. I wish to also thank Mrs. Ornsaran Pomme Manuamorn, CBI for the effort put forward. ACMF appreciates the collaboration with CBI given their vast experience in promoting a rapid transition to a low carbon and climate resilient economy as well as providing policy models and advisory relevant to energy efficiency.

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Emerging opportunities for SDG bonds in ASEAN

SDG financing needs in ASEAN

The United Nations' Sustainable Development Goals (SDGs) are a globally agreed blueprint to achieve a sustainable future for all by the year 2030. Adopted by all United Nations Member States in 2015[a], the SDGs are a set of broad and interdependent development goals, comprising 17 global goals, 169 targets and 247 officially negotiated indicators[b]. The SDGs are sometimes referred to as the "Agenda 2030 for Sustainable Development", corresponding to 2030 being the target year for all goals to be achieved. These goals and targets were designed for consideration by national governments but are also increasingly used as a key sustainability framework for the private sector.

Figure 1: 17 Sustainable Development Goals (SDGs)

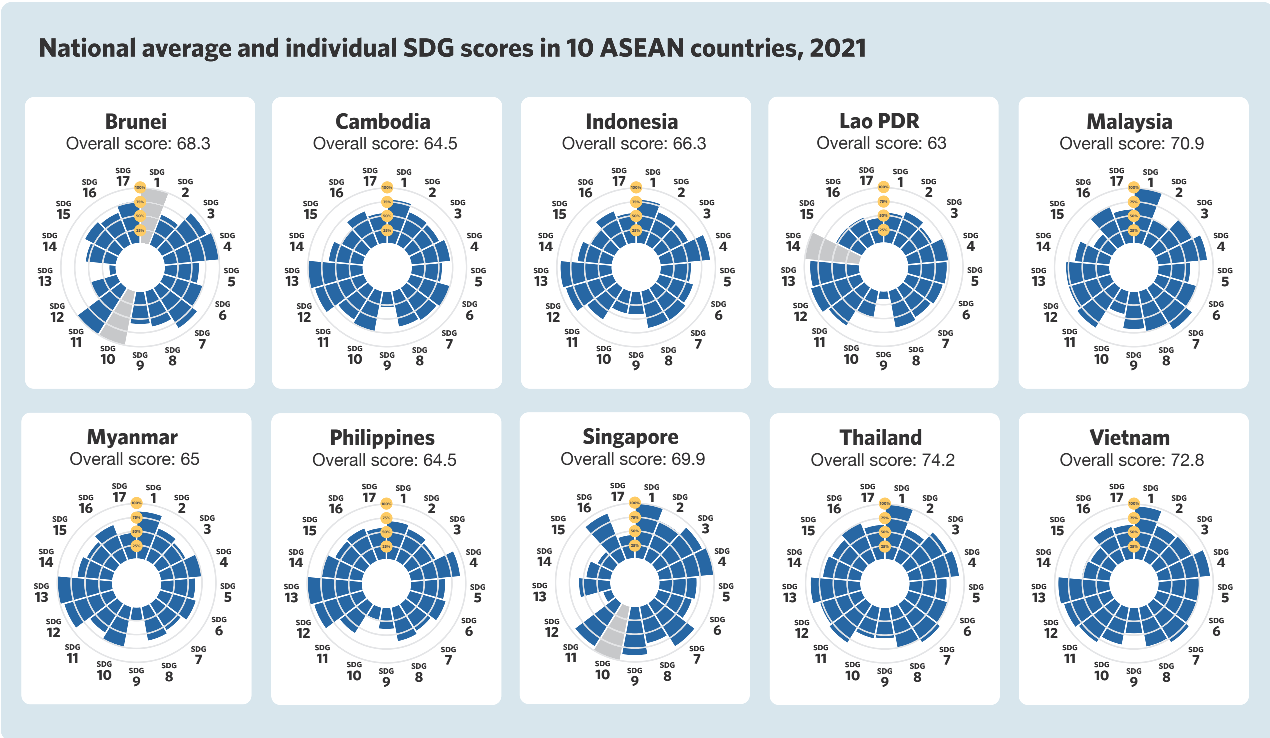
Source: United Nations, 2015[1].

An economically dynamic and culturally diverse region, the Association of Southeast Asian Nations (ASEAN) has made substantial progress towards achieving the SDGs, but key challenges remain. While the region as a whole has advanced more on key goals such as education (SDG 4), poverty (SDG 1), climate action (SDG 13) and sustainable cities and communities (SDG 11), progress still lags in many key areas, including sustainable infrastructure, industry and innovation (SDG 9), degradation of the natural environment (SDGs 14 and 15), promoting partnerships for development (SDG 17)and reducing inequalities (SDG 10).[2] At the national level, progress and gaps on individual SDGs vary significantly between countries (Figure 2).

a Transforming our world: the 2030 Agenda for Sustainable Development with its 17 SDGs was adopted at the UN Sustainable Development Summit in New York in September 2015.

b The actual number of unique indicators is 231 as some indicators are used for more than one SDG. See https://unstats.un.org/sdgs/indicators/indicators-list/

Figure 2: National average and individual SDG scores in 10 ASEAN countries, 2021



Source: Data and graphics from Sachs, J., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2021. The Decade of Action for the Sustainable Development Goals: Sustainable Development Report 2021. Cambridge: Cambridge University Press.

Notes: The scores signify positions between the worst (0) and the best or target (100) outcomes. An average score by SDG signifies an average percentage of progress across indicators monitored for that SDG. An overall national score signifies an average percentage of SDGs achieved by a country. The grey-shaded scores for Brunei, Lao PDR and Singapore signify no available information to calculate the scores.

Even before COVID, the above trajectory indicated that none of ASEAN's SDG targets for 2030 are likely to be met.[3] The COVID-19 pandemic has severe negative impacts on most SDGs, threating to turn back decades of progress on the nearly achieved SDGs and further derail those that lagged. At the same time, the crisis also presents a unique opportunity for ASEAN countries to refocus resources towards investments that simultaneously deliver sustainable recovery and transformative impact towards the SDGs.

But public sector funding alone will not be sufficient to meet ASEAN's SDG investment needs. Pre-COVID estimates showed that ASEAN requires large investments to achieve the green and social SDG outcomes by 2030. Examples of key green sectors are infrastructure, energy, and water. The ADB estimates that ASEAN requires a total US$ 2.8 trillion in infrastructure spending between 2016 and 2030, equivalent to US$ 184 billion annually or 5% of gross domestic product (GDP) per year on average.[4] The investment required for SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation and Infrastructure) in Malaysia, Indonesia, the Philippines, Thailand and Vietnam alone will reach US$ 1.3 trillion by 2030 with an estimated shortfall of US$ 538 billion[5].

ASEAN countries also need major investments to achieve social SDGs such as reducing hunger (SDG2), good health and well-being (SDG3) and gender equality (SDG 5). For example, an ADB study estimates that Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar most likely face resource requirements of at least 6–7.5% of GDP to close the investment gaps related to the SDG social protection agenda[6]. Recent COVID responses further strained public finances in many ASEAN countries, while raising funding requirements for the social SDGs that have been severely affected by the crisis.

Tapping into private capital is key to help close these SDG funding gaps. To do so, ASEAN countries need a clear SDG financing strategy and an enabling policy and regulatory environment. The financial sector needs to mobilize faster to finance sustainability efforts and act as a catalyst for a paradigm shift to make the economy sustainable. Financial product innovations such as thematic bonds could help ASEAN countries mobilize more private capital to finance SDG investments that yield sustainable development outcomes.

The nascent ASEAN SDG bond markets

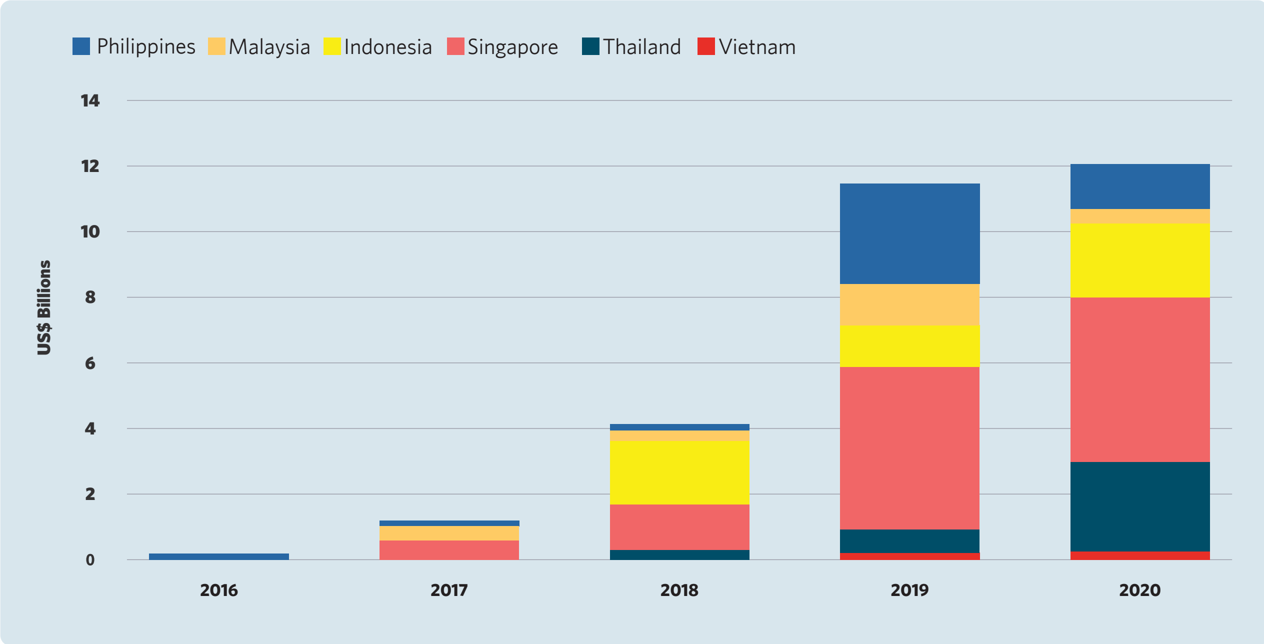
The nature of bonds makes them an appropriate financing instrument for a wide range of SDG investments in ASEAN countries that require large scale capital and long-term commitment. Bonds are a versatile instrument that taps the vast pools of financing—the trillions of dollars held by institutional investors such as pension funds, insurance companies and sovereign wealth funds—available in domestic and global capital markets.

Apart from environmental, social and governance (ESG) alignments, global investors today have increasingly adopted the SDGs as a new compass for socially responsible investment.[7] SDG-linked bonds present sustainable investment opportunities that make good business sense; they present the right risk-reward profiles and meet investor-specific criteria for rating, tenor, yield, geographic diversity, and offers value proposition in terms of meeting ESG and SDG commitments.

ASEAN countries have increasingly tapped into the bond markets to finance SDG-related investments. In 2020, the total amount of sustainable finance-themed bonds, comprising green, social and sustainability (GSS) bonds issued by six ASEAN countries (ASEAN-6), amounted to US$ 12.1 billion, representing a 5.2% growth year-on-year from 2019 (Figure 3). The size of issuance of bonds labelled under the ASEAN Standards[c] has exceeded USD17 billion to date since 2017[8].

c The ASEAN Green Bond Standards, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards.

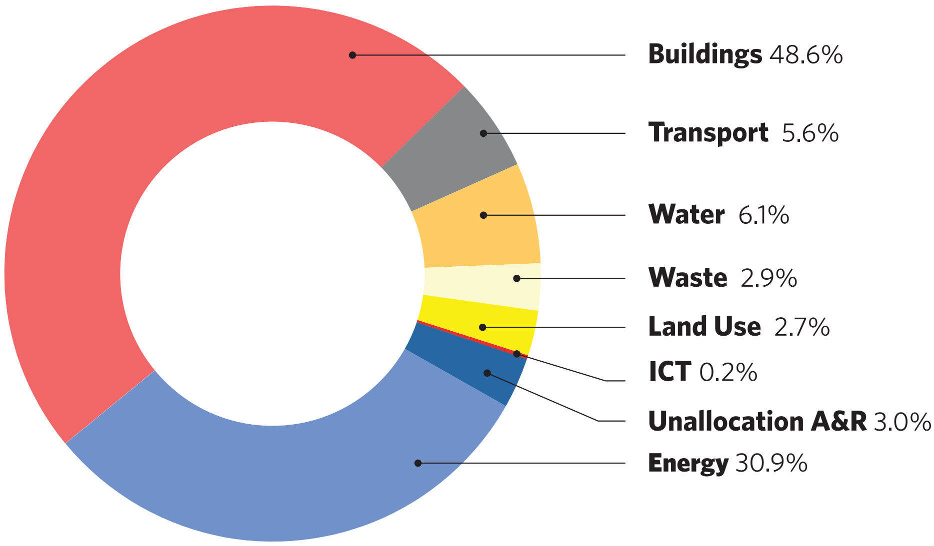
Figure 3: Total amount of GSS bonds issued by ASEAN-6 countries, 2016-2020



Source: CBI Database

So far, the ASEAN-6 green bond proceeds are used to finance projects in a few key sectors. Most of the green bond proceeds are directed to green buildings (48.6%) and renewable energy (30.9%). Water (6.1%), transport (5.6%) and adaptation & resilience (A&R) projects also benefit from the proceeds, but to a much lower extent when compared to green building and renewable energy projects (Figure 4). The proceeds from ASEAN-6 social and sustainability bonds finance social projects such as microfinance and small and medium enterprises (SMEs), employment training and job creation, and healthcare and education, but more information is needed to have a full regional picture on the use of proceeds from these bonds.

Figure 4: Use of proceeds from green bonds issued by ASEAN-6 countries, 2020



Source: CBI Database

Some of the issued GSS bonds are "SDG bonds". **In a nutshell, SDG bonds are GSS bonds whose use of proceeds further aligns with and contributes to specific SDGs. Not all GSS bonds are SDG bonds; while some GSS bonds are explicitly SDG-aligned and/or marketed as SDG bonds, others are not**. In Malaysia, the recent issuance of a US$ 680 million bond by CIMB Bank Berhad to fund projects related to the UN's SDGs marks the first ever 'SDG Bond' to be issued in ASEAN for international markets[9]. ASEAN countries also issued Sukuks, with proceeds allocated towards SDG outcomes. In March 2018, the Government of Indonesia issued the first ever sovereign green sukuk denominated in USD. The USD 1.25 billion green sukuk had a 5-year tenor and was 2.5 times oversubscribed. Proceeds from this sukuk were allocated to finance and refinance renewable energy, sustainable transport and waste management projects. In April 2021, the Government of Malaysia also issued a sovereign US Dollar-denominated Sustainability Sukuk, which was oversubscribed by 6.4 times with allocation well spread globally[10]. The Sustainability Sukuk was issued under the Malaysia's SDG Sukuk Framework.

SDG bonds present key opportunities for mobilizing more private capital for SDG investments in ASEAN going forward. Given the existing financing gaps in many SDG sectors beyond infrastructure, energy and buildings, as well as corresponding global demand for sustainability investments, there is a high potential for SDG bonds to become a more important SDG financing instrument for ASEAN countries than they currently are. As market players are gaining stronger awareness and appetite in demonstrating the impact of their sustainability investments more robustly, the growth of GSS bonds that are SDG-aligned and/or marketed as SDG bonds is expected to be sustained in the coming years[11].

Rationale for an ASEAN SDG bond toolkit

Need for an SDG bond toolkit

ASEAN countries face different challenges in the pursuit of their SDG agendas but procuring funds for SDG specific purposes remains a common challenge that needs to be addressed. While some ASEAN countries have issued bonds that direct the use of proceeds to sustainable purposes linked to SDGs, the concept of an SDG bond is still relatively new to many potential issuers in the region. These include commercial entities, as well as national development finance institutions (DFIs) and policy banks with SDG-aligned policy mandates, which could further tap into the growing SDG bond markets to raise capital.

At the same time, global market trends indicate a gradual but irreversible move towards higher standards in accountability, transparency and harmonization. The Climate Bonds Initiative (CBI) European Investor Survey finds that transparency around the management of bond proceeds is a priority for investor confidence before investing in emerging markets[12]. But according to Environmental Finance's recent survey of green bond investors, 60% of investors say current impact reporting practices are 'inadequate', and 70% of funds expect to include additional impact metrics in future reports[13]. Today, the SDGs already feature prominently in the impact reports of most green bond funds. To promote best practice on SDG alignment, the International Capital Market Association (ICMA) recommends that "issuers provide as much clarity and detail as feasible on how specific SDGs are relevant and not simply reference the SDGs in general."[14] While coming more from investors outside the region currently, these market trends are what ASEAN SDG bond issuers should prepare for.

Going forward, ASEAN issuers like DFIs and policy banks will benefit from a how-to guide that they can adhere to when issuing an SDG bond. Key challenges for these institutions to issue SDG bonds currently stem from the need for more: (i) socialization on the SDG bond concept and how they build on the ICMA GSS bond principles and the ASEAN's GSS bond standards; (ii) exposure to examples of SDG bond frameworks that could help inform their own frameworks; (iii) guidance on key principles, processes, and data needed to develop SDG criteria, select metric indicators and report impact; and (iv) a supportive ecosystem comprising market players such as Second Party Opinion Providers (SPOs) and other capacity building and advisory bodies. The how-to-guide aims to be a helpful reference resource that contributes to addressing these challenges.

ACMF's initiative on an ASEAN SDG bond toolkit

The ASEAN Capital Markets Forum (ACMF) commissioned the development of an ASEAN SDG bond toolkit as a key market education and capacity-building resource. The toolkit is part of a wider effort of the ACMF to expand the knowledge and understanding of ASEAN market participants about how to issue sustainable finance-themed bonds. This work supports the Roadmap for ASEAN Sustainable Capital Markets, which has four priorities: (i) strengthen foundations for sustainable finance; (ii) catalyze new products and enhance access for the under-served; (iii) raise awareness and build capacity; and (iv) increase regional connectivity on sustainable finance.[15]

The toolkit also supports the four pillars of the ASEAN Working Committee on Capital Market Development (WC-CMD) sustainable finance strategy. The first pillar on policy encourages policy banks and lending institutions (such as development finance institutions and agricultural banks) to issue SDG Bonds to finance their SDG efforts; this can help connect the funding needs to the expanding pool of capital dedicated to sustainable investment. The second pillar on coordination promotes shared understanding among actors in the sustainability ecosystem, including bond issuers, investors, regulators, and asset owners in the real economy etc., so that resource allocation can happen effectively and efficiently. The third pillar focuses on awareness and education on sustainable finance for all levels of government, business and society to build competencies for market development. The fourth pillar aims to build demand and supply for sustainable investment and use this to catalyze more sustainable projects in the real economy to create a virtuous cycle in ASEAN member countries[17].

Objective and scope of the toolkit

The **"ASEAN SDG Bond Toolkit: A Practical Guide to Issuing SDG bonds in ASEAN"** aims to be a primer for the issuance of SDG bonds in ASEAN. While recognizing that the SDG bond markets are nascent and market practices evolving, the toolkit sets out preliminary guidance on the key principles and processes that issuers can adhere to when issuing an SDG bond. These principles and processes are based on the best available international practices and experiences of successful examples of SDG bond issuances from ASEAN and other regions, as well as the needs of investors.

This toolkit is not aimed at creating a new SDG label in addition to the existing green, social and sustainability (GSS) labels, nor does it seek to create a new set of standards or guidelines that replace existing GSS bond principles, frameworks, market standards and taxonomies. Instead, it collates and synthesizes relevant information from them to provide a primer-level background for potential SDG bond issuers in ASEAN.

The toolkit focuses on SDG bonds that are use-of proceed bonds, as they are most common and currently expanding in the nascent ASEAN markets. While SDG bonds could also be issued as general purpose bonds, the practice of issuing this type of bonds is still emerging and evolving.

The toolkit targets national DFIs and policy banks in ASEAN countries as the main audience. This is because these institutions have clear mandates aligned with the SDGs. As a key instrument of government development policy, these institutions are already playing an important role in mobilizing finance for SDG- aligned investments in ASEAN countries and will therefore greatly benefit from more access to private capital through the issuance of SDG bonds. However, this toolkit is also a relevant resource to other potential SDG bond issuers including national and city governments, public banks, private banks and companies that also have SDG agendas.

It is hoped that the toolkit contributes to enabling more issuers from ASEAN countries to participate in the SDG bond markets to meet their funding needs and support the nascent markets to become more mature and vibrant. The toolkit is a living document, which can be updated as the market practices for SDG bonds further develop.

By highlighting issues that deserve more considerations and the current missing links in the nascent ASEAN SDG bond markets, it is also hoped that the toolkit stimulates further debate between players, including regulators, bond issuers, funds and their investors, SPOs etc., leading to more investment in the needed market infrastructure for SDG bonds.

Structure of the toolkit

The toolkit is structured as follows.

Section 3 provides background information on SDG bonds, clarifying the concept, how they build on the GSS bonds and the process to issue use-of-proceed SDG bonds.

Section 4 discusses high-level guiding principles that issuers can consider as part of their methodology to design a framework for an impactful SDG bond.

Section 5 presents examples of SDG bond frameworks and additional useful resources for SDG bond issuers.

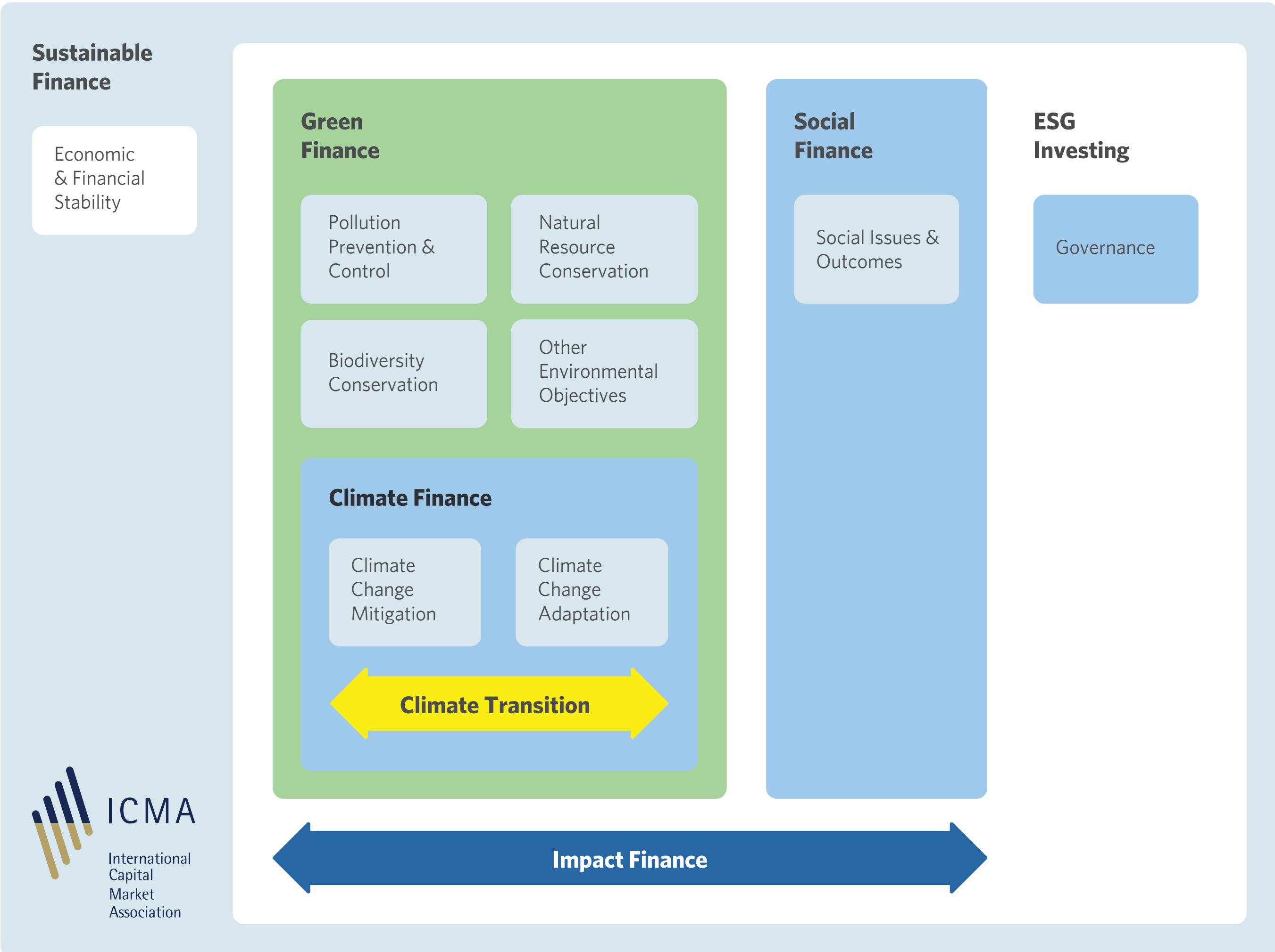
Section 6 highlights the evolving aspects of an SDG bond issuance that deserve further considerations by ASEAN DFIs, policy banks and other capital market participants.

What are SDG bonds and how to issue them?

Overview of sustainable finance-themed bonds

The term "sustainable finance" is widely used in the global markets as sustainability has become a mainstream consideration in the financial sector. According to ICMA, "Sustainable Finance incorporates climate, green and social finance while also adding wider considerations concerning the longer-term economic sustainability of the organizations that are being funded, as well as the role and stability of the overall financial system in which they operate"[16]. Sustainable Finance provides the widest umbrella definition that incorporates a subset of sustainability-themed finances, including ESG investing, green finance, social finance and climate finance.

Figure 5: High-level definition of sustainable finance and its subset



Source: ICMA 2020.

Note: Double arrowed boxes identify definitions that interact dynamically with themes or other definitions e.g., Impact Finance in relation to Green Finance and Social Finance.

A combination of three thematic bond labels is commonly used to finance sustainable investment related to the SDGs[d]. The three labels are green, social and sustainability bonds, together referred to as GSS bonds:

- **Green bonds** fund projects that have positive environmental outcomes. Several categories of eligible green projects include climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.
- **Social bonds** raise funds for new and existing projects with positive social outcomes, such as enhancing access to and affordability of basic infrastructure and services (such as housing), employment generation, food security and social advancement (e.g., gender, women, health, education etc.).
- **Sustainability bonds** finance or refinance a combination of green and social projects.

GSS bonds are regulated by the same capital market and financial regulations as other listed fixed income securities. Structurally, GSS bonds are the same as regular bonds; they follow the same issuance procedures, but the proceeds are used for a wide variety of environmental and social projects. While GSS bonds are perceived to offer comparable risk/reward profiles to regular bonds, there is also recent evidence to suggest that they tend to be less volatile than traditional bonds.[17] The classification of a use-of-proceed bond as a green bond, social bond, or sustainability bond is determined by the issuer based on its primary objectives for the underlying projects.[18]

It should be noted that sustainability bonds are different from **sustainability-linked bonds (SLBs)**. SLBs are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability/ ESG objectives. In this sense, SLBs are a forward-looking performance-based instrument. SLB proceeds are primarily for the general purposes of an issuer in pursuit of identified Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs)[19].

Principles and standards for green, social and sustainability bonds

Currently, three sets of principles and standards guide the issuance of GSS bonds in ASEAN.

ICMA Principles: First published in 2017 and updated in 2018 and 2021, the Green Bond Principles (GBP)[20], coordinated by ICMA, provide process guidance around transparency on the use of proceeds, project selection process, management of proceeds and reporting.

In 2017, ICMA also developed the Social Bond Principles (SBP)[21] and the Sustainability Bond Guidelines (SBG)[22], which adopt the same pillars around transparency of the GBP and add new eligible categories for social financing. The SBG refer to eligible assets in the GBP and SBP. The GBP, SBP and SBG are collectively referred to as the "ICMA Principles" (Table 1). The SBP were updated in 2018, 2020 and 2021, while the SBG were updated in 2018 and 2021.

Table 1: Four Components of the ICMA Principles: Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines

		Green Bond Principles	Social Bond Principles	Sustainability Bond Guidelines
1.	Use of proceeds	The Green Bond Principles do not provide details on 'green'. The green definitions are left to the issuer to determine. Broad (and non-exhaustive) green project categories suggested by the principles include: • Energy • Buildings • Transport • Water management • Waste management & pollution control • Nature-based assets including land use, agriculture and forestry • Industry & energy-intensive commercial • Information technology & communications (ICT)	Social Project categories suggested by the principles include: • Affordable basic infrastructure • Access to essential services • Affordable housing • Employment • Food security and sustainable food systems • Socioeconomic advancement and empowerment	Combination of Green and Social Bonds Principles

d There are also pandemic bonds. In 2017, HYPERLINK "https://www.worldbank.org/en/news/press-release/2017/06/28/world-bank-launches-first-ever-pandemic-bonds-to-support-500-million-pandemic-emergency-financing-facility" the World Bank launched the first-ever pandemic bonds aimed at providing financial support to the Pandemic Emergency Financing Facility (PEF) created to channel surge funding to developing countries facing the risk of a pandemic. Pandemic bonds would normally sit under the social theme but given the scale of issuance, driven by China's issuances in 2020 to deal with COVID-19 related investments and the significance of this type of bonds globally, the CBI considers Pandemic a separate theme. The first COVID bond from ASEAN came out of the Philippines, issued by Bank of the Philippine Island (BPI) in 2020, and was labelled as a Covid Action Response (CARE) bond. More recently, transition bonds were also created as a relatively new class of bonds. Transition finance describes instruments financing activities that are not low- or zero-emission (i.e., not green), but have a shorter long-term role to play in decarbonising an activity or supporting an issuer in its transition to Paris Agreement alignment. The transition label can thus enable the inclusion of a more diverse set of sectors and activities in the sustainable finance universe. At present, transition bonds predominantly originate from highly polluting and hard-to abate industries. They do not fall into the existing definitions of green but are a critical component of a transition to net zero. Example sectors include extractive industries such as mining; materials such as steel and cement; industrials including aviation, and agriculture, particularly livestock. Building specific KPIs and screening indicators for transition activities is already underway: the CBI began the definitional work with the September 2020 release of the Financing Credible Transitions Whitepaper. This was complemented by ICMA's Climate Transition Finance Handbook published in December 2020 focusing on process guidelines. In principle, a transition bond can be considered an SDG bond if the issuer also aligns the use of proceeds to the SDGs.

		Green Bond Principles	Social Bond Principles	Sustainability Bond Guidelines
2.	Process for project evaluation and selection	The issuer of a green bond should clearly communicate to investors: • the environmental sustainability objectives • the issuer decides the process on how the projects fit within the eligible green projects • the related eligibility criteria	The issuer of a social bond should clearly communicate to investors: • the social objectives • the issuer decides the process on how the projects fit within the eligible Social Projects • the related eligibility criteria	Combination of Green and Social Bonds Principles
3.	Management of proceeds	*The net proceeds of the green bond [social or sustainability bond as well], or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for the projects.* (Source: Green Bond Principles)		
4.	Reporting	*Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. Transparency is of particular value in communicating the expected impact of projects.* (Source: Green Bond Principles)		

Source: ICMA (2021) Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines

The updated GBP (June 2021) add new recommendations on green bond frameworks and external reviews, which complement the four existing components of guidance. On green bond frameworks, the updated guidance recommends issuers to explain GBP alignment in a green bond framework or legal documentation, disclose any taxonomies, green standards or certifications referenced in project selection, and use guidance from the ICMA Climate Transition Finance Handbook when communicating Paris-aligned transition strategies. For external reviews, the updated guidance recommends that issuers appoint an external reviewer to assess the alignment of their green bond or green bond program and/or framework with the GBP, and that an issuer's management of proceeds be verified by an external auditor, or other third party, post issuance.[23]

- **ASEAN Standards:** The ASEAN Green Bond Standards[24] were launched by the ACMF in 2017 and updated in 2018. Since then, the ASEAN Social Bond Standards[25] and the ASEAN Sustainability Bond Standards[26] were also released in 2018. The Standards were developed based on the ICMA GBP, SBP and SBG, and tailored to the financing needs in ASEAN. They also provide more specific guidance on how these principles are to be applied across ASEAN for bonds to be labelled as ASEAN GSS bonds. Apart from providing guidance on the use and management of proceeds, processes for project evaluation and selection, and reporting, the ASEAN standards also have additional features related to eligible issuers, ineligible projects, information accessibility, frequency of reporting and external review (Table 2).

Table 2: Additional features of the ASEAN Green, Social and Sustainability Bond Standards

	ASEAN Green Bond Standards	ASEAN Social Bond Standards	ASEAN Sustainability Bond Standards
Eligible Issuers	The issuer or issuance of the green/social/sustainability bond must have a geographical or economic connection to the region		
Ineligible Projects	Fossil fuel power generation projects are excluded	Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded	Combination of the ASEAN Green and Social Bonds Standards
Continuous Accessibility to Information	Information on the process for project selection and the use of proceeds, as well as external review reports, must be made publicly available on a designated website		
Encourage More Frequent Reporting	In addition to annual reporting, issuers are encouraged to provide more frequent periodic reporting which would increase transparency on the allocation of proceeds and investor confidence on the ASEAN Green, Social, Sustainability Bonds.		
External Review	The appointment of an external reviewer is voluntary under the ASEAN Green and Social Bond Standards. However, considering the nascent stage of green bond market development in ASEAN, the ASEAN Green and Social Bond Standards nonetheless require the external reviewers to have the relevant expertise and experience in the area which they are reviewing. The external reviewers' credentials and scope of review conducted must be made publicly accessible from a website designated by the Issuer throughout the tenure of the bonds. Such disclosure will contribute towards awareness creation and increased investor confidence.		

Sources: ACMF (2018) ASEAN Green Bond Standards, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards.

- **The International Climate Bonds Standard**, managed by the Climate Bonds Initiative (CBI) and developed by a network of technicians, industry players and investors, incorporates the SBP and adds science-based criteria to identify assets that are compliant with a sub two-degree world[e], in line with the Paris Climate Agreement. Certification under the Climate Bonds Standard confirms that the bond, loan or debt instrument used to finance a project is:
  - Fully aligned with the GBP;
- Uses best practices for internal controls, tracking, reporting and verification and;
- Used to finance assets consistent with achieving the goals of the Paris Climate Agreement. Table 3 below compares the main differences and similarities among the ICMA Principles, the ASEAN Standards, and the CBI Climate Bonds Standard in relation to the main topics to be observed in the issuance of GSS bonds, which form the basis of SDG bonds.

Table 3: Comparison between the ICMA Principles, the ASEAN Standards and the CBI Climate Bonds Standard

Topic	ICMA Green Bond Principles	CBI Climate Bonds Standard	ASEAN Standards
Eligibility criteria	**High level**	**CBI Taxonomy**	**High level**
External review	Recommended but not required	Required	Recommended
Publication of external review	Recommended but not required	Required	Required (if conducted)
Accreditation of reviewers	No	Yes	No
Impact reporting	Recommended but not required	Not required. Allocation and Eligibility reports required	Recommended
Use of proceeds in legal documentation	Recommended but not required[f]	Required	Required[g]

Source: SSC/IFC/SECO/CBI. 2021. How to Issue Green Bonds, Social Bonds and Sustainability Bonds.

What is an SDG bond?

As a sub-set of sustainable finance-themed bonds, an SDG bond invests in projects and assets that are aligned with and contribute to the achievement of the SDGs. Issuing SDG bonds does not involve a new label — an SDG bond is primarily characterized by the alignment of the use of proceeds to specific SDGs, regardless of how it is officially labelled or marketed. In practice, SDG bonds build on the GSS principles discussed in section **Principles and standards for green, social and sustainability bonds**, but they go one step further to map the use of proceeds to selected SDGs and report the use of proceeds, and in some cases investment impact, accordingly.

ICMA clearly notes that SDG alignment mapping, or the branding of bonds as SDG bonds, does not in itself connote compliance with the GSS bond principles, and should therefore be done in addition to the core components of any GSS bond.[27] As such, ICMA recommends that issuers only refer to the SDGs in their mapping of proceeds or strategy, rather in the title of their frameworks[28], but in practice there are bond frameworks titled by the issuers as SDG bond frameworks to clearly indicate the SDG alignment.

e A sub-two degree world is one where the increase in global average temperature by the end of the century is kept below 2°C above pre-industrial levels. The limit of 2°C global warming by 2100 is a threshold identified by scientists to limit the most severe impacts of climate change.

f According to the ICMA Green Bond Principles (ICMA 2021b), "The cornerstone of a Green Bond is the utilisation of the proceeds of the bond for eligible Green Projects, which should be appropriately described in the legal documentation of the security." (p.4)

g According to the ASEAN Green Bond Standards (ACMF 2018a), "The utilisation of proceeds from the ASEAN Green Bonds must be described in the documentation for issuance of the ASEAN Green Bonds." (p.8)

Who issues SDG bonds?

A wide range of public and private sector institutions can issue SDG bonds:

- **National DFIs and policy banks** with a broad mandate to address SDG agendas can issue an SDG bond to mobilize capital and on-lend to multiple SDG sectors through intermediaries such as domestic banks and microfinance institutions. For example, Banco de la Nación Argentina (BNA) issued an SDG bond to finance its lending programs on SMEs, agriculture and housing.

- **National governments** can raise finance for cross-cutting SDG investment programs and channel the proceeds towards investment projects that benefit the most vulnerable populations. Key examples are the sovereign SDG bonds recently issued by Malaysia[29], Mexico[30] and Thailand.[31]

- **Subnational governments**, such as city and municipal governments, can raise finance through SDG bonds for local SDG investment programs, such as those on urbanization and climate solutions related to waste, energy and water management[32].SDG bonds are becoming more commonly used by municipalities in developed markets such as the US and Japan and are increasingly explored by those in developing countries.

- **International organizations**, including multilateral development banks (MDBs) such as the World Bank, bilateral agencies such as Agence Française de Développement (AFD), and supranational organizations such as the European Union, also issue SDG bonds to finance their development programs.

- **Private banks** such as CIMB, ANZ, HSBC, and Société Générale have issued SDG bonds to finance banking activities linked to the SDGs.

- **Companies** operating in prime SDG sectors and geographies[h], or moving towards a circular economy model, can issue corporate SDG bonds to finance SDG-related activities. For example, Amazon announced in May 2021 the issuance of a US$1 billion sustainability bond. Bond proceeds will be used to fund projects in renewable energy, clean transportation, sustainable buildings, affordable housing, and socioeconomic advancement and empowerment. The issuance follows a sustainability bond framework that Amazon has developed, which aligns the use of proceeds to SDGs.[33]

ICMA guidance on SDG bonds

ICMA created a guiding document to assist public and private issuers and investors in mapping their GSS bond issuances and investments against the SDGs.[34] The document illustrates how the SDGs may be mapped to eligible operations for the use of GSS bond proceeds. The ICMA document identifies 15 SDGs (i.e., SDGs 1 to 15) out of 17 SDGs, and well as a subset of targets and indicators for them, as being relevant to GSS bonds (See Table 4).

Recognizing that the COVID19 crisis has also catalyzed broad interest in using social and sustainability bonds to finance programs to alleviate the negative social impacts, the document also provides a guideline on how issuers may map the use of proceeds in COVID-related social or sustainability bonds to some most relevant SDGs (i.e., SDG 3: Good Health and Well-Being, SDG 4: Quality Education, SDG 6: Water and Sanitation, SDG 8: Decent Work and Economic Growth and SDG 10: Reduced Inequalities).

Table 4: Examples of ICMA high-level mapping of the SDGs to GSS Bonds

SDG	SBP Project Categories	GBP Project Categories	Example Indicators
1 NO POVERTY	• Access to Essential Services (Target 1.4) • Affordable Housing (Target 1.4) • Socioeconomic Advancement and Empowerment (Targets 1.1, 1.2, 1.3, 1.4, 1.5)	• Climate Change Adaptation (Target 1.5)	• Number of people provided with basic service • Number of microfinance loans • Number of people benefitting from measures to mitigate the consequences of climate change such as natural disasters
2 ZERO HUNGER	• Access to Essential Services (Target 2.3) • Affordable Basic Infrastructure (Target 2a) • Food Security (Targets 2.1, 2.2, 2.3, 2c) • Socioeconomic Advancement and Empowerment (Targets 2.3, 2.5, 2a, 2c)	• Climate Change Adaptation (Target 2.4) • Environmentally Sustainable Management of Living Natural Resources and Land Use (Target 2.4)	• Number of people provided with safe, nutritious and sufficient food • Products with certified improvements in nutritional value • Number of small-scale farmers with increased • Productivity

Source: ICMA (2020). Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals

h According to United Nations Global Compact (2019), Prime SDG sectors are those that contribute most to the SDGs including health, food, water & sanitation, energy, infrastructure, education and finance. Prime geographies depend on each goal but often include low- and middle-income countries.

Two complementary approaches to issuing SDG bonds

SDG bonds can be issued as **use-of-proceed** bonds and **general purpose** bonds.

In practice, most (if not all) of the issued SDG bonds so far are **use-of-proceed bonds**, whereby the issuer identifies specific assets or projects that contribute to the SDGs and commit to a strict accountability on the use of proceeds in accordance with the ICMA principles. Further growth of this type of SDG bonds likely comes from an expanding the list of eligible assets.

By nature, such a project-based approach requires extra layers of management and oversight, including pre- approved use of funds, investment committee approval of the use of funds, independent verification of the use of funds, and separate corporate reporting on the SDG-themed financing.[35] However, these management requirements are quite easily implementable by DFIs and policy banks whose on-lending activities are already tracked by strategic development objective or business line.A general purpose SDG bond is another approach which could support corporate-level SDG contribution.[36] Companies with a credible SDG impact theory could issue a general purpose SDG bond to finance overall corporate activities, while integrating the SDG financing within their existing strategic and governance procedures. This approach holds potential with sectors where SDG contribution is not necessarily tied to a specific asset (real or financial) or managed as a separate project.[37]

While currently not as common as the use-of-proceed SDG bonds, general purpose SDG bonds could also be explored by potential issuers in ASEAN such as sustainable companies and social enterprises.

Benefits of an SDG bond for issuers and investors

An SDG bond is an effective discovery and communication mechanism for both issuers and investors; it bridges the interests in sustainability of both sides of the market and provides a common language to identify, monitor and report sustainable impacts in a way that connects project-based investments to societal objectives. The benefits that SDG bonds can deliver to issuers, particularly national DFIs and policy banks, and to investors are summarized in the Table 5 below.

Table 5: Benefits of SDG bonds for issuers and investors

Benefits for issuers	Benefits for investors
• Provide an additional resource for a range of sustainable financing needs consistent with the SDGs; this resource may not have been previously available if the bond was not structured properly as such • Increase alignment of mobilized private capital with national and sectoral sustainability objectives, using the SDGs as a guiding framework for alignment • Reduce transaction costs in raising capital for a cross-cutting SDG investment program • Facilitates incorporation of projects, products, services, organizational operations and conduct into a package of investment needed to achieve less tangible SDGs (such as gender equality, partnerships, peace and justice etc.) as investible assets; by themselves, they may not present attractive investment opportunities, but they become investible as part of a broader and well- structured SDG investment program • Improve investor diversification, responding to the growing demand of global investors for a wider range of sustainable assets • Respond to a growing demand among groups of investors that seek to highlight key thematic initiatives linked to the SDGs (such as water, gender, education, biodiversity etc.) • Ease in marketing the bond, as the SDGs are well-known and globally accepted and therefore provide a clear roadmap for investors on where to zoom in for investment impact • Attract strong investor demand, which can lead to high oversubscription and pricing benefits • A powerful tool to communicate how the mobilized capital contributes to societal outcomes.	• Comparable financial returns with the addition of sustainability benefits • Satisfy ESG requirements for sustainable investment mandates • Enable direct investment in an expanding set of SDG assets • Increased transparency and accountability on the use and management of proceeds as an additional risk management tool • Increased granularity on the use and management of proceeds towards specific SDGs help investors respond tothe mounting consumer and regulatory pressure to disclose more about the sustainability of their investment • Investment in the SDGs helps mitigate systematic risks in the portfolio that correlate with the level of economic, social, environmental and institutional development of countries, particularly emerging markets • Enhance investor visibility and reputation • A powerful tool to communicate how investment contributes to societal outcomes

Global SDG bond markets

The SDGs have drawn widespread interest from the global investment community and are today a key sustainability framework for the private sector. In a recent Global ESG investor Survey by BNP Paribas[38], 65% of respondents reported having aligned their investment framework with the SDGs, with 34% of them setting an agreed target of investee company revenues stemming from meeting the SDGs.

The survey also reveals that asset owners are leading the way in adopting the SDGs, with 71% aligning their investment with the SDGs, compared to 58% of asset managers. Asia Pacific leads all regions with 76% respondents aligning investment with the SDGs, compared to 64% for Europe and 54% for North America.[39]

While it is premature to say that sustainability investors today explicitly demand SDG alignment for GSS bonds, the above trend suggests that global investors increasingly use the SDGs as a framework to enhance returns, manage risk and maximize contribution to sustainability. Partly in recognition of this trend, it is now an increasingly common practice for GSS bond issuers to explain how their use of proceeds aligns with the SDGs. According to Environmental Finance's Sustainable Bond Insights 2021, **63.6% of GSS bonds and SLBs were aligned with the SDGs in 2020, amounting to US$ 382 billion.** The five most covered SDGs amount to over 50% and include: Goal 3 (Good health and well-being), Goal 11 (Sustainable cities and communities), Goal 7 (Affordable and clean energy), Goal 13 (Climate action) and Goal 9 (Industry innovation and infrastructure). The largest increase was for Goal 3, which saw an increase from 4.36% to 16.34%, largely driven by issuances by supranational organizations, such as the European Union and the World Bank, in response to the Covid-19 pandemic.[40] (Figure 6 and Figure 7)

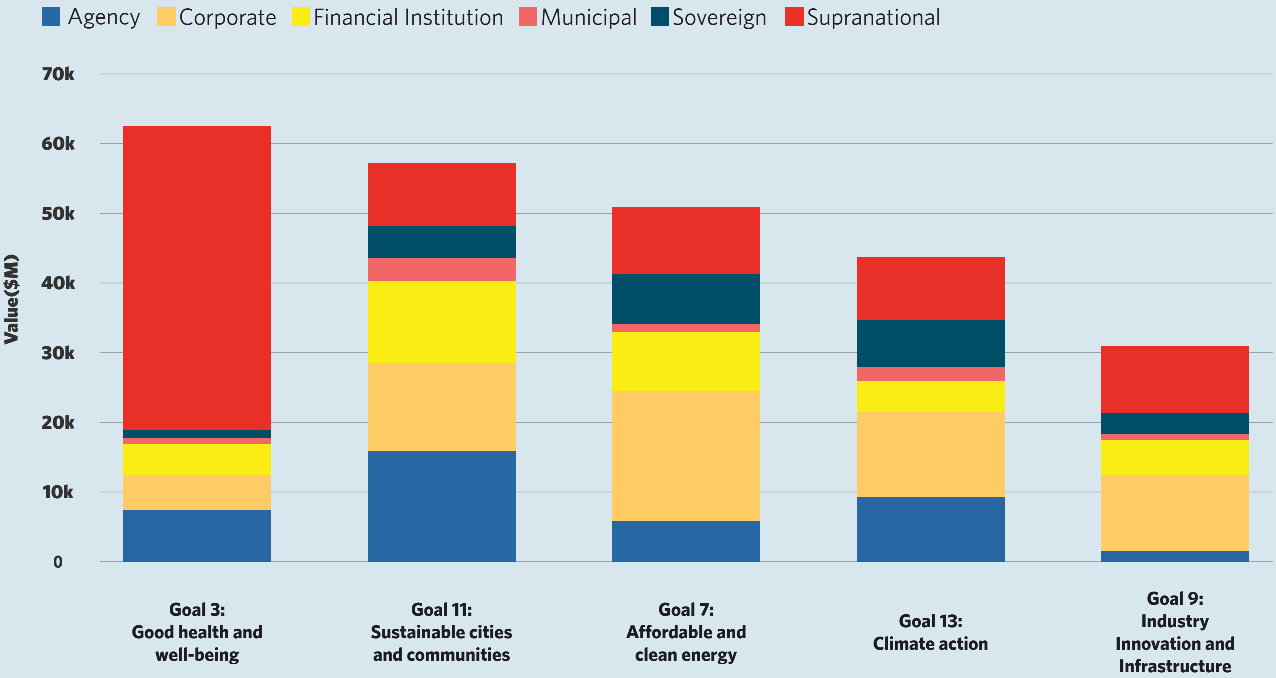
Figure 6: Breakdown of SDG-aligned GSS bonds and SLBs, 2020

Source: Environmental Finance's Sustainable Bond Insights 2021, based on data from www.bonddata.org

Note: The value of each bond is divided up by the number of SDGs it covers and allocated equally amongst them.

Figure 7: Breakdown of SDG-aligned GSS bonds and SLBs by type of issuers, 2020

Sector breakdown of the top 5 largest SDGs in 2020



Top 5 lead managers in bonds aligned with SDG

3 GOOD HEALTH AND WELL-BEING	11 SUSTAINABLE CITIES AND COMMUNITIES	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Lead Managers	**Lead Managers**	**Lead Managers**	**Lead Managers**	**Lead Managers**
BNP PARIBAS 11,670.84 ($M)	HSBC 14,883.71 ($M)	J.P.Morgan 14,233.79 ($M)	J.P.Morgan 13,135.90 ($M)	HSBC 11,479.56 ($M)
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK 11,537.54 ($M)	J.P.Morgan 14,648.00 ($M)	citibank 13,133.41 ($M)	HSBC 12,594.16 ($M)	J.P.Morgan 10,831.90 ($M)
SOCIETE GENERALE Corporate & Investment Banking 8,962.95 ($M)	citibank 12,498.06 ($M)	HSBC 13,063.29 ($M)	CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK 10,442.53 ($M)	SOCIETE GENERALE Corporate & Investment Banking 10,205.16 ($M)
J.P.Morgan 7,735.30 ($M)	BNP PARIBAS 12,279.84 ($M)	CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK 10,511.74 ($M)	BNP PARIBAS 9,260.34 ($M)	citibank 8,387.40 ($M)
HSBC 8,292.84 ($M)	CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK 11,777.04 ($M)	TD Bank 9,992.82 ($M)	BARCLAYS 9,187.86 ($M)	TD Bank 6,611.55 ($M)

Source: CBI Database

Source: Environmental Finance's Sustainable Bond Insights 2021, based on data from www.bonddata.org

A recap of steps to issue a use-of-proceed SDG bond

From a financial perspective, the process of issuing an SDG bond is the same as that of issuing GSS bonds, which is the same as for a regular bond. The full description of these steps is already covered extensively by other resource materials, such as the "How to Issue Green Bonds, Social Bonds and Sustainability Bonds" guide developed by CBI and partners.[41] The users of this toolkit are recommended to further consult these resource materials for in-depth explanation.

For this toolkit, this section recaps key information on the steps to issue a use-of-proceed SDG bond as a background for Section **What are SDG bonds and how to issue them?** that discusses the high-level guiding principles for these steps. Issuing a use-of-proceed SDG bond involves the steps shown in Columns A, B and C of Table 6.

Column A describes the regular bond issuance process that is generally applied when the issuer decides to be rated and ends with the monitoring of the performance of the bond in the secondary market.

Column B shows the supplementary steps that the issuer should undertake for an issuance of a green, social, or sustainability bond based on international best practices.

Column C shows the additional steps that should be followed if the issuer wants to market or brand such a green, social, or sustainability bond as an SDG bond.

The processes are both described in terms of the internal procedures the issuer should set up before and after the launch of the bond into the market, which correspond to the Pre-Issuance and Post-Issuance phases respectively.

Table 6: Process comparison between regular bond, GSS bond and SDG bond issuances

(A) Issuing a regular bond	(B) Issuing a green, social or sustain-ability bond (additional steps to A)	(C) Issuing and SDG bond (additional steps to B)
Pre-Issuance • Get rated • Get market intelligence on currency, tenor, size • Decide on underwriters • Register with local regulator • Issue prospectus • Comfort letter / due diligence • Outreach through road shows and sales	**Pre-Issuance** • Define an GSS Bond Framework: A. Preparation B. Define how project meets GSS eligibility criteria (**Use of Proceeds**) C. Put in place project selection process and select eligible projects (**Selection of Projects and Assets**) D. Set up accounts and process to earmark and allocate proceeds – ring-fence the proceeds (**Management of Proceeds**) E. Establish **Reporting** processes F. Get pre-issuance external review (**External Review**) • Check for support mechanisms	**Pre-Issuance** • Define an SDG Bond Framework, building on the GSS principles: A. **Strategic-level SDG mapping**: Identify the most relevant SDGs supported by organizational mandate and the specific purpose of the bond. B. **Project/asset-level SDG-Mapping**: Identify relevant green and social projects for the SDGs covered by the bond. C. **SDG Eligibility Criteria**: Put in place additional project selection criteria needed to ensure that the selected green and social investments contribute meaningfully to the SDGs. D. **SDG Metrics**: Select relevant SDG targets and indicators, for which data can be collected and reported at the project level. E. SDG Reporting: Consider additional requirements and capacities in the reporting processes (e.g., more data gathering) that may need to be put in place for monitoring process. F. Get pre-issuance external review (**External Review**) (part of the same Step F under column B, but also includes comments on SDG alignment).
Issuance: **Launch the bond into the market** Build the book of investors who are interested in the bond	**Issuance: Launch the bond into the market**	**Issuance: Include the SDG alignment in marketing materials and investor documents**
Post-Issuance • Price and allocate bond to support secondary market performance • Communication to the capital market • Monitor secondary market	**Post-Issuance** • Allocate proceeds to the projects • Monitor the projects and track allocation over time • Publish impact report • Post issuance Audit, if necessary	**Post-Issuance** • Incorporate SDG impact (to the extent possible) in the Impact Report • Post issuance Audit (part of the same step under B, but also include comments on SDG alignment), if necessary

Key principles relevant for the issuance of an impactful SDG bond

ICMA recommendation on SDG alignment

As discussed in Section **What are SDG bonds and how to issue them?**, SDG bonds are in practice GSS bonds that further align the use of proceeds to the SDGs. As such, the ICMA GSS principles and the ASEAN GSS standards currently provide the backbone of guidance that SDG bond issuers in ASEAN can follow for all steps under Column B in Table 6.

But while aiming at social and environmental outcomes, GSS projects and assets are not necessarily automatically aligned with the SDGs. To further align the use of GSS bond proceeds with the SDGs, as outlined in Column C in Table 6, ICMA developed a guiding document on SDG mapping (See Section **ICMA guidance on SDG bonds**). The ICMA document provides a broad frame of reference by which issuers, investors and market participants can evaluate the financing objectives of a given green, social or sustainability bond/bond program against the SDGs.[42]

In June 2021, the ICMA's Social Bond Working Group (SBWG) made further recommendation on SDG alignment:

> *"Issuers are also encouraged to identify alignment with market-wide social or development objectives, such as the Sustainable Development Goals (SDGs), to help investors that may use them as part of their investment decisions. Issuers can indicate alignment:*
>
> *1) On the company level (if applicable)*
>
> *2)In respect of the Social Bond Framework, the SBWG recommends that issuers include in their Social, Green, and/or Sustainability Bond Frameworks their methodology for alignment with the SDGs, and where applicable, incorporate this in their external review process. Issuers should provide as much clarity and detail as feasible on how specific SDGs are relevant and not simply reference the SDGs in general."*[43]

Additional principles for SDG alignment

This toolkit offers **nine guiding principles** that issuers can consider as part of their methodology to design a framework for an impactful SDG bond (Table 7). The principles are particularly helpful for the steps on SDG alignment in Column C in Table 6.

The principles are guided by the notion that for GSS projects and assets to be aligned with— and more importantly, contributing to and accelerating— SDG progress, they also have to incorporate of the very key principles that lie at the heart of the SDGs: recognition of the interdependence between the goals, equality and inclusion (i.e., leave no one behind), locally-focused development, and transformation beyond business as usual.

As the guiding principles are high-level, they can be incorporated, as appropriate, by issuers across all the key steps covered in an SDG bond framework: strategic-level SDG mapping; project/asset-level SDG- Mapping; SDG Eligibility Criteria; SDG Metrics and SDG Reporting (Column C, Table 6).

The principles target national DFIs and policy banks whose mandate vis-à-vis the SDGs lie not only in good corporate governance, but also in being a key financing instrument to propel countries to achieve the SDGs. Therefore, the principles seek to maximize the potential contribution of the use of SDG bond proceeds by these institutions to national SDG outcomes. These principles complement the ICMA's guidance on mapping GSS bond proceeds to the SDGs,[44] and the SBWG's recommendation for more clarity in SDG alignment methodology discussed in Section **ICMA recommendation on SDG alignment**.

Table 7: Nine high-level guiding principles for an impactful SDG bond

Principle	Relevant Features in an SDG bond framework
1. Address **key SDG investment gaps of the country**	• Informed by an SDG investment gap assessment at national and sectoral levels • Channel the required resources towards priority SDG sectors, with attention to under-invested and low-progress SDG sectors • Linked to national and sectoral policies in the SDG sectors requiring accelerated progress
2. Maximize **value of private sector capital**	• In areas where public funds are limited, the increased involvement of private sector financing wherever possible will allow the public funds to flow to areas where public funds are the most suitable or are the only funding option[45]
3. Use **country and local knowledge** to inform eligibility criteria	• Criteria to select SDG-aligned project and assets, especially those targeting social SDGs, have to be very country-specific, and in some cases, location-specific (for example, local exposure to climate risks) • Given the lack of a "social taxonomy", DFIs may seek further guidance from the Government for key social development-related SDGs (including specific targets and indicators), and therefore, the type of projects/assets that could be prioritized for the use of SDG bond proceeds

Principle	Relevant Features in an SDG bond framework

4. Make **positive and substantive impact** to the SDGs	• Recognize the interdependence between the SDGs and the potential negative impact of addressing one on others. For example, projects addressing SDG 2 (Zero Hunger) that involve agricultural expansion, in some scenarios, could have negative impacts on SDG 14 (Life Below Water) and SDG 15 (Life on Land)
	• Ensure positive and substantive contribution to one or more SDGs without doing harm to others
	• A project that does not cause harm[i] to the SDGs should meet one of the following criteria:
	  ◦ reducing negative SDG outcomes
	  ◦ maintaining or improving existing positive SDG outcomes
	  ◦ creating new positive SDG outcomes
	(See Box 1: Criteria to determine a do-no-harm SDG project)

5. Move from SDG alignment to **SDG transformation**	• Transformative SDG investments do not only fill the gaps needed to meet the SDG targets by 2030, but also sustain the progress achieved and ensure that the progress is resilient to shocks and setbacks • Transformative SDG investments, therefore, do not only involve "hard" infrastructure (asset-based), but also increased investment in 'soft' areas (system-based) such as technologies, services, supply chain management, operations etc. (See Box 2: Asset-based and system-based investment for climate resilience)
6. Promote **equitable** SDG investment	• Accelerate investments in socioeconomic empowerment for vulnerable populations • Close the SDG finance gap for the most vulnerable groups in the society, ensuring that "no one is left behind" • Incorporate socio-economic criteria in the selection of project beneficiaries (e.g., poverty status, access to social services, geographical targeting of most disadvantaged regions etc).(See the Mexico SDG Bond example in Section **Examples of SDG bond frameworks and related resources**)
7. **Reduce risk** of 'SDG washing'	• Exclude certain types of projects from being funded with proceeds raised from SDG bonds • The ASEAN Green Bond Standards explicitly exclude fossil fuel power generation projects to avoid 'greenwashing'. In the case of ASEAN Social Bonds, excluding alcohol, tobacco, gambling and weaponry helps address concerns about 'SDG washing' • Depending on the country and local SDG contexts, additional exclusions maybe added to the green and social bonds' list (such as exclusions related to human rights, land rights, indigenous cultures and populations etc.)
8. Plan for **ongoing monitoring and evaluation** of SDG projects and assets	• Undertake ongoing monitoring to determine whether the financed SDG projects and assets continue to be fit for purpose and maintain benefits as risks evolve
9. Align to the SDGs strategically, **track impact granularly**	• While strategic alignment to the SDGs can be done at the broad level (e.g., alignment to different thematic loan programs of the issuing DFIs), issuers should design an impact metric and indicators to **track and report impact granularly**. The Global Indicator Framework for the SDGs, which contains 231 unique indicators[46], are the core indicators that issues could adopt or link to. However, investors could also design other indicators that are relevant, credible, and contribute to the SDGs and their targets • The chosen impact indicators should match the level of implementation i.e., they should correspond to the nature of project/assets' contribution to the SDGs as much as possible • Reporting indicators can be both quantitative and qualitative. Qualitative information, such as the socio-economic profile of beneficiaries and level of satisfaction of the services provided, can enhance the understanding of the investment impact. Proxy indicators for impact can be also considered

i See a discussion on "do no harm" and "do no significant harm" in the chapter "Issues for further considerations in issuing an SDG bond

Box 1: Criteria to determine a do-no-harm SDG project

Released in March 2021, the UNDP's SDG Impact Standards for Bond Issuers, adapted the following ABC Classifications developed by the Impact Management Project (IMP) to categorize investments' contributions towards specific SDG outcomes incorporating the do-no-harm principle.

The ABC Impact Classifications are:

Act to avoid or reduce harm, including harm that detracts from achieving the SDGs by improving an existing negative outcome – moving from a more negative to a less negative outcome level relative to a suitable outcome threshold, e.g., reducing CO2 emissions, or eliminating child labor in supply chains; or

Benefit stakeholders in relation to the SDGs by maintaining or improving an existing positive outcome – maintaining a positive outcome level or moving from a positive to a more positive outcome level, relative to a suitable outcome threshold, e.g., selling products that support good health or educational outcomes for those already with good access to both; or

Contribute to solutions towards achieving the SDGs by generating a new positive outcome – moving from a negative to a positive outcome level relative to a suitable outcome threshold, e.g., providing health or educational services in communities that currently have no access to them, or providing financial services to people without access to credit or banking services. The ABC classifications corresponds to reducing negative SDG outcomes, maintaining or improving existing positive SDG outcomes, and creating new positive SDG outcomes, respectively.

Impacts that do not meet the above conditions are classified as 'may' or 'do cause harm'.

Source: Glossary of the UNDP 2021. SDG Impact Standards for Bond Issuers[47], adapted from Impact Management Project.

Box 2: Asset-based and system-based climate resilience investments

Addressing physical climate risks will require not just investments in hard infrastructure, but also increased investment in 'soft' areas such as technologies, services, supply chain management, operations etc. that have a key role to play in enabling climate resilience in ecosystems, economies and societies. In terms of the range of climate resilience investments, two types are identified, both of which are encouraged for inclusion in SDG bonds:

Asset-focused: Where the intention is to maintain or enhance the resilience of an asset or activity to climate change, specifically to ensure that the asset or activity's performance is fit-for-purpose over its design lifespan. In many cases, this will also contribute climate resilience benefits to the system in which the asset or activity is a part, depending on the type of product or service the asset or activity provides.

Examples of asset-focused investments include upgrading, replacing, or relocating infrastructure to reduce vulnerability to floods etc., use of drought resistant crops or training on and implementation of sustainable farming practices at individual farm level to maintain and enhance productive capability and incomes.

System-focused: Where the intention is to deliver climate resilience benefits to the broader system (i.e., going beyond merely ensuring the performance of an asset or activity over its design lifespan). To be effective, such an asset or activity will also need to have a sufficient degree of resilience to climate change.

Examples of system-focused investments include the construction and operation of desalination plants, research into drought resistant crops, wild-brush clearing at landscape level, climate monitoring and data management technologies and services, and provision of healthcare services for the treatment of diseases that might increase due to climate change.

Source: CBI. 2019. Climate Resilience Principles A framework for assessing climate resilience investments.[48]

Examples of SDG bond frameworks and related resources

SDG bond frameworks of public and private issuers

The first step in issuing an SDG bond is the preparation of an SDG Bond Framework. This is a document that discusses how the internal processes of the issuer meet commonly accepted green and social bond eligibility criteria and how the use of bond proceeds will also be aligned to the SDGs. The processes are subdivided into two sets: one set of processes that should be implemented at Pre-Issuance (Use of Proceeds, Selection of Projects and Assets, Management of Proceeds, External Review) and one set that should be implemented at Post-Issuance (Post-Issuance Audit and Reporting) (See Section **A recap of steps to issue a use-of-proceed SDG bond**, Table 6).

An issuer's SDG Bond Framework is a physical document that is generally made publicly available to the market and is considered the centerpiece of the SDG bond issuing process. ICMA currently recommends that issuers only refer to the SDGs in their mapping of proceeds or strategy, rather in the title of their frameworks[49], but in practice there are bond frameworks titled as SDG bond frameworks.

Several public and private issuers recently launched SDG bond frameworks to guide how they will develop, launch and manage GSS bonds aligned with the SDGs. Four recent examples from banks are the SDG bond frameworks released by HSBC[50], the Australia and New Zealand Banking Group Limited (ANZ)[51], CIMB Bank[52] and Banco de la Nación Argentina (BNA)[53].The US$ 890 million SDG bond issued by the Mexican Government in 2020[54], the Malaysian sovereign US Dollar Sustainability Sukuk issued in April 2021[55], and the Thai sovereign sustainability bonds issued in August 2020[56], also provide three examples of sovereign SDG bond frameworks.

Multilateral and bilateral development agencies also launched SDG bond frameworks to guide capital mobilization. For example, in October 2020 the Agence Française de Développement (AFD) launched its SDG bond framework to guide the mobilization of finance from the capital markets to finance loans to development projects and programs in client countries.

While there is no prescribed way to write it, the structure of an SDG bond framework commonly reflects the four pillars of the ICMA GBP[57], which are also fully integrated in the CBI Climate Bonds Standard. The main sections of an SDG bond framework typically examine the following steps similar to a green bond issuance process, with an additional step on SDG mapping.[58]

- Describe the issuer's commitment to sustainability and specific SDGs relevant to its mandate;
- Indicate compliance with the ICMA GBP, SBP, and SBG on the four key pillars: use of proceeds, process for project selection and evaluation, management of proceeds, and reporting;
- Identify green and social project categories covered by the issuer's financing activities (use of proceeds);
- Identify a subset of SDGs linked to the green and social project categories and eligible projects and assets under the categories (SDG mapping for use of proceeds);
- Describe the process for project selection and evaluation, management of proceeds, and reporting;
- Provide information about the SPOs review for the framework.

For illustrative purposes, the following section presents a snapshot of five aspects from sample of SDG bond frameworks: SDG mapping; criteria for asset eligibility; excluded assets; indicative impact metrics; and use of proceeds and impact reporting. The aim is to show a variety of approaches as relevant examples for users of this toolkit.

Examples of SDG mapping

While ANZ uses the green and social bond principles to guide SDG mapping (Figure 8), the AFD uses a more customized tiered approach (Figure 9). The AFD interprets and groups the 17 SDGs into six transitions: energy transition, demographic and social transition, digital and technological transition, economic and financial transition, territorial and ecological transition, and political and civic transition (Figure 8). Relevant SDGs are then mapped to the six transitions. To support these transitions, the AFD may issue three types of bonds—climate bond, social bond, and sustainable bond—under its SDG bond framework.[59]

Figure 8: SDG mapping in the ANZ SDG bond framework

ANZ SUSTAINABILITY BONDS

Issued in accordance with the ICMA Sustainability Bond Guidelines
The proceeds of ANZ Sustainability Bonds will be applied to Eligible Assets which may be linked to a combination of any of the below 11 SDGs across "green" or "social" categories.

ANZ GREEN BONDS

Issued in accordance with the ICMA Green Bond Principles and where relevant, the Climate Bonds Standard.

SDG 6: Clean Water and Sanitation
- Sustainable water and wastewater management
- Socioeconomic advancement and empowerment

SDG 7: Affordable and Clean Energy
- Renewable energy
- Energy efficiency

SDG 9: Industry, Innovation, and Infrastructure
- Green buildings

SDG 11: Sustainable Cities and Communities
- Clean transportation

SDG 12: Responsible Production and Consumption
- Pollution prevention and control

SDG 13: Climate Action
- Climate change adaptation

SDG 15: Life on Land
- Environmentally sustainable management of living natural resources and land use
- Climate change adaptation
- Terrestrial and aquatic biodiversity conservation

ANZ SOCIAL BONDS

Issued in accordance with the ICMA Social Bond Principles

SDG 3: Good Health and Well-being
- Access to essential services
- Socioeconomic advancement and empowerment
- Affordable basic infrastructure

SDG 4: Quality Education
- Access to essential services
- Socioeconomic advancement and empowerment

SDG 6: Clean Water and Sanitation
- Affordable basic infrastructure
- Socioeconomic advancement and empowerment

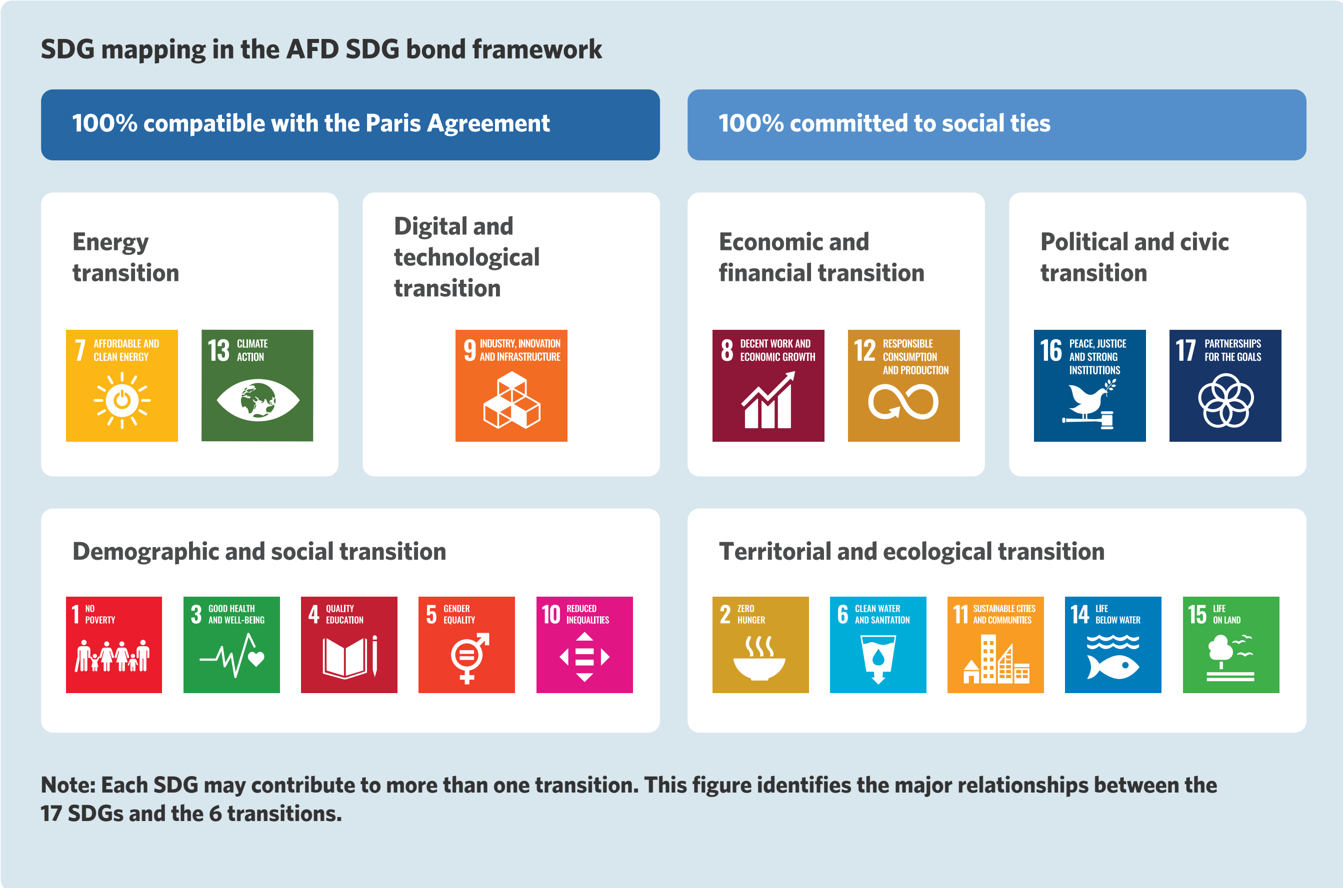
SDG 8: Decent Work and Economic Growth
- Employment generation
- Socioeconomic advancement and empowerment

SDG 10: Reduced Inequalities
- Socioeconomic advancement and empowerment

SDG 11: Sustainable Cities and Communities
- Affordable housing
- Affordable basic infrastructure
- Access to essential services

Source: ANZ. 2020. ANZ SDG Bond Framework.

Figure 9: SDG mapping in the AFD SDG bond framework



Source: AFD. 2020. SDG Bond Framework

Examples of criteria for asset eligibility

The SDG bond frameworks from ANZ, AFD and the Government of Mexico show different approaches that issuers use to determine asset eligibility.

Guided by the bank's sustainability mission, ANZ determines eligible SDG-aligned assets per green and social bond project categories (Figure 8).

Table 8: Examples of asset eligible projects and assets for the use of proceeds under the ANZ SDG bond framework

Sustainable Development Goal	SDG Target	GBP/SBP Project Category	Examples of Eligible Assets
3 GOOD HEALTH AND WELL-BEING	3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	Access to essential services Socioeconomic advancement and empowerment Affordable basic infrastructure	Construction, supply of goods, and/or operation of: • Public hospitals, clinics and health care centres (including those with a portion of private hospital beds); or • Private hospitals which; **a.** Are not-for-profit, or **b.** Provide free/subsidised social benefit programs which support the physical, mental and emotional wellness of vulnerable and disadvantaged communities; or **c.** Have agreed to make healthcare services available to the public as required, under government agreements; or • Aged care services that, as required by the Australian Government, meet the supported resident ratio (i.e. as at the time of writing a minimum of --16% of resident places for supported, concessional and assisted residents); or • Specialist disability accommodation
4 QUALITY EDUCATION	4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university 4.4 Substantially increase number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship 4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	Access to essential services Socioeconomic advancement and empowerment	Activities that expand access for youths and adults to education or otherwise improve educational infrastructure including: **i)** Technical, vocational and tertiary educational schemes **ii)** Construction of or investment in facilities such as tertiary campuses, universities, student housing or other educational or training infrastructure Activities that target women and minority inclusion in education systems, including access to tertiary education or vocational and technical skills training and access to campus infrastructure
6 CLEAN WATER AND SANITATION	6.1 Access to safe and affordable drinking water 6.2 Access to adequate and equitable sanitation and hygiene 6.3 Improve water quality 6.4 Increase water-use efficiency and reduce the number of people suffering from water scarcity	Affordable basic infrastructure Sustainable water and wastewater management Socioeconomic advancement and empowerment	Activities that: Expand public access to safe and affordable drinking water; or • Provide access to adequate sanitation facilities; or • Improve water quality to be fit for human use/consumption; or • Increase water-use efficiency through water recycling, treatment and reuse (including treatment of wastewater)

Source: ANZ. 2020. ANZ SDG Bond Framework.

For the AFD, a loan is eligible under its SDG bond framework if it satisfies all the following three conditions:

1. *Contribution to the SDGs*
   - meeting at least one SDG other than SDGs 1 and 17
   - a loan is attached to a group of SDGs
   - responding to one of the six transitions in the AFD Group's strategic plan
   - addressing one of the eligible categories of the ICMA principles[j]
2. *Theme-based and technical eligibility*
   - meeting at least one of the following three criteria: intrinsic nature or purpose of operation, climate mitigation performance, and transformation performance
3. *Taking into accounts interlinkages between the SDGs.*[60]

Figure 9 show examples of activities for project loans which are eligible under the AFD SDG bond framework.

j This condition is fully defined as: i) contributing to at least one SDG other than SDGs 1 and 17 (i.e., loan attached to a "group of SDGs"); ii) responding to one of the six transitions in the AFD Group's strategic plan; and, finally, iii) addressing one of the eligible categories of ICMA's SBP/GBP/ SBG. See AFD (2020). SDG Bond Framework.

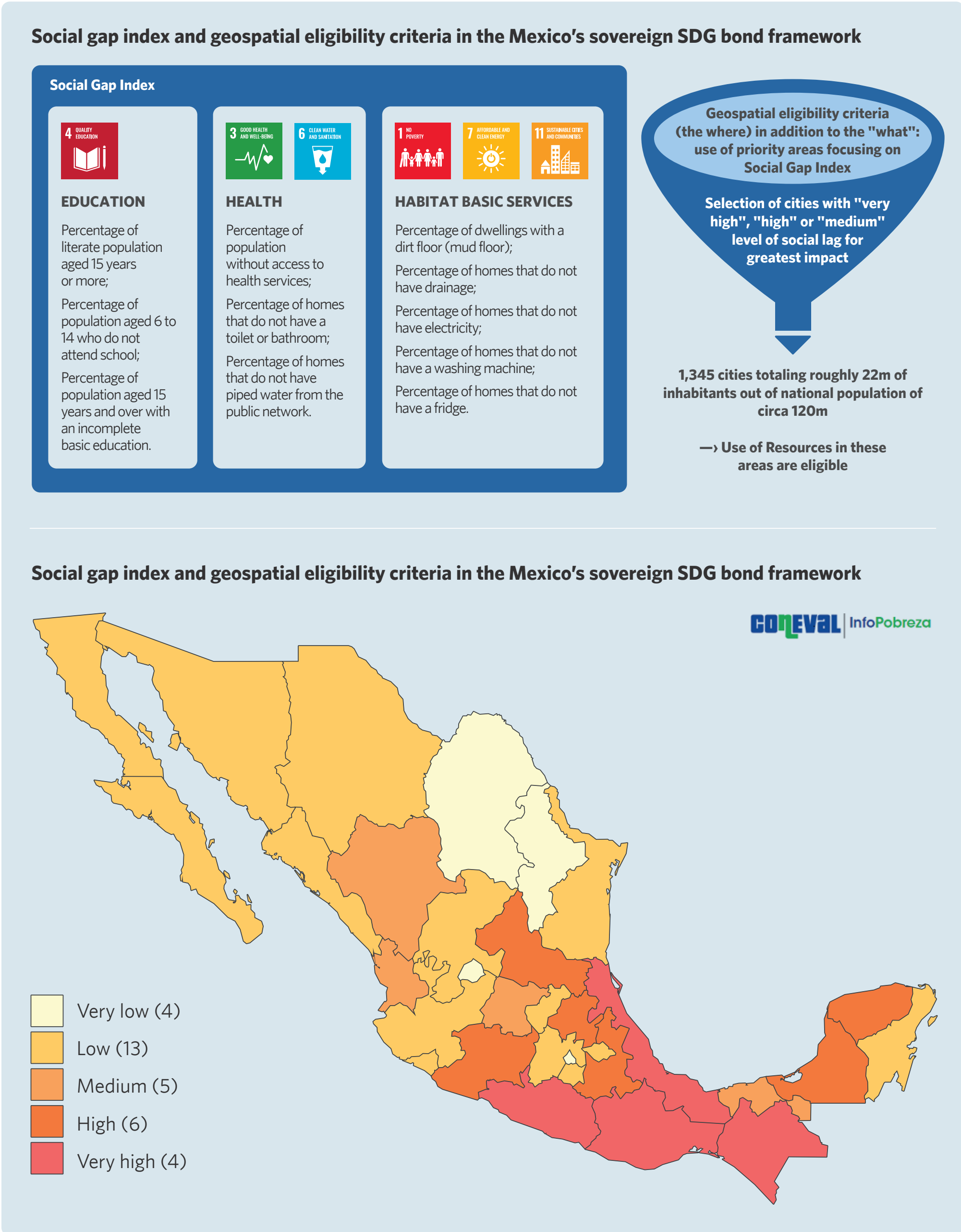
Table 9: Examples of eligible loan project categories under the AFD SDG bond framework

AFD Transitions	Issue Eligibility	Project Type
Energy Transition	Energy efficiency, renewable energies	Renewable energies Energy efficiency Access to modern and sustainable energy Beyond the intrinsic nature of these projects, projects relating to the energy transition must not only comply with theme- based eligibility but also with climate eligibility (criteria no. 2)
Demographic and social transition	Healthcare	Healthcare infrastructure and services (basic health care programs, laboratories, health centers, hospitals, ambulances, health equipment and supplies) Financing of health care (health insurance, supplemental health insurance, health coverage)
	Education and professional training	School equipment (school buildings, equipment, supplies,teaching materials). Support for education policies and program (school administration and management system guidance, reform accompaniment, supporting public finance management). Teacher training, teacher policy (redeployment, management, training). Professional education and training. Higher education and research (university buildings, student housing, sector professionalization, networking, training accreditation). Supporting policies in support of decent employment. Support for self-employment and entrepreneurship.
	Sports and culture	Use of sports for the purposes of education/fighting inequality. Support for public policies. Infrastructure construction/rehabilitation.
Digital and technological transition	Telecommunications and IT and communication technologies	Development of broadband telecommunication networks. Improve the human factors impacting inclusive access (price, usability, accessibility, etc.). Support entrepreneurial innovation with digital. Support growth of digital startups having a positive social/environmental impact. Applying digital technology to optimize pubic action.

Source: AFD. 2020. SDG Bond Framework.

Mexico provides an example of how an SDG bond framework could contain country-specific features that reflect the country's unique SDG social investment needs. The proceeds from the Mexico's seven-year, US$ 890 million bond will be used through a "SDG localized finance" approach, which combines program eligibility, referred to eligible types of public expenditures, with geographical eligibility, focusing on 1,345 municipalities selected based on the social gap index (such as illiteracy rates, school attendance rates, health services, access to water and electricity etc.[61]). The framework is recognized as being innovative for the use of the SDGs as an entry point, rather than just a framework for use of proceeds, and for using spatial data to identify the most vulnerable communities (Figure 10).[62]

Figure 10: Social gap index and geospatial eligibility criteria in the Mexico's sovereign SDG bond framework



Source: Natixis (2020)[63]

Examples of excluded assets

Some SDG bond frameworks, such as the BNA and HSBC frameworks, include a list of excluded assets. For example, the BNA SDG bond framework excludes assets defined as incompatible with the Paris Agreements targets, according to the CBI Taxonomy. The BNA framework considers eligible projects and assets listed in the Taxonomy as effectively aligned with a global warming scenario below 2°C, while project and asset categories that are still under CBI's analysis will be incorporated in the BNA Framework as eligible or as exclusions as CBI advances with these definitions.[64] For HSBC, ineligible business and projects for the use of proceeds of an HSBC SDG Bond include nuclear power generation, weapons, alcohol, gambling, adult entertainment and palm oil.[65]

The frameworks convey that the exclusion list is not exhaustive. Projects not included in the list could also be considered ineligible in certain conditions. The issuer can adjust this list considering the market development and other relevant circumstances.

Examples of indicative impact metrics

The ANZ, HSBC, and CIMB Bank SDB bond frameworks include the following indicative impact metrics (Table 10). The three SDGs most covered by these issuers are SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 13 (climate action).

While the metrics include mostly quantitative indicators, qualitative information, such as the profile of beneficiaries (e.g., marginalized/underrepresented groups, low socio-economic groups, essential but low paid worker groups etc.) will also be used to report the impact.

Table 10: Comparison of indicative impact metrics in the ANZ, HSBC, and CIMB Bank SDG bond frameworks

SDG category	HSBC	ANZ	CIMB
SDG 3: Good Health and Well-being	• Number of hospital and other healthcare facilities built/upgraded • Number of health checks provided • Number of residents benefitting from healthcare which is otherwise not • Accessible	• Number of hospital and other healthcare facilities built/upgraded • Number of health patients served	N/A
SDG 4: Quality Education	• Number of educational institutions funded – location and type • Number of students supported • Number of years of education provided which is otherwise not accessible	• Number of students enrolled in facility • Number of beds provided by student housing	N/A
SDG 6: Clean Water and Sanitation	• Number of tonnes of clean water provided • Number of units of water hygiene equipment provided • Number of water infrastructure projects built i.e., dams, reservoirs	• Number of tonnes of clean water provided • Number of units of water hygiene equipment provided • Number of water infrastructure projects built i.e., dams, reservoirs • Percentage/size of populations provided access to clean water and/or sanitation	N/A
SDG 7: Affordable and Clean Energy	• Kw of clean energy provided • Number of tonnes of Co2 avoided • Number of household/ residents benefitting from affordable and clean energy which is otherwise not accessible • Number of solar farms or wind farms • Location and type of solar or wind farms	• MWh of clean energy provided • Number of tonnes of CO2 avoided • Number of solar farms or wind farms, including MWh capacity of renewable energy built • Location and type of solar or wind farms	• N/A

SDG category	HSBC	ANZ	CIMB
SDG 8: Decent Work and Economic Growth	N/A	• Number of participants in financial literacy programs • Number of SMEs supported • Number of employees indirectly supported • Number of jobs secured	• Number of start-ups and MSME financed • Number of entrepreneurial workshops and/or total training hours and/or number of people trained • Number of educational institutions built, including their locations and types • Number of education loans given out to low-income populations, youth and professionals • Number of B40 microcredit recipients
SDG 9: Industry, Innovation and Infrastructure	• Length of low carbon tracks built • Number of electric/ hybrid/ low-emission vehicles provided • Number of Smart Meters provided (cities / industry)	• Energy savings achieved • Number of tonnes of CO2 avoided	• Length of roads built in rural areas (km) • Number of mass transit projects supported • Number of households/ residents that benefitted from new infrastructure such as roads • Volume of clean water provided • Number of water infrastructure projects built • Volume of wastewater treated (m3) • Internet coverage (%)
SDG 10: Reduce inequalities	N/A	• Types of programs offered to advance socio-economic position • Number of people enrolled in such programs • Profile of program participants (including marginalised/ underrepresented groups) • Number of people given access to affordable housing • Profile of affordable houses (including from low socio-economic groups and/or essential, but low paid, worker groups) • Location of affordable housing (including in urban and suburban areas with high employment availability)	• Number of public hospitals and healthcare facilities built/upgraded • Number of residents benefitting from public healthcare facilities which are otherwise not accessible • Number of affordable and social houses financed • Number of women-led businesses financed, or amount of financing provided • Amount of education loans given out to women

SDG category	HSBC	ANZ	CIMB
SDG 11: Sustainable Cities and Communities	• Number of household/ residents • Length of low carbon tracks built • Number of electric/ hybrid/ low-emission vehicles provided • Number of tonnes of Co2 avoided • Kw of clean energy provided • Number of Smart Meters provided	• Length of rail tracks, cycleways, pedestrian thoroughfares • Number of passengers accommodated • Number of affordable housing dwellings provided	• Number of household/ residents • Length of low carbon tracks built • Number of electric/ hybrid/ low-emission vehicles provided • Number of tonnes of Co2 avoided • Kw of clean energy provided • Number of Smart Meters provided
SDG 12: Responsible Production and Consumption	N/A	• Diversion rate from landfill (%) • Agricultural commodities produced in accordance with certified sustainable production standards e.g., FSC for forestry, or organically certified produce • Length of fencing installed to prevent livestock access to waterways	• Number of certified green buildings financed • Volume of water saved • Number of training programmes on sustainable production and/or total training hours and/or number of people trained • Tonnes of recycled waste • Tonnes of waste diverted from landfill
SDG 13: Climate Action	• Length of low carbon tracks built • Number of electric/ hybrid/ low-emission vehicles provided • Number of tonnes of Co2 avoided	• Number of people reached by educational programs to increase climate change awareness • Qualitative reporting on adaptation infrastructure or projects, such as: • Estimated cost savings or costs avoided from implementation of such infrastructure or projects; or Carbon emissions	• Carbon emissions avoided (tonnes of CO2) • Number of flood mitigation projects financed • Energy produced from renewable sources (MWh) • Number of households/ residents that benefitted from renewable energy • Energy savings generated (MWh) • Number of electric/fuel cell/ hybrid vehicles financed • Number of farmers trained on climate- resilient agricultural methods and/ or total training hours and/ or number of people trained
SDG 15: Life on Land	N/A	• Total area of conserved land or ecosystems • Total area of restored land or ecosystems • Number of restoration/ conservation projects • Number of threatened species targeted for conservation	• Forest land restored or planted (hectares) • Number of species conserved • Carbon emissions avoided from reforestation (tonnes of CO2)

Sources: ANZ. 2020. ANZ SDG Bond Framework; HSBC. 2017. HSBC Sustainable Development Goal (SDG) Bond Framework; CIMB 2019. Framework. Sustainable Development Goals Bond Framework.

Examples of use of proceeds and impact reporting

SDG bond impact reports contain information about the use of proceeds and the impact of the investments financed by the proceeds. Table 11 illustrates how the CIMB Bank reports these two aspects of its SDG bond. Description of impact is currently provided at an overview level without referring directly to specific SDG indicators.

Table 11: SDG bond reporting by the CIMB Bank

SDG	SDG Target	GBP/SBP Category	Eligible Asset Portfolio Description	Facility Type	Asset Value (US$ Mil)	% of Eligible Assets/ Portfolios	Impacts
Goal 9: Industry, Innovation and Infrastructure	9.1	Clean Transportation	Construction/ operation maintenance upgrade of mass transit	Commercial and Corporate Loan/ Financing	31.25	2.74%	Financing for the following businesses in the public transportation sector: • Railway engineering service providers (2) • Bus operator (1) • Railway operator (1) More than 40 railway engineering and maintenance projects were implemented across Malaysia The stage bus operator owns 150 buses to serve local and suburban mass passengers in one of the states in Malaysia Financed purchase of 6 new train cabins for a railway link in Kuala Lumpur in order to cope with rising passenger movements. Each cabin is able to support a maximum of 350 pax at any one time
Goal 10: Reduced Inequalities	10.2	Affordable Housing	Development of affordable housing	Corporate Loan/ Financing	203.01	17.83%	Part financed affordable housing projects in Malaysia as part of the Government of Malaysia's programme to expand the provision of affordable houses to low income groups who earn not more than RM3,000 a month. Average selling price of each property is RM67,000
	0.2	Affordable Housing	Personal loan/ financing for affordable houses	Consumer Loan/ Financing	820.73	72.09%	Enabled more than 28,000 retail customers who eam not more than RM4,360 per month to purchase their homes in various parts of Malaysia at an affordable price (not more than RM300.000 per property) since 2013
Goal 12: Responsible Consumption and Production	12.5	Pollution Prevention and Control	Operation of recycling infrastructure	Commercial Loan/ Financing	9.24	0.81%	Operation of five (5) recycling factories in the following states in Malaysia • Selangor (2) • Johor (2) • Penang (1) Collect, process, treat and recycle various types of waste including plastics, scrap metals, paper and electronics One of the recycling factories has a processing capacity 3,000 metric tonnes per month

SDG	SDG Target	GBP/SBP Category	Eligible Asset Portfolio Description	Facility Type	Asset Value (US$ Mil)	% of Eligible Assets/ Portfolios	Impacts
Goal 13: Climate Action	13.1	Renewable Energy	Development operation of solar technology and infrastructure	Commercial Loan/ Financing	4.92	0.43%	Financing for the following businesses in the renewable energy sector: • Manufacturer of solar panels (1) • Solar developers and solar panel installers (4) The manufacturer's solar panels are certified with IEC 61215, IEC 61730 and IEC61701 and CE Marking and have an average power output warranty of 25 years One of the service providers completed more than 150 solar energy projects and installed more than > 100MW ac solar PV systems for residential, industrial and commercial usage
	13.1	Clean Transportation	Personal loan financing for hybrid cars	Consumer Loan/ Financing	69.35	6.09%	Financed more than 3,600 new hybrid cars with CO2 emissions of less than 75g per km-passenger since 2014. Average carbon emissions per km of all financed hybrid cars is estimated at 101.6 g/km2, lower than their conventional models by about 35%

Notes: [1] "Names of borrowers are not provided due to confidentiality concern.

[2] Calculated based on publicly available data for each financed hybrid car (e.g. technical specifications provided by car manufacturers). Where data was not available, alternative methods were used to estimate the emission intensity

(eg, by referring to the average gCom of all hybnd cars produced by a particular car manufacturer). Most figures were derived using the Worldwide Harmonised Light Vehicle Test Procedure (WLTP).

[3] Estimated by comparing the emission intensity of each financed hybrid car to its equivalent or similar conventional model by the same car manufacturer, if any. Source: CIMB Bank. 2020. Sustainable Development Goals Bond Progress Report.

For ANZ's impact report, the bank notes that the impact figures, other than in respect of SDG 10, have been presented, analyzed and recorded at the project/borrower level and have not been apportioned in accordance with the volume of ANZ's lending to each project at this stage.

Table 12: SDG bond impact report by ANZ as of 30 September 2020

SDGs	Impact (at project/borrower level)2
3 GOOD HEALTH AND WELL-BEING	• Operation of 3 public hospitals and 28 not-for-profit hospitals in Australia totalling 5,250 beds • Construction of 1 new public rehabilitation centre of over 180 beds • Operation of 376 aged care homes in Australia totalling ~36,800 beds • Construction of 1 new aged care facility with over 100 beds
4 QUALITY EDUCATION	• Operation of 23 student accommodation sites (over 9,000+ beds) at 4 Australian universities and construction of a new 400 bed site • Operation of 2 Australian universities (145,000+ total enrolments) • Maintenance of 15 primary and high schools with 9,000+ students • Construction of 2 new schools providing 3,200 student places
6 CLEAN WATER AND SANITATION	• Operation of 2 reverse osmosis desalination plants, contributing to the supply of potable drinking water for over 6 million Australians • Collectively the plants have a current production capacity of more than 250 billion litres per annum. They provide a rainfall independent water source and water security for residents, relieving pressure on catchment water supplies in times of drought
7 AFFORDABLE AND CLEAN ENERGY	• Wind and solar energy generation in Australia, Taiwan and Brazil: Wind farms (14) Solar farms (4) Total installed capacity of 2,587MW Total of 2,907 $ktCO_2$ of avoided emissions per annum
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Development or operation of 42 commercial office buildings - Operation of 29 NABERS rated buildings in Australia with a weighted average rating of 5.15 stars, as well as 4 buildings in Australia yet to receive NABERS ratings - Construction of 6 commercial office buildings in Australia targeting 5 star NABERS or Green Star ratings, or higher Operation of 3 commercial office buildings outside Australia all with green standards
10 REDUCED INEQUALITIES	• Money-Minded: as of 30 September 2020, has reached 726,540 participants across Australia, New Zealand, Asia and the Pacific • Saver Plus program: assisted over 47,770 people with financial wellbeing
11 SUSTAINABLE CITIES AND COMMUNITIES	• Operating of 26 dwellings in Australia used exclusively for the provision of affordable housing for a minimum of 25 years • Operation of 2 metro projects in Australia collectively carrying passengers on ~24m journeys in first 12 months of operation • Development of 2 metro projects with capacity for 39,000 passengers • Development of fully electric vehicles in the USA and Germany, including battery production

Source: ANZ 2021. ANZ Tier 2 Sustainable Development Goals (SDG) Bond Investor Presentation January 2021. https://www.anz.com/debtinvestors/centre/green-sustainability-bonds/

Relevant resources for the design of an SDG bond framework

Apart from the ICMA Principles, the ASEAN Standards (section 3.3), and existing SDG bond frameworks, the following resources could also be useful for users of this toolkit to develop their own SDG bond frameworks (Table 8).

Table 13: Additional resources for SDG bonds

Resource	URL	Relevance	Use
The United Nations SDG home page	https://sdgs.un.org/goals	Designing an SDG bond framework	The page offers comprehensive information about the SDGs, comprising 17 global goals, 169 targets and 247 officially negotiated indicators.
Sustainable Development Report (interactive data	https://dashboards.sdgin dex.org/map	Designing an SDG bond framework	The interactive data could help identify country- specific SDGs that could be prioritized for investment.
UNDP (2021). **SDG Impact Standards for Bond Issuers (Version 1.0.** **March 2021)**	https://sdgimpact.undp.org/assets/Bond-Issuers-Standards_1.0.pdf	Internal decision making framework, Impact strategy	The Standards set out an internal decision-making framework to help bond issuers develop and implement an impact strategy to contribute positively to sustainable development in line with the SDGs and link that impact strategy to the SDG bond program and the issuer's organization-wide strategy. The Standards also help to operationalize and link existing responsible business and impact management principles frameworks in a consistent manner and complement existing bond principles frameworks and taxonomies (e.g., ICMA, the EU Taxonomy for Sustainable Activities and EU Green Bond Standard).
ICMA High-Level Mapping to the Sustainable Development Goals	https://www.icmagroup.org/assets/documents/Regulatory/Green- Bonds/June- 2020/Mapping-SDGs-to- Green-Social-and-Sustainability-Bonds- 2020-June-2020- 090620.pdf	SDP mapping	A broad frame of reference by which issuers, investors and market participants can evaluate the financing objectives of a given green, social or sustainability bond/bond program against the SDGs.
Technical Report on SDG Finance Taxonomy (UNDP China)	https://www.cn.undp.or g/content/china/en/hom e/library/poverty/techni cal-report-on-sdg-finance-taxonomy.html	Determining asset eligibility, impact reporting	The SDG Finance Taxonomy (China) offers a classification system with impact assessment and reporting criteria for finance and investment activities that can make a substantial contribution to at least one SDG while avoiding significant harm to the others.

Resource	URL	Relevance	Use
Sustainable Development Investment (SDIs) Taxonomy and Guidance by SDI asset owner platform	https://www.sdi- aop. org/how-it-works/	Determining asset eligibility, impact reporting	The SDI taxonomy provides guidance for the mapping of investments to the SDGs. (Further details at the industry and product category level (rules and product list) builds on this taxonomy and guidance and is only available to subscribers to the SDI-Asset Owner Platform.)
ICMA Harmonized Framework for Impact Reporting - handbook	https://www. icmagroup. org/assets/ documents/S ustainable-finance/2021- updates/ Handbook- Harmonised-Framework- for-Impact-Reporting- June-2021-100621.pdf	Impact reporting	This handbook outlines general core principles and recommendations for reporting in order to provide issuers with a reference as they develop their own reporting. This handbook also offers impact reporting metrics and sector specific guidance for the GBP project categories. In Chapter V of this handbook, reporting templates are included for issuers to use and adapt to their own circumstances. These templates refer to the most commonly used indicators
SDG Compass Inventory of Business Indicators	http://sdgcompass.org/business-indicators/	Impact reporting	This inventory maps existing business indicators against the SDGs. It allows users to explore commonly used indicators and other relevant indicators that may be useful when measuring and reporting an organization's contribution to the SDGs.
IRIS Catalog of Metrics	https://iris.thegiin.org/metrics/?gclid=CjwKCAjwiLGGBhAqEiwAgq3q_oDbXvJRGmRNmapqm2TLQpcvkz3qImB6CmvVdAg3VYm4ySL579tbgBoC3gwQAvD_BwE	Impact reporting	IRIS metrics are designed to measure the social, environmental and financial performance of an investment. To use IRIS metrics—and the resulting data—as part of the investment management process, IRIS metrics should be used and analyzed in generally accepted sets and according to well-defined objectives. Users can access generally accepted Core Metrics Sets by Theme or SDGs.

Issues for further considerations in issuing an SDG bond

This toolkit provides general information about SDG bonds; it offers a primer-level information and preliminary guidance on the steps of issuing SDG bonds, which are GSS bonds whose use of proceeds aligns with and contributes to specific SDGs. While collating information about current practices, it also recognizes that several aspects of an SDG bond issuance are evolving and, therefore, the state of SDG bond market development is dynamic. This section discusses some key issues that deserve further considerations by the users of this toolkit when issuing an SDG bond. The section also highlights issues that deserve more discussion among capital market participants and stakeholders at large.

Issues for SDG bond issuers

- **Organizational leadership and engagement:** Issuing an SDG bond requires supportive leadership and participation from various segments of the organization, ranging from strategic planning, resource management to information management. In practice, an SDG bond framework is an education and engagement tool that helps bring these segments together. The process of developing such a framework requires clear leadership, coordination, and dedicated resources in terms of finance, human resources, and time. An SDG bond framework can become more sophisticated over time as issuers gain more experience from previous issuances.

- **Organizational infrastructure:** As government-backed entities, DFIs and policy banks usually have enough data and resources to get started in designing an SDG bond framework. These include an understanding of key SDG investment gaps in the country, knowledge of the government SDG financing strategy, a corporate strategy that identifies the areas of alignment between DFI mandate and the SDGs, and access to available public data on key SDG targets and indicators. A key consideration is what is possible to be covered under an SDG bond framework given the available information. While a DFI or policy bank's mandate may be aligned to several SDGs, consideration must be given to suitable indicators that can be tracked at the project level in practice. Given this, issuing an SDG bond may require some issuers to make additional investment in information management system to collect, aggregate and report new data.

- **Impact reporting:** While data collection can be improved, a major challenge remains for issuers to aggregate them to give a meaningful assessment of the SDG impact of the financed projects/assets. A wide array of impact metrics, methodologies and baselines are currently used by different SDG bond issuers. Issuers should select the metrics, methodologies and baselines that allow most meaningful impact reporting at a granular level and consider different options of indicators (i.e., quantitative, qualitative, proxy).

- **National support mechanisms:** In some countries, the governments provide support to encourage GSS bond issuances. Incentives could be in the form of grants, tax incentives and fee waivers. For example, the Monetary Authority of Singapore (MAS) launched the Sustainable Bond Grant Scheme to encourage the issuance of GSS bonds and SLBs in Singapore. The scheme is open to first-time and repeat issuers and valid until 31 May 2023[66]. The Securities Commission Malaysia (SC) also implements a Sustainable and Responsible Investment (SRI) Sukuk Grant Scheme to encourage more companies to finance GSS projects through SRI sukuk and issuance of bonds.[67]Stock Exchanges in many countries also provide support services for labelled bond issuers, including reduction of fees and support to organize roadshows. Issuers should check if support is available for their countries.

Issues for broader discussion among capital market participants and stakeholders

- **Policy drivers:** Credible and supportive policies play a key role in driving the progress of sustainable finance in ASEAN. SDG bond issuances in ASEAN countries should be complementary to other government actions on SDGs. As per a recommendation from the Report on Promoting Sustainable Finance in ASEAN[68], governments should promote the development of an approach for a 'Sustainable Finance First for Sustainable Projects' initiative among ministries and government agencies. Government policies should also promote the creation of a larger pipeline of SDG projects and assets on the ground, which could be financed through mobilization of private sector financing. More national support mechanisms could be created specifically to support the issuance of SDG bonds to finance these projects and assets.

- **Going beyond green:** As market participants have not developed a "social taxonomy" or an equivalent classification and screening system, most of the social projects selected for SDG bonds are not screened against a certain performance threshold, unlike the existing standards for green projects which outline clear criteria, such as a clear emission threshold. The social and sustainability bond issuers rely primarily on SPOs to verify and categorize their social projects and their compliance to internationally recognized principles such as the ICMA's Social and Sustainability Bond Principles and the ASEAN Social and Sustainability Bond Standards. Specific social impacts from GSS bonds are regularly reported in the post- issuance step or in the bond's impact report. As more SDG bonds are issued to finance social goals, issuers will benefit from more guidance on the SDG-aligned social investments[k].

- **Threshold for harm:** Guidance on the topic of the interdependence between the SDGs ranges from "do no harm" (UNDP)[69] to "do no significant harm" (ICMA).[70] As this guidance is voluntarily adopted by issuers, it is worth more discussion among market participants on what is the realistic threshold of harm, how to measure it, what are the implications for issuers, and what should be a market practice.

- **Guidance on impact reporting:** impact reports are generally stronger on the use of proceeds and remain relatively limited on the impact. Given the growing market expectations for bond issuers to improve impact reporting, more discussion among ASEAN capital market participants and stakeholders is needed on a framework to guide SDG impact reporting. Such reporting should meaningfully capture projectevaluations, broad scope (strategic) evaluations and, potentially, scientific impact evaluations (i.e., impacts that are strictly attributable to an intervention).[71]

- **Legal and regulatory considerations:** The issuance of SDG bonds may also lead to specific requirements and procedures depending on a country's policy and regulatory environments. For example, country regulations may establish the legal requirements for disclosure in the SDG bond framework using different thresholds from what the investors will expect from the annual impact reports; there could be regulatory implications from non-compliance if the use of proceeds is a term of the bond etc. Therefore, the users of this toolkit must also consider policy and regulatory issues specific to their own circumstances. This may lead to specific steps that only financial advisors and underwriters may advise.

- **An ecosystem of service providers:** An issuance of sustainable finance-themed bonds including SDG bonds requires a supportive ecosystem of service providers including underwriters, SPOs, assurers, credit rating agency, verifier of the Climate Bonds Standard etc. To support robust regional market growth, both policies and resources are needed to promote the growth of ASEAN-based service providers in addition to the available global providers.

- **Technical assistance:** While there are nascent ASEAN SDG bonds markets, issuers still need more technical support to issue SDG bonds. This is particularly the case for social and sustainability bonds that target social SDGs. An increasing number of market participants have also turned to development institutions to seek out advice on setting up a social bond framework under the pandemic, reflecting the need for more technical support for issuers. More consultations with ASEAN DFIs and policy banks are key to develop tailored technical assistance programs they need for SDG bond issuances.

- **Peer-to-peer knowledge exchange:** New issuers could benefit from learning from international practices and experiences of successful SDG bond issuances by early issuers in ASEAN and other regions. More platforms can be created by ASEAN governments and regulators to promote such peer-to-peer End

k In the future, a social objective will be part of the ASEAN sustainable finance taxonomy, which is currently under development.

Endnotes

1 https://sdgs.un.org/

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Acknowledgements

The toolkit is written by Ornsaran Pomme Manuamorn (Technical Consultant, Climate Bonds Initiative - CBI). The author wishes to thank Eugene Wong (Chief Executive Officer, Sustainable Finance Institute Asia- SFIA) and Justine Leigh-Bell (Deputy CEO and Director of Market Development, CBI) for their guidance in developing this toolkit. The following CBI and SFIA colleagues are also thanked for project support and important insights that benefit the drafting: Quan Anh Nguyen, Nabilla Gunawan, Alan Xiangrui Meng, Leisa Souza, Caroline Harrison, and Miguel Almeida from CBI, and Ng Min Shen from SFIA.

CBI would also like to thank all the people who shared perspectives during consultations organized between May-June 2021 to inform the development of this toolkit: Luanne Sieh, Wong Sheue Ling, Jamjun Siriganjanavong, Chakrit Hansirisawasdi, Poonsit Wongthawatchai, Prakob Phiencharoen, Fad'l Mohamed, Wong Kwok Kuan, Mark Lim, Raymond Tong, Lee Xin Mei, Seiji Matsuzoe, Xavier Amadei, Adam Farlow, Esther Chik, Tracy Yip, Lynette Ortiz, Mohammad Faiz Azmi, Lee Weilin, Roshel Mahabeer, Abdulmuiz Aziz, Mimi Concha, Jaime Mendejar, Patricia Mongkhonvanit, Swisa Ariyapruchya, and Delfina Lopez Freijido.

This report is an output of the CBI technical assistance project commissioned by the Asian Development Bank (ADB) to support the ASEAN Capital Markets Forum (ACMF). This toolkit is prepared by the CBI to support the sustainable finance agenda for ASEAN capital markets under the ACMF Roadmap for ASEAN Sustainable Capital Markets.