ICMA

International Capital Market Association

Sustainable finance: Compendium of international policy initiatives & best market practice

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Disclaimer

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Introduction

The Green and Social Bond Principles (GBP and SBP) supported by ICMA have underpinned the mainstreaming of the Green, Social and Sustainability Bond market. ICMA is committed to promoting best practices and disseminating relevant market information for robust, well-functioning international debt capital markets that finance global economic growth. ICMA views sustainability as an essential factor for future market resiliency and relevance.

ICMA has contributed actively to the policy and regulatory dialogue on sustainability at the national and international level, including the G20, and continues to do so notably as a member of the European Commission's Technical Expert Group on Sustainable Finance. Alongside market best practice, it is essential to be aware of the numerous international policy, regulatory and market initiatives in support of the Green, Social and Sustainability Bond market and sustainable finance in general.

The Compendium is the first publication of ICMA's Sustainable Finance Committee set up in September 2019. This Committee brings together various ICMA committees, including its buy-side arm, corporate issuer forum, legal and documentation committee as well as the Executive Committee of GBP SBP, and aims to address cross-cutting sustainable finance developments.

The purpose of this Compendium is to provide the market and its stakeholders with a summary reference document of the most significant developments that ICMA has identified. It is designed to be regularly updated. Users may also find further information on our website.

1. Leading policy and regulatory initiatives

1.1 International initiatives

Equator Principles ("EPs")

The Equator Principles, launched in 2003, form a risk management framework, adopted by financial institutions, for identifying, assessing and managing environmental and social risk in projects and primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. The EPs apply globally, to all industry sectors and to four financial products 1) Project Finance Advisory Services 2) Project Finance 3) Project-Related Corporate Loans and 4) Bridge Loans. Currently, 101 financial institutions in 38 countries (December 2019) have officially adopted the EPs, aka the EPFIs, covering the majority of international project finance debt within developed and emerging markets. EPFIs commit to implementing the EPs in their internal environmental and social policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the client will not, or is unable to, comply with the EPs.

Financial Stability Board - Task Force on Climate-related Financial Disclosures

In December 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to develop voluntary, consistent, climate-related financial disclosures useful in understanding material risks and opportunities related to climate change in an organisation's balance-sheet. In 2017, the Task Force published its Final Report setting out its recommendations for helping businesses disclose climate-related financial information. As of December 2019, the TCFD had over 930 supporters, including companies, financial institutions, industry associations, central banks and governments.

G20 Sustainable Finance Study Group

The objective of the G20 Sustainable Finance Study Group (SFSG), formerly known as the Green Finance Study Group (GFSG), is to "identify institutional and market barriers to green finance, and based on country experiences, develop options to enhance the ability of the financial system to mobilize private capital for green investment". Its latest report was published in July 2018.

Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

At the Paris "One Planet Summit" in December 2017, eight central banks and supervisors established a Network of Central Banks and Supervisors for Greening the Financial System (NGFS), with its Secretariat being provided by the Banque de France. Since then, the NGFS has grown to 55 Members and 12 Observers, representing 6 continents (as of February 2020). The Network's purpose is to help strengthen the global response required to meet the goals of the Paris Climate Agreement and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development.

The NGFS has currently three work streams focusing on microprudential and supervision, macrofinancial and scaling up green finance, respectively. Its first comprehensive report "A call for action – Climate change as a source of financial risk" was published in April 2019. All publications of NGFS can be accessed here.

United Nations Sustainable Development Goals (SDGs)

The SDGs were launched in 2015 under the 2030 Agenda for Sustainable Development which was agreed by 193 countries in a UN led process. The 17 goals address the global challenges including those related to poverty, inequality, climate, environmental degradation, prosperity etc. Financing needed to achieve the SDGs is required from both public and private sector, and although the SDGs are not drafted for the private sector, many organisations refer to the SDGs as a means to create and identify sustainable investing opportunities.

1.2 Leading regional and national initiatives

China

Green Finance has been on the national agenda in China since 2007, when the China Banking Regulatory Commission (CBRC) published the Guidelines on Credit Underwriting for Energy Conservation and Emission Reduction. Subsequently in 2012 and 2013, CBRC announced the Guideline for Green Credit and established the reporting framework for green credit statistics, officially facilitating and promoting green loans in the banking sector. In 2015, the China Green Finance Committee published the Green Bond Endorsed Project Catalogue (2015 Edition)[1] (2015 Catalogue) and the People's Bank of China (PBoC) released an Announcement to provide guidance on issuing green financial bonds and referred to the 2015 Catalogue for the definition of green projects. Same year, the National Development and Reform Commission (NDRC) also announced a guidance on issuing green enterprise bonds with its own taxonomy of eligible projects for green bonds. During its presidency of the G20 in 2016, China, co-chairing the Green Finance Study Group together with the UK, also added green finance to the agenda of the G20 finance track.

To facilitate and support a green financial system, comprehensive Guidelines for Establishing the Green Financial System were published by the Chinese Securities Regulatory Commission (CSRC) and six other government agencies in 2016 with a focus on the role of capital markets in green finance and, more specifically, of green bonds. In 2017, CSRC released a guidance to regulate the issuance of green corporate bonds which refers to the 2015 Catalogue for the definition of eligible green industry projects. This was followed by the release by PBoC and CSRC of guidelines for green bond verification in December 2017.

In 2019, NDRC, PBoC, and 5 ministries jointly published the Green Industry Guidance Catalogue (2019 edition) (2019 Catalogue). It is the most comprehensive and detailed guideline for defining green industries in China, providing a potential common reference and foundation for setting a taxonomy for green loans, green bonds, green enterprises, etc. It is expected that standards for green bonds will be revised and harmonized based on the 2019 Catalogue.

Through PBoC and local governments, China has implemented a broad set of incentives at the policy and prudential level:

- Green MPA (Macro Prudential Assessment): Banks issuing green bonds and granting green loans gain extra points, which translate into improved financial terms on their central bank deposits, thus offering the potential for banks to make significant gains.
- Re-lending facility: In June 2018, PBoC expanded the scope of eligible collateral for medium-term loan facilitation (MLF), to include green bonds and green loans. Under the MLF, banks may use high credit quality green bonds and green loans as collateral to borrow from PBoC at below market rates. This encourages lending to green projects and indirectly helps promote green bond market liquidity.
- Incentives from local governments to issuers and underwriters: Many local governments have implemented incentive or subsidy schemes for green bonds and green loans in the form of interest subsidies, issuance subsidies, guarantee subsidies for issuers or money awards to lead underwriters.

European Commission's Action Plan on Financing Sustainable Growth

In January 2018, the High-Level Expert Group on Sustainable Finance (HLEG), issued its final report which sets out strategic recommendations for a financial system that supports sustainable investments. The HLEG report makes a number of recommendations, including:

- a classification system, or "taxonomy", to provide market clarity on what is "sustainable";
- clarification of the duties of investors when it comes to achieving a more sustainable financial system;
- an improvement in disclosure by financial institutions and companies on how sustainability is factored into their decision-making;
- an EU-wide label for green investment funds;
- making sustainability part of the mandates of the European Supervisory Authorities (ESAs);
- a European standard for green bonds.

Subsequently, in March 2018, the European Commission (EC) announced a comprehensive Action Plan on sustainable finance with 10 priority initiatives. Following the Action Plan, the EC presented three legislative proposals

1 These translations have been coordinated and made available by ICMA for information only. In case of any discrepancy between these translations and the original Chinese version, please refer to the Chinese version as the official document.

aimed at establishing an EU taxonomy for sustainable finance, improving ESG disclosure, and creating low-carbon benchmarks. In June, the EC launched a Technical Expert Group (TEG) to support progress on the Action Plan. On 18 June 2019, the TEG published reports and guidelines relating to its four key deliverables: the EU Taxonomy for sustainable activities; the EU Green Bond Standard; EU climate benchmarks and recommended ESG disclosures for benchmarks; and Guidelines on reporting climate-related information.

The TEG published the final report on EU Climate Benchmarks and Benchmarks' ESG Disclosures on 30 September 2019. This report will serve as a basis for the drafting of delegated acts by the Commission in accordance with the amending benchmark regulation. The draft delegated act will be subject to a formal four-week public consultation by the Commission. The draft delegated acts are expected to be adopted early 2020.

The European Council and the European Parliament reached a political agreement on the Taxonomy Regulation on 18 December 2019. The Taxonomy Regulation will introduce a complex classification system of sustainable activities based on contributions to environmental objectives and technical criteria, as well as wider social and sustainability factors. It also recognises transition and enabling activities. The Taxonomy Regulation will not only apply to sustainable financial products, but also stipulates mandatory disclaimers for mainstream fund and pension products that are not using the Taxonomy as well as reporting requirements for large firms already subject to the Non-Financial Reporting Directive.

2. Other notable international developments

2.1 Regulatory initiatives and international coordination

ASEAN Capital Markets Forum

In November 2017, the ASEAN Capital Markets Forum (ACMF), which is composed of ten national securities regulators in southeast Asia, issued the ASEAN Green Bond Standards. The Standards, revised in October 2018, were developed based on the Green Bond Principles (GBP) and tailored to meet the needs and commitment of the ASEAN capital markets. The Standards are to be used for issuers and projects in the region and specifically exclude fossil fuel related projects. The ACMF continues to place emphasis on sustainable finance and in October 2018 launched the ASEAN Social Bond Standards and the ASEAN Sustainability Bond Standards.

IOSCO Sustainable Finance Network

In October 2018, IOSCO established a Sustainable Finance Network that will serve as a platform for securities regulators to share their experiences and discuss sustainability-related issues as well as developments in the market and across jurisdictions.

Marrakech Pledge

The Marrakech Pledge for Fostering Green Capital Markets in Africa is one of the key continental initiatives launched during the COP22 held in Marrakech in November 2016, to scale-up climate finance. It is a commitment by participating African capital markets regulators and exchanges to act collectively in favour of sustainable development by enabling the establishment of green capital markets in Africa. The initiative also constitutes a venue for knowledge exchange and experience sharing among 19 signatories representing 23 countries in the region.

Sustainable Banking Network (SBN)

SBN is a community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice. The SBN facilitates the collective learning of members and supports them in policy development and related initiatives to create drivers for sustainable finance in their home countries. The idea for the SBN arose during the first International Green Credit Forum, hosted by IFC and the China Banking Regulatory Commission, in Beijing in May 2012, where banking regulators and associations from 10 countries requested that IFC facilitate a global knowledge network on sustainable banking. The SBN was formally launched in September 2012, and in October 2018 it published a mapping of the green bond market: "Creating Green Bond Markets – Insights, Innovations, and Tools from Emerging Markets".

2.2 Key national policy initiatives

Bangladesh

In January 2011, Bangladesh Bank (BB) issued the Environmental Risk Management Guidelines for Banks and Financial Institutions in Bangladesh (updated in 2017 with the scope expanded to cover social risk). Also, in February 2011, BB issued the Policy Guidelines for Green Banking for the scheduled Bangladeshi banks to formulate and adopt broad environmental or green banking policies and strategies. The Policy Guidelines were subsequently issued to non-bank financial institutions as well as other new banks, in August 2013 and in September 2013, respectively, to ensure green banking practices.

Brazil

In May 2018, the Central Bank of Brazil published its resolution revising the rules applicable to occupational pension funds' investments and requiring asset managers to take ESG risks into account as part of their decision making process. The new resolution enhances the obligation to disclose the integration of ESG consideration in investment policies with a requirement to integrate ESG issues in regular risk management processes, whenever possible.

Canada

In April 2018, Canada launched an Expert Panel on Sustainable Finance that consults members of the business community about the opportunities associated with sustainable finance and explores the opportunities and challenges for companies facing voluntary standards for corporate disclosure of the financial risks associated with climate change. In October 2018, the Expert Panel published an Interim Report which provides an overview of the state of sustainable finance in Canada and the feedback received from stakeholders across different sectors and communities. The Panel's final report was published in June 2019.

France

France became the first country to enact legislation requiring asset owners and asset managers to disclose how they manage climate-related risks and, more broadly, incorporate environmental, social and governance parameters into their investment policy. The transparency requirement is set out under Article 173 of the country's Energy Transition for Green Growth Law and is intended both to improve communication and to make institutional investors more aware of issues and risks relating to energy transition for green growth. In December 2018, the Institute for Climate Economics (I4CE), a joint initiative established by Caisse des Dépôts and l'Agence Française de Développement, published an overview assessing the application of Article 173 by French insurers after two years of implementation.

France is also the largest sovereign green bond issuer to date with its "OAT Verte" and has been at the forefront of establishing best practice in this area. It has notably established an Evaluation Council that consists of green finance experts and is in charge of assessing green bond allocations.

Germany

The German government created a Sustainable Finance Committee on 6 June 2019. The Committee's purpose is to advise the German government as it drafts and implements a sustainable finance strategy, as well as to pool existing expertise and foster dialogue between the relevant players. This includes consideration of European and international initiatives as well as the German government's ongoing work on the federal investment strategy. The Committee is made up of representatives from business, civil society and academia, as well as representatives from a number of federal ministries.

Hong Kong

In June 2018, Hong Kong launched a three-year Green Bond Grant Scheme for eligible green bond issuers obtaining external reviews from the Hong Kong Quality Assurance Agency. The scheme provides subsidies of up to HKD800,000 (~USD102,000) for green bonds issued and listed in Hong Kong with a size of HKD500million (USD63.7million) and above. The objective of the subsidy is to reduce the costs for new and repeated issuers and encourage the growth of green bonds.

In May 2019, the Hong Kong Monetary Authority (HKMA) announced three sets of measures to promote green finance: (i) the development of a common framework to assess the "Greenness Baseline" of individual banks, stakeholder engagement on the supervisory role for green and sustainable banking, and setting targets and monitoring banks' progress; (ii) the prioritization by the HKMA, as the manager of the Exchange Fund, of green and ESG investments; and, (iii) the establishment of the Center of Green Finance which will serve as a platform for technical support and experience sharing for the green development of the Hong Kong banking and finance industry.

Japan

The Ministry of the Environment, Japan, established the Green Bond Guidelines, 2017 on 28 March 2017, with its support programs called "Pilot Project for Green Bond Issuance" and "Financial Support Program for Green Bond Issuance", for the purpose of spurring issuance of Green Bonds and investment in them in Japan, and also made available an information website: the Green Bond Issuance Promotion Platform. In late 2017, Tokyo Stock Exchange launched a new platform for Green and Social Bonds.

In January 2018, the High Level Meeting on ESG Finance was set up for major players in the financial markets to gather under the initiative of the Minister of the Environment. In July 2018, the members of the High Level Meeting on ESG Finance released their recommendation called "Toward becoming a big power in ESG finance".

Singapore

The Monetary Authority of Singapore (MAS) launched a 3-year Green Bond Grant Scheme in June 2017 to cushion the additional costs of green bond issuance. The scheme assists qualifying issuers by covering the costs for obtaining an external review. Qualifying bonds must be at least SGD$200 million or equivalent, issued and listed in Singapore. Additionally, in February 2019, the Authority expanded the scope of its Green Bond Grant Scheme to include social and sustainability bonds and renamed it as Sustainable Bond Grant Scheme. The validity of the scheme has been extended to 31 May 2023. The scheme works to promote green, social and sustainability bonds as sustainable financing instruments and accelerate the capital flow towards sustainability practices.

Sweden

A Green Bond Investigation Commission instructed by the Swedish Ministry of Finance was launched in 2016 to analyse and produce examples of project types that could be financed through green bonds, as well as to propose a structure for processes and criteria that identify green projects. The inquiry also reviewed processes for third party evaluation of green bonds. The Commission's final report was published in January 2018 and proposed a number of recommendations including the issuance of a sovereign green bond, as well as the promotion of green bonds issued by state-owned enterprises. It also recommended incentives to reduce transaction costs for green bond issuers and a reward scheme for green bond issuers based on the achievement of environmental benefits. The Report's summary published in English is available.

Switzerland

The Federal Council in June 2019 set up a working group headed by the State Secretariat for International Finance (SIF) in close cooperation with the Federal Office for the Environment (FOEN) to help determine the framework conditions that will enable the Swiss financial centre to be competitive in the area of sustainable finance.

United Kingdom

In September 2017, the UK Government set up an independent taskforce to look at how the UK could enable a low carbon transition in its economy and evaluate what systems and structures are required for such a transition. In March 2018, the Green Finance Taskforce released its "Accelerating Green Finance" report with recommendations which included the issuance of a sovereign green bond, aligned with the UK's Clean Growth Strategy and 25-Year Environment Plan. It also recommended creating incentives for financial retail products such as green mortgages and consumer loans. Subsequently, in June 2018, the government announced the launch of a Green Finance Institute (GFI) as a 'one-stop-shop' for all work relating to the sector – from international engagement to green fintech, climate and data science.

Vietnam

In August 2018, the State Bank of Vietnam (SBV) issued Decision No.1640/QD-NHNN approving the Scheme on the green bank development in Vietnam. The overall goal of the Scheme is to accelerate the awareness and corporate responsibility of the banking sector about environmental protection, the climate change response, directing credit resources into eco-friendly projects/programs, boosting green production, services, as well as clean and renewable energy, in order to contribute to the promotion of green and sustainable growth. The specific objectives and criteria of the Scheme include: increasing the ratio of lending to priority green industries and sectors; accelerating the application of new technologies in combination with the development of environmentally-friendly practices and habits; promoting e–transaction channels, new services and payment instruments on the basis of modern technologies; and ensuring that by 2025 all banks will have developed internal regulations on environmental and social risk management.

3. United Nations initiatives

International Network of Financial Centres for Sustainability ("FC4S")

The FC4S Network, established in September 2017, is a partnership between financial centres and the United Nations Environment Programme with the aim of exchanging experience and taking common action on shared priorities to accelerate the expansion of green and sustainable finance. The network which today numbers 30 financial centres – accounting for USD61.3 trillion in equity market capitalization and representing 80 percent of global equity markets (October 2019) – aims to mainstream green and sustainable finance and to set common targets by the end of 2022. The FC4S has also launched a regional work plan for Africa.

Principles for Responsible Banking

The Principles were launched in September 2019 by 130 banks from 49 countries representing more than USD 47 trillion in assets during the annual United Nations General Assembly. The Principles provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels and across all business areas. The Principles align banks with society's goals as expressed in the Sustainable Development Goals and the Paris Climate Agreement. Banks are required to set and publish targets in line with society's goals, as expressed in the SDGs, the Paris Climate Agreement and relevant national frameworks, in the areas where they have the most significant positive and negative impact. Banks are required to report publicly on their positive and negative impacts, their contribution to society's goals and their progress in implementing the Principles, and to engage with key stakeholders on their impacts.

Principles for Responsible Investment

The PRI is a leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The Principles were launched in April 2006 at the New York Stock Exchange. Since then the number of signatories has grown from 100 to over 2,300 with almost USD90 trillion AUM (September 2019).

Sustainable Stock Exchanges Initiative

The Sustainable Stock Exchanges Initiative, launched in 2009, is a UN Partnership Programme of the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). Its mission is to support the alignment of capital markets with public policy goals (SDGs) by building capacity of stock exchanges and securities markets regulators to promote responsible investment in sustainable development and advance corporate performance on environmental, social and governance issues. SSE convenes Partner Exchanges from around the world who join by signing a voluntary public commitment and collaborate for the three inter-related pillars of activity: research, consensus building and technical assistance. In 10 years, the SSE has grown to 85 exchanges, listing 50,000 companies valued at USD85 trillion (September 2019).

UNEP FI Principles for Sustainable Insurance Initiative

Launched at the 2012 UN Conference on Sustainable Development, the UNEP FI Principles for Sustainable Insurance serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities. Endorsed by the UN Secretary-General, the Principles have led to the largest collaborative initiative between the UN and the insurance industry—the PSI Initiative. Over 140 organisations worldwide have adopted the four Principles for Sustainable Insurance, including insurers representing more than 25% of world premium volume and USD 14 trillion in assets under management. The Principles are part of the insurance industry criteria of the Dow Jones Sustainability Indices and FTSE4Good. The vision of the PSI Initiative is of a risk aware world, where the insurance industry is trusted and plays its full role in enabling a healthy, safe, resilient and sustainable society. The purpose of the PSI Initiative is to better understand, prevent and reduce environmental, social and governance risks, and better manage opportunities to provide quality and reliable risk protection.

4. International best market practice

The Green Bond Principles (GBP), Social Bond Principles (SBP), and the Sustainability Bond Guidelines (SBG) – The "Principles"

The "Principles" have become the leading framework globally for issuance of green, social and sustainability bonds. They are a set of voluntary guidelines that were initially developed in 2014 and updated regularly, most recently in 2018. The Principles, which are supported by ICMA, clarify the approach for issuance of a Green, Social or Sustainability Bond. They are intended for broad use by the market: they provide issuers guidance on the key components involved in launching a credible Green or Social Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental and social impact of their Green and Social Bond investments; and they assist underwriters by moving the market towards standard disclosures which will facilitate transactions.

In October 2019, the Executive Committee of the Principles set up a working group on Climate Transition Finance with the mandate to consider among other what a climate strategy from an issuer would mean and how the consistency between the strategy and the corporate expenditures could be assessed/evidenced. In January 2020, the Executive Committee established in parallel a working group on sustainability/KPI-linked bonds which will examine this emerging product and potentially propose guidance for issuers.

Climate Bonds Initiative

The Climate Bonds Standard seeks to provide common, science-referenced classification of what is green. The Climate Bonds Standard involves a wide coalition of academic and industry experts preparing open access guidelines for which climate-related investments can be associated with green bonds. The Climate Bonds Taxonomy is a guide to climate aligned assets and projects. It is a tool for issuers, investors, governments and municipalities to help them identify investments that will deliver a low carbon economy.

The Green Loan Principles

The Green Loan Principles were published in March 2018 by the Loan Market Association, together with the APLMA, and supported by ICMA, with the aim of creating a high-level framework of market standards and guidelines as well as to provide for a consistent methodology for use in the whole-sale green-loan market. The principles constitute voluntary recommended guidelines to be applied to any form of loan instrument that may be categorised as green, including revolving credit facilities. They promote the development of green loans by providing a clear framework of recommendations to be applied by market participants on a deal-by-deal basis.

The Sustainability-Linked Loan Principles

The Sustainability Linked Loan Principles were published in March 2019 by the Loan Market Association, together with LSTA and APLMA, with the aim to promote the development and preserve the integrity of the sustainability linked loan product by providing guidelines which capture the fundamental characteristics of these loans. Sustainability linked loans are any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower's achievement of ambitious, predetermined sustainability performance objectives by linking the loan terms to these.

5. Market authority regulations

India

On May 30, 2017, the Securities and Exchange Board of India (SEBI) issued the Disclosure Requirements for Issuance and Listing of Green Debt Securities, which follows SEBI's discussion paper "Concept paper for issuance of Green Bonds" published in December 2015. Aligned with the Green Bond Principles, the guidelines are applicable to public green debt securities and introduce mandatory disclosure on the use of proceeds, environmental impact and its methodology, process for determining continuing eligibility of projects/assets, etc.

Indonesia

In December 2014, the Indonesia Financial Services Authority (Otoritas Jasa Keuangan (OJK)) released the Roadmap for Sustainable Finance in Indonesia, which sets forth the end goal of sustainable finance in Indonesia to be achieved in the medium term (2015-2019) and long term (2015-2024) by the financial services industry and prepares the benchmark for improvements in sustainable finance.

In December 2017, OJK issued a detailed Regulation on the Issuance and the Terms of Green Bond. The Regulation is aligned with the Green Bond Principles and the ASEAN Green Bond Standards. In March 2018, the Government of Indonesia issued its first green sukuk.

Kenya

On February 20, 2019, the Kenyan Capital Markets Authority released its frameworks for the issuance of listed and unlisted green bonds. The launch of the green bond market has been embedded in the legal framework through the publication of a policy guidance note on issuance of green bonds and the approval of amendments to the Nairobi Securities Exchange Listing Rules by the Authority.

Malaysia

Having launched its Sustainable and Responsible Investment (SRI) Sukuk Framework back in August 2014, Malaysia issued the world's first green sukuk in 2017. The country has implemented the ASEAN Green Bond Standards and the SRI Sukuk Framework (updated in November 2019) via incorporating the requirements into the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (SC-GL/4-2015 (R4-2019)) (see especially Part 3 Chapter 7). The Securities Commission Malaysia also prepared a booklet which contains information on the SRI Sukuk Framework, incentives available and FAQs in order to provide more guidance to the industry. In November 2019, the Malaysian Securities Commission launched the SC's Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market. As the Securities Commission has introduced many SRI initiatives since 2014, the SRI Roadmap further identifies the strategies and recommendations to further position Malaysia as a regional SRI centre. The revised SRI Sukuk Framework, which is based on the ICMA-supported GBP and SBP, is one of the recommendations under the SRI Roadmap to promote alignment with international standards.

In November 2019, Bank Negara Malaysia issued the Value-based Intermediation Financing and Investment Impact Assessment Framework - Guidance Document (VBIAF). The VBIAF aims to facilitate the implementation of an impact-based risk management system for assessing the financing and investment activities of Islamic financial institutions in line with their respective VBI commitments. The VBIAF also serves as a reference for other financial institutions intending to incorporate environmental, social and governance risk considerations in their own risk management system.

Morocco

The Moroccan Capital Markets Authority, AMMC (*Autorité Marocaine du Marché des Capitaux*), issued their Green Bonds Guidelines in 2016. In July 2018, with the support of IFC, AMMC published their Green, Social and Sustainability Bond Guidelines, which amended the Guidelines of 2016.

Nigeria

In December 2018, the Securities and Exchange Commission Nigeria officially launched Rules on Green Bonds. The initiative follows the country's and African continent's first sovereign green bond issuance in December 2017.

Philippines

The Philippines Securities and Exchange Commission approved on 16 August 2018, the Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bond Standards. These Guidelines set out to adopt the ASEAN Green Bond Standards and provide rules and procedures for the issuance of ASEAN Green Bonds in the Philippines. In April 2019, the regulator also adopted the ASEAN Social and Sustainability Bond Standards.

Thailand

In December 2018, Thailand's Securities and Exchange Commission (SEC) amended the regulation on debt instruments to include specific disclosure requirements for green bond issuances. Effective as of 31 December 2018, green bond issuers are required to disclose which international green bond standard/principles the issuance complies with.

In May and June 2019 respectively, the Thai SEC issued a Notification regarding exemption of fees for filing the registration statement for offering green, social and sustainability bonds, and approved in principle another exemption, waiving application fees for offering green, social and sustainability bonds. Both exemptions are currently effective until 31 May 2020.

UAE

In January, 2020, the Dubai Financial Services Authority (DFSA), together with a group of leading authorities in the UAE, has published the UAE's first Guiding Principles on Sustainable Finance (the Guiding Principles), which will serve as a catalyst for the implementation of the UAE's sustainability priorities.

Based on the United Nations Agenda for Sustainable Development, the Guiding Principles are the result of co-operative efforts among a number of authorities in the UAE, namely the Dubai Financial Services Authority, the Central Bank, the Insurance Authority, the Securities and Commodities Authority, the Financial Services Regulatory Authority of the Abu Dhabi Global Market, the Ministry of Climate Change and Environment, the Dubai Islamic Economy Development Centre, the Dubai Financial Market, Nasdaq Dubai, and the Abu Dhabi Securities Exchange.

6. National and exchange-led initiatives

Brazil

The Guidelines for Issuing Green Bonds in Brazil, developed by the Brazilian Federation of Banks and Brazilian Business Council for Sustainable Development in 2016, aim to develop the green bond market and provide recommendations to participants in the Brazilian fixed income securities market on the process of issuing green bonds.

Chile (Santiago Stock Exchange)

In April 2018, the Santiago Exchange launched the Guidelines for Green and Social Bonds based on the Green Bond Principles and the Social Bond Principles, as well as the Climate Bond Standard. A separate set of guidelines for external verification both pre-issuance and post-issuance was also published.

Euronext

In November 2019, Euronext announced the creation of a new Euronext Green Bonds offering which brings together green bonds from six regulated markets in one dedicated area on the Euronext website. In order to be eligible for listing on this website, the green bond must be listed on a Euronext market, be aligned with a recognized industry label or standard such as ICMA Green Bond Principles or the Climate Bond Initiative, and be accompanied by an appropriate external review performed by an independent third party.

Luxembourg (LuxSE)

LuxSE launched in 2016 a dedicated exchange for green, social and sustainable securities, "Luxembourg Green Exchange (LGX)". LGX aims to provide issuers, asset managers and investors with a platform for bonds and funds which are green, social, sustainable, or ESG-focused and where the entry is restricted to issuers and asset managers which commit to specific reporting obligations to ensure maximum transparency.

Mexico

On January 25, 2018, Mexico's Climate Finance Advisory Group launched the Green Bonds Principles MX, which serve as an official reference for green bonds listed on the Mexican stock exchange.

Norway (Oslo Exchange)

In January 2015, Oslo Børs became the first stock exchange in the world with a separate list for green bonds. The list was established in order to increase the visibility of green investment choices. In addition to the requirements applicable to regular bonds, green bond issuers are required to make their independent second party opinions and periodic reporting publicly available.

Peru (Lima Stock Exchange)

In March 2018, the Lima Stock Exchange (BVL) published a Green Bonds Guide that details standards for green bond issuance—stipulating eligible categories for use of proceeds, reporting guidelines as well as external review requirements.

South Africa (Johannesburg Stock Exchange)

The Johannesburg Stock Exchange (JSE) has introduced rules for its Green Segment into the JSE Debt Listings Requirements. The rules are based on the Green Bond Principles but provide for a mandatory external review. The main drivers of the development of the Green Segment launched in late October 2017, have been JSE's sustainability goal of promoting ESG integration and responsible investment by issuers and investors, and the need for South Africa to finance its energy pathway change.

United Kingdom (London Stock Exchange)

In June 2015, London Stock Exchange (LSE) launched its dedicated green bond segments, establishing strict admission criteria aligned with ICMA's Green Bonds Principles. Furthermore, LSE requires issuers to obtain a second party opinion as a condition to listing.

In October 2019, LSE launched its Sustainable Bond Market segment bringing together its green bond segment with new dedicated segments for social and sustainability bonds as well as the newly-created issuer-level segment for bonds by issuers whose core business is aligned with the green economy ("pure play" subject to a minimum ninety percent green revenues requirement). LSE also launched its "Green Economy Mark" which recognises companies and investment funds on all segments of the Main Market and AIM that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy.

United States / Sweden (NASDAQ)

The Nasdaq Sustainable Bond Market was launched in July 2015 with a total volume of EUR740 million. The listing criteria are based on the Green and Social Bond Principles. To be eligible to list a bond on the Nasdaq Sustainable Bond Market, the bond or the green bond framework must be reviewed by an experienced third party.

In December 2019, Nasdaq announced the launch of the Nasdaq Sustainable Bond Network, a global, publicly available web-based platform which aims to increase transparency and accessibility to environmental, social and sustainability bonds globally. The online repository provides issuers of sustainable bonds across the world with a platform to voluntarily publish key information and data regarding their specific bonds, which, in turn, provides investors with the information they need to compare sustainable bonds successfully. It thus enhances Nasdaq's Sustainable Bonds Market, allowing investors to source detailed information on sustainable bonds for product due diligence, selection and monitoring based from a centralized and open platform.

ICMA Zurich
T: +41 44 363 4222
Dreikönigstrasse 8
CH-8002 Zurich

ICMA London
T: +44 20 7213 0310
23 College Hill
London EC4R 2RP

ICMA Paris
T: +33 1 70 17 64 72
62 rue la Boétie
75008 Paris

ICMA Hong Kong
T: +852 2531 6592
Unit 3603, Tower 2,
Lippo Centre
89 Queensway, Admiralty
Hong Kong

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International
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Market
Association

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