LUXEMBOURG
GREEN EXCHANGE
by Luxembourg Stock Exchange

Principles for sustainable debt instruments issuance

13 May 2024

Bhutan

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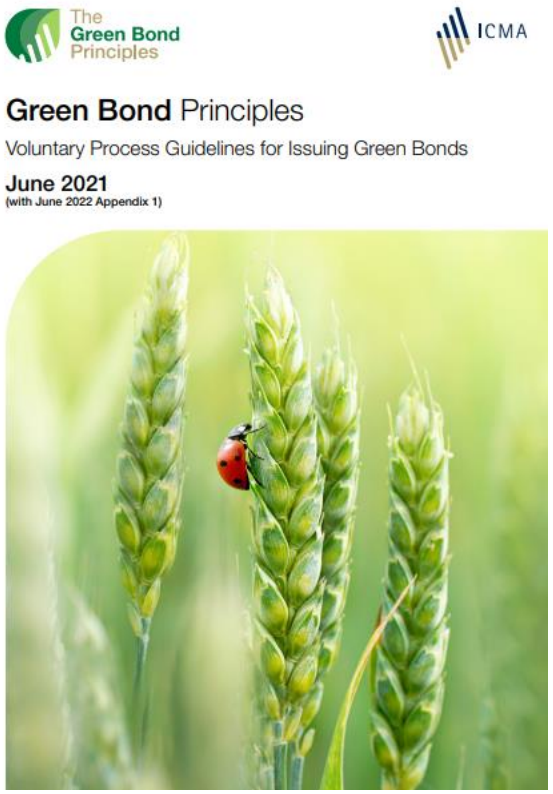
» ICMA’s Green, Social, Sustainability Bond Principles
» ASEAN Standards
» Climate Bonds Standards (CBI)
» The EU Green Bond Standard (EU GBS)
» Comparing Standards & Principles
» ICMA's Sustainability-linked Bonds Principles

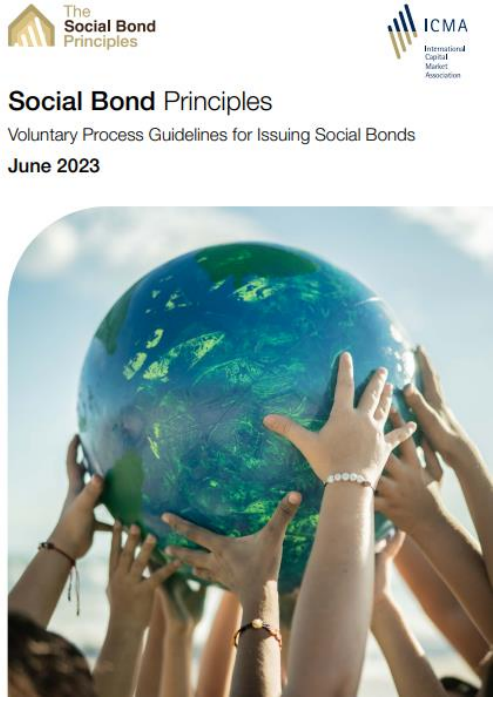
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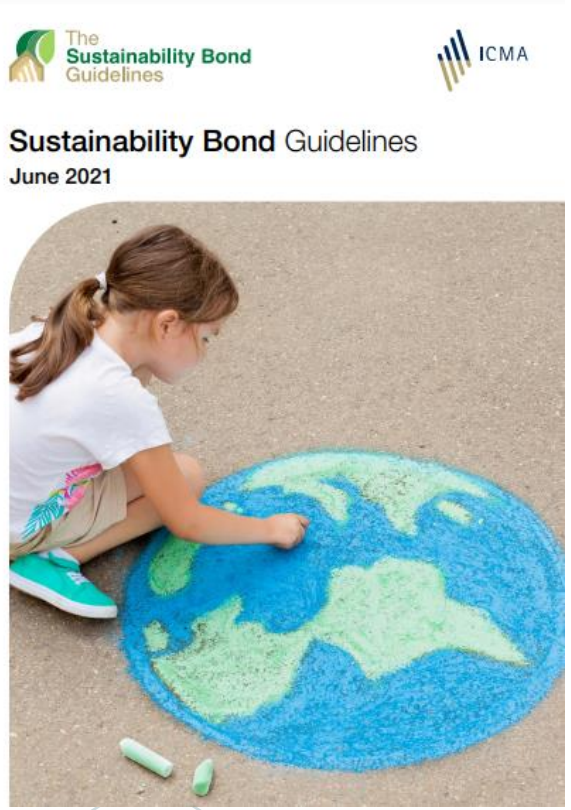
Green, Social and Sustainability Bond Principles & Procedures

It all started with ICMA's Green Bond Principles (GBP)

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Source: [ICMA - Green/Social Bond Principles]

Use of proceeds concept

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- Use of Proceeds → **Eligible Activities/Taxonomy (The "What"?)**
- Project Evaluation & Selection Process
- Management of Proceeds → **Process and Procedures (The "How"?)**
- Reporting
- External Review

Framework

The Green Bond Principles

The Social Bond Principles

The Sustainability Bond Guidelines

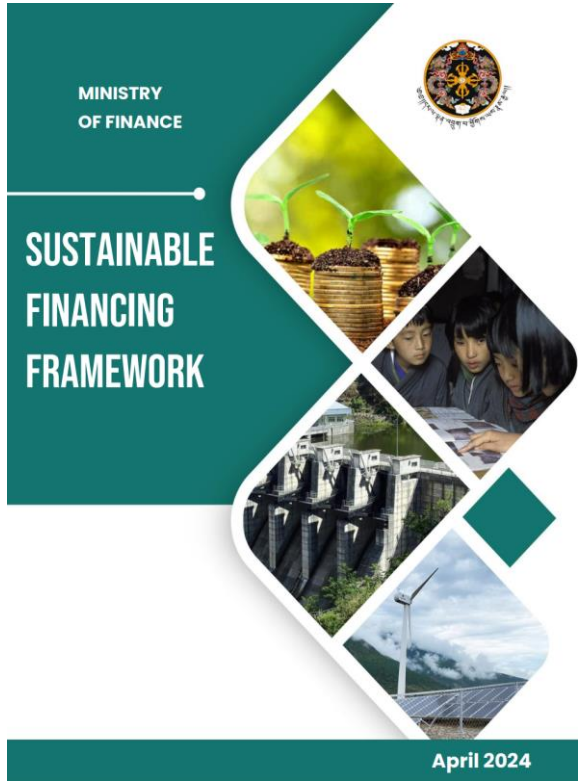
Source: ICMA - Green/Social Bond Principles

Case Study: Kingdom of Bhutan Sustainable Financing Framework – April 2024

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- Alignment with international principles: **ICMA** GBP, SBP,SBG for use of proceeds instruments
- External review: SPO under process

Future updates: SLBs?



[Kingdom of Thailand Sustainability Bond Framework]

Kingdom of Bhutan : Use of proceeds

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ELIGIBLE GREEN CATEGORIES

- RENEWABLE ENERGY
- ENERGY EFFICIENCY
- GREEN BUILDINGS
- CLEAN TRANSPORTATION
- SUSTAINABLE WATER AND WASTEWATER MANAGEMENT
- POLLUTION PREVENTION, CONTROL AND CIRCULAR ECONOMY
- CLIMATE CHANGE ADAPTATION
- BIODIVERSITY CONSERVATION
- SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES AND LAND USE

ELIGIBLE SOCIAL CATEGORIES

- EMPLOYMENT GENERATION
- HEALTHCARE
- EDUCATION AND VOCATIONAL TRAINING
- AFFORDABLE HOUSING
- FOOD SECURITY
- FINANCIAL INCLUSION

Only in Bhutan?

According to local Green Taxonomy

EXCLUSION list

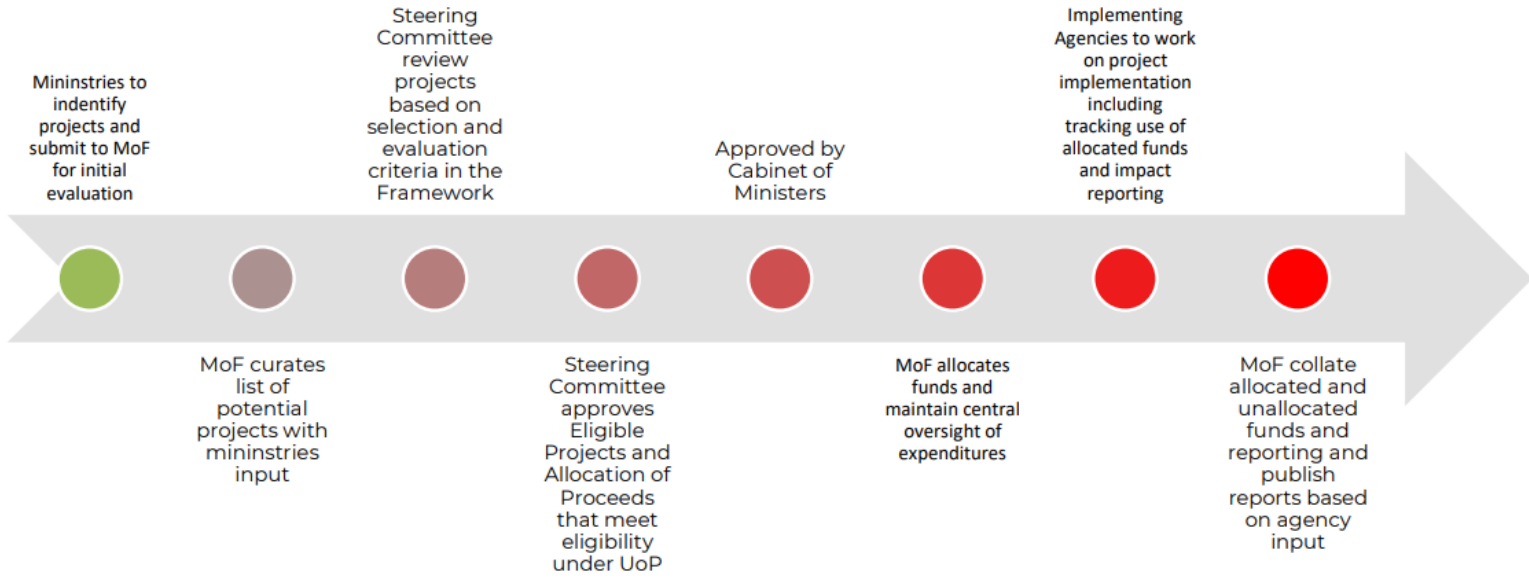
[Kingdom of Thailand Sustainability Bond Framework]

Kingdom of Bhutan: Projects selection & evaluation

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PERFORMED BY A WORKING GROUP COMMITTEE AND APPROVED BY THE CABINET

- A steering committee will be established by the MoF
- Multi sectoral representation from different ministries/departments



Kingdom of Bhutan: Management of proceeds

LUXEMBOURG GREEN EXCHANGE
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- Proceeds will go to a treasury Single Account of the Government maintained in the RMA in line with treasury policy, a separate account will be created and maintained by the MoF
- Finance and refinance

Lookback period?

- The WGC will maintain an allocation register to record the allocations against Eligible Green and Social Expenditures
- Any unallocated proceeds will be held as cash or invested in other short-term liquidity instruments

Kingdom of Bhutan : Reporting

LUXEMBOURG GREEN EXCHANGE
by Luxembourg Stock Exchange

ALLOCATION & IMPACT REPORTING

- INFORMATION ABOUT ISSUANCE
- LIST OF ALLOCATED PROCEEDS TO ELIGIBLE PROJECTS AND TYPE OF EXPENDITURES
- ALIGNMENT OF THE ELIGIBLE PROCEDURES WITH STATED OBJECTIVES
- DESCRIPTION OF THE INVESTED PROJECTS AND THEIR STATUS OF IMPLEMENTATION COMPLYING WITH THE ELIGIBILITY CRITERIA AND TECHNICAL SCREENING CRITERIA DEFINED IN THE GREEN FINANCE TAXONOMY.
- TOTAL QUANTUM OF PROCEEDS GENERATED, ALLOCATED AND REMAINING UNALLOCATED, IF ANY.

What impact reporting methodology?
ICMA ?

Kingdom of Bhutan: Innovation elements

FOR USE OF PROCEEDS



- GENDER RELATED
- BIODIVERSITY RELATED
- BLUE ELEMENTS (EVEN IF YOU DON'T HAVE ACCESS TO SEA)

OTHER INSTRUMENTS



- SLBS
- DEBT FOR CLIMATE SWAP

Case Study: Kingdom of Thailand Sustainability Financing Framework – July 2020

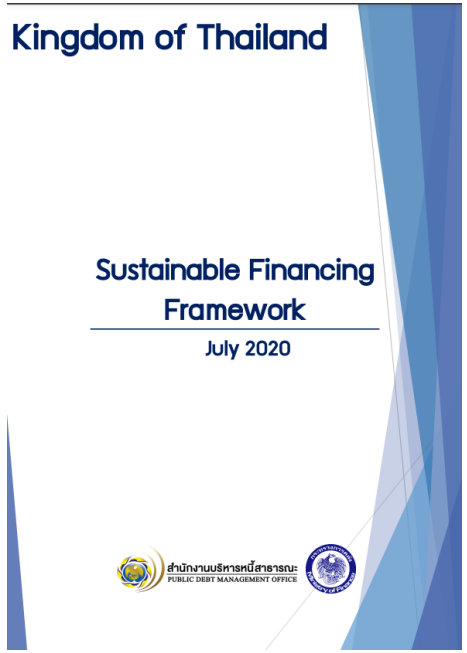
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- Alignment with **ICMA** GBP, SBP,SBG , the **ASEAN** Green Bond Standards, Social Bond Standards and Sustainability Bond Standards
- External review: SPO from Sustainalytics

SUSTAINABILITY BOND

- Volume: THB 50 billion
- Issuance: 2021
- Listed locally and on LuxSE

Currently working on a new Framework for SLB issuances



[Kingdom of Thailand Sustainability Bond Framework]

Kingdom of Thailand : Use of proceeds

LUXEMBOURG GREEN EXCHANGE
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ELIGIBLE GREEN CATEGORIES

- CLEAN TRANSPORTATION
- RENEWABLE ENERGY
- ENERGY EFFICIENCY
- SUSTAINABLE WATER AND WASTEWATER MANAGEMENT
- ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE. TERRESTRIAL AND AQUATIC BIODIVERSITY CONSERVATION
- GREEN BUILDINGS

No reference to any Taxonomy

ELIGIBLE SOCIAL CATEGORIES

- ACCESS TO ESSENTIAL SERVICES – EDUCATION, HEALTHCARE, SOCIAL INCLUSION
- AFFORDABLE HOUSING
- FOOD SECURITY
- EMPLOYMENT GENERATION AND SOCIO-ECONOMIC ADVANCEMENT AND EMPOWERMENT



[Kingdom of Thailand Sustainability Bond Framework]

Kingdom of Thailand: Management of proceeds

- The allocation and tracking of the Green, Social and Sustainability financing instrument proceeds will be done by the Committee
- KOT intends to allocate 100% of an amount equal to the net proceeds of a Green, Social or Sustainability financing instruments issued under this Framework to funding Eligible Green and Social Projects and will, on an ongoing basis, monitor the allocated funds as a part a formal internal process thereafter
- The net proceeds of any Green, Social and Sustainability financing instruments will be transferred to the government treasury reserve account of the Kingdom of Thailand
- The Committee will ensure that the allocation of proceeds does not allow for listing of the same Eligible Green or Social Project twice

Kingdom of Thailand Sustainability Bond Framework

Kingdom of Thailand : Reporting

LUXEMBOURG GREEN EXCHANGE
by Luxembourg Stock Exchange

ALLOCATION & IMPACT REPORTING

- Information on the amount of project financing
- Information on the percentage of financing/refinancing of projects
- Breakdown of allocated amount to eligible green and social categories, and the responsible ministries for the projects financed
- Information on the estimated environmental and social impacts arising from the implementation of eligible green and social projects
- Information on the methodology and assumptions used for calculation of the impact matrix



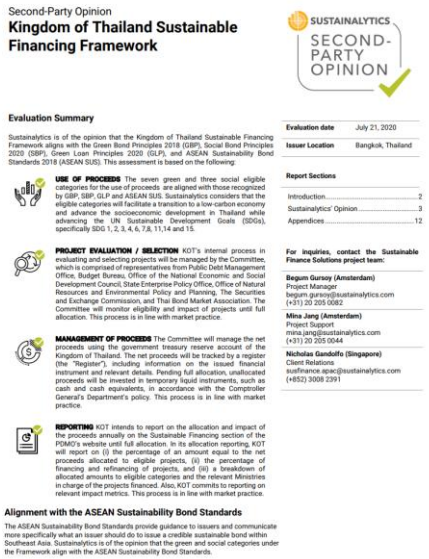
Kingdom of Thailand Sustainability Bond Framework, Sustainability Bond Report annual report

Kingdom of Thailand: External review

SECOND PARTY OPINION

Sustainable Financing Framework reviewed by expert rating agency (Sustainalytics)

Confirmation of alignment with ICMA GBP, SBP, GLP and ASEAN SUS



Second-Party Opinion

Kingdom of Thailand Sustainable Financing Framework

SUSTAINALYTICS SECOND-PARTY OPINION

Evaluation Summary

Sustainalytics is of the opinion that the Kingdom of Thailand Sustainable Financing Framework aligns with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), Green Loan Principles 2020 (GLP), and ASEAN Sustainability Bond Standards 2018 (ASEAN SUS). This assessment is based on the following:

USE OF PROCEEDS The seven green and three social eligible categories for the use of proceeds are aligned with those recognized by GBP, SBP, GLP and ASEAN SUS. Sustainalytics considers that the eligible categories will facilitate a transition to a low-carbon economy and advance the socioeconomic development in Thailand while advancing the UN Sustainable Development Goals (SDGs), specifically SDG 1, 2, 3, 4, 6, 7,8, 11,14 and 15.

PROJECT EVALUATION / SELECTION KOT's internal process in evaluating and selecting projects will be managed by the Committee, which is comprised of representatives from Public Debt Management Office, Budget Bureau, Office of the National Economic and Social Development Council, State Enterprise Policy Office, Office of Natural Resources and Environmental Policy and Planning, The Securities and Exchange Commission, and Thai Bond Market Association. The Committee will monitor eligibility and impact of projects until full allocation. This process is in line with market practice.

MANAGEMENT OF PROCEEDS The Committee will manage the net proceeds using the government treasury reserve account of the Kingdom of Thailand. The net proceeds will be tracked by a register (the "Register"), including information on the issued financial instrument and relevant details. Pending full allocation, unallocated proceeds will be invested in temporary liquid instruments, such as cash and cash equivalents, in accordance with the Comptroller General's Department's policy. This process is in line with market practice.

REPORTING KOT intends to report on the allocation and impact of the proceeds annually on the Sustainable Financing section of the PDMO's website until full allocation. In its allocation reporting, KOT will report on (i) the percentage of an amount equal to the net proceeds allocated to eligible projects, (ii) the percentage of financing and refinancing of projects, and (iii) a breakdown of allocated amounts to eligible categories and the relevant Ministries in charge of the projects financed. Also, KOT commits to reporting on relevant impact metrics. This process is in line with market practice.

Alignment with the ASEAN Sustainability Bond Standards

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible sustainable bond within Southeast Asia. Sustainalytics is of the opinion that the green and social categories under the Framework align with the ASEAN Sustainability Bond Standards.

Evaluation date July 21, 2020

Issuer Location Bangkok, Thailand

Report Sections

Introduction....2
Sustainalytics' Opinion....3
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For inquiries, contact the Sustainable Finance Solutions project team:

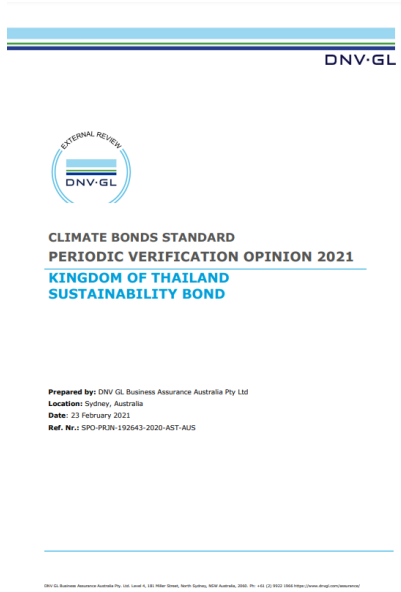
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VERIFICATION

Annual reports will be subject to verification by independent valuator recognised by ICMA



DNV·GL

EXTERNAL REVIEW
DNV·GL

CLIMATE BONDS STANDARD
PERIODIC VERIFICATION OPINION 2021
KINGDOM OF THAILAND
SUSTAINABILITY BOND

Prepared by: DNV GL Business Assurance Australia Pty Ltd
Location: Sydney, Australia
Date: 23 February 2021
Ref. Nr.: SPO-PRJN-192643-2020-AST-AUS

[Kingdom of Thailand Sustainability Bond Framework]

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ASEAN Standards

ASEAN green ,social and sustainability bond standards

ASEAN STANDARDS ISSUED IN 2017 AND PROVIDE INDICATIVE LIST OF ELIGIBLE GREEN AND SOCIALPROJECT CATEGORIES HIGHLY ALIGNED WITH ICMA'S GBP AND SBP ELIGIBLE CATEGORIES



Source: ASEAN Green Bond Standards, ASEAN Sustainability Bond Standards, ASEAN Social Bond Standards

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CBI Standard

A well-established “Climate” standard

- It identifies the assets and projects needed to deliver a low carbon economy
- It gives GHG emissions screening criteria consistent with the 2-degree global warming target
- Developed based on latest scientific research from IPCC and others
- It is updated regularly to take into account latest scientific results, emergence of new technologies etc.
- It is based on this taxonomy that they screen bonds to determine if assets/projects are eligible for green finance
- Analysis has not been done for all activities under all sectors
- Let's have a look to better understand: https://www.climatebonds.net/files/files/Taxonomy/CBI_Taxonomy_Tables-08A%20%281%29.pdf

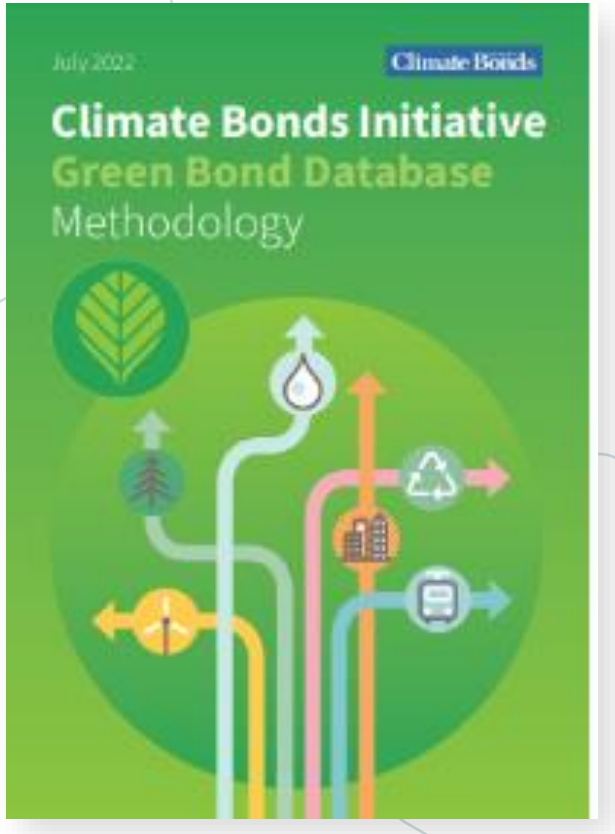


Source: CBI

CBI STANDARD

Updated methodology

- Tightening criteria for more established sectors whilst ensuring the methodology is consistent with the EU Taxonomy
- Screening process for green bonds to be included in their database will now require more disclosure, both in the form of activity description and in the form of performance metrics
- Energy:
  - The new methodology includes criteria for hydrogen.
  - Criteria for bioenergy and hydropower have been expanded
  - Energy from the use of gas (without CCS) is not eligible
- Buildings: now require LEED Gold or higher certification, whereas previously LEED Silver was considered adequate
- Transport : tightening of our transport criteria, ensuring consistency with the EU Taxonomy



Source: CBI

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The European Green Bond Standard (EU GBS)

EU GBS: Main criteria

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Before or at Issuance

Publication of Green Bond Framework

- Issuer's green bond strategy and alignment with the **EU Taxonomy**
- Description of types of green project categories to be financed
- Description of methodology and process regarding allocation and impact reporting

Gradual Allocation

Annually

Annual Allocation Reports

- Confirmation of alignment with EU GBS
- Breakdown of allocated amounts per project portfolio
- Geographical distribution of projects

Full Allocation

Final Allocation Report

Impact Report

- Impact reporting at least once at full allocation, or annually

Accreditation of external verifiers

Document verified by accredited external

Source: different sources adapted by LGX

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Thank you!

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