What are we talking about?

**Importance of building knowledge and capacity**

- Looking at capital markets there are several sustainable instruments like the GSS bonds and SLBs. Understanding the features and uses cases for each type of bonds is a prerequisite;

- For local issuers, it is necessary to understand both the financial and “green” characteristics of these products;

- But also for investors, arrangers, listing agents, local stock exchanges, etc

- As a stock exchange we believe this is our mission to contribute to SDG 4 on education and try to close that knowledge gap. This is why we have launched last year the LGX academy in May 2020.
Emerging Green One Fund from IFC and Amundi aims to increase the capacity of emerging market banks to fund climate-smart investments;

The Green Bond Technical Assistance Programme set-up by IFC, ICMA, the Stockholm School of Economics (SSE), and LGX designed and implemented the Green Bonds and Sustainable Finance Executive Training;

This program prepares financial institutions to issue green bonds and finance green projects;

Access Bank in Nigeria took part in one of the cohort, issued a green bond and is now displayed on LGX.
Through the Luxembourg Energy and Climate Fund, Ministry of Finance (MoF) of Luxembourg is supporting the Global Green Growth Institute (GGGI based in South Korea) in the execution of the Vietnam Green Bond Readiness Program.

Under the program, champions’ entities (sovereign, public and private) will be selected to become green bond issuers following best practices in international markets.

A first champion could be selected in Q1/Q2 2021 (mainly corporate) to issue a green bond in Q3/Q4 2021 and eventually listed on LuxSE and displayed on LGX.

GGGI approached LGX (by the intermediary of the MoF) end of 2020 to:

- Provide capacity building on sustainable debt instruments (LGX Academy)
- Assist potential green bond issuers (sovereign, public and private) in their issuances with goal of listing the upcoming Vietnamese green (or social or…) bonds on LuxSE/ LGX
- A training is foreseen soon for professional from Hanoi and Ho Chi Minh Exchanges with other stakeholders provided by LGX.
Which definitions and standards are the instruments aligned with?

Importance of aligning definitions and standards

- On definitions: following the EU taxonomy, local taxonomy initiatives emerged in South-East Asia (i.e. Vietnam, Malaysia, Singapore);

- On standards: there are multiple standards that frame the GSSS bonds, ICMA GPBs, CBI standards, upcoming EU GBS, Chinese green bond catalogue, ASEAN green bond standards...

- These are necessary and very welcomed exercise, yet in order to avoid market fragmentation, mapping each definitions and standards, and outlining the similarities and differences is key;

- At LGX we believe our role as a market operator is not to judge but rather to give as much transparency as possible for investors so they are aware and understand the standards followed by green bond issuers.
Example of transparency on standards and UoP

Thailand 1,585% 17/12/2035

Reference data

Issuer:
THAILAND (KINGDOM OF)
THAILAND - Government - 1 security

Issue type: Bond, Fixed rate
Issued amount: 50 000 000 000 THB

Standards & Principles
- LMA - Green Loan Principles
- ICMA - Green Bond Principles
- ICMA - Social Bond Principles
- ICMA - Sustainability Bond Guidelines
- ASEAN
- Other

Project eligibility categories
- Green buildings
- Renewable energy
- Affordable housing
- Clean transportation
- Food security
- Affordable basic infrastructure
- Sustainable water and wastewater management
- Energy efficiency
- Access to essential services
- Employment generation including through the potential effect of SME financing and microfinance
- Environmentally sustainable management of living natural resources and land use
- Pollution prevention and control
Are these instruments green/impactful? Are the issuers sustainable too?

- **Importance of demonstrating a green integrity at entity and product level**
  - Looking at the issuance and its green/social characteristics (i.e. for GSS bonds);
  - Looking at the issuer’s ESG strategy and related Sustainable Performance Targets and Key Performance Indicators (i.e. for Sustainability-Linked bonds);
  - Looking at the issuer profile and assessing its ESG impact and ESG risks exposures, as well as its willingness and capacity to transition;
  - Given the lack of supply of labelled bonds and the lack of investable projects, notably in South East Asia, we believe it is important to put a spotlight on other sustainable investment opportunities that may be less known to investors and that focus on the issuer like SLB and Climate Aligned Issuers.
In February 2021, the Luxembourg Green Exchange (LGX) teamed up with Climate Bonds Initiative to include a section exclusively dedicated to Climate-Aligned Issuers on the LGX platform.

Due to their environmentally friendly line of business and revenue streams from climate-aligned activities, Climate-Aligned Issuers contribute directly to the global climate goals.

Debt securities issued by Climate-Aligned Issuers, whether thematically labelled or not, are considered climate-aligned investment opportunities and offer investors an additional range and diversity in the climate-aligned investment universe.
Do we have enough information to make sound decisions and to report?

Importance of providing data to EU investors

- Demonstrating impact: Issuers of GSS bonds have to provide allocation and impact reporting. For SLBs, issuers need to report the KPI performance against the Sustainability Performance Targets (SBT) that they have set. Therefore, it is important that the company has relevant governance and systems in place, to allow for an effective internal reporting/data flow.

- Demonstrating alignment with EU taxonomy: EU investors will have to give the % of alignment of their portfolios to the EU Taxonomy. In order to do so, they will have to access impact data from issuers and at project level.

- Demonstrating alignment with Sustainable Finance Disclosure Regulation (SFDR): EU asset managers/investors will have to classify their investment funds/portfolios in either article 8 or 9 funds. Reporting obligations will fall with this.
Example of allocation and impact data for SE Asia GSS bonds

Top 10 issuers
Which issuers have the most bonds in the selection?

- Ookin Energy Pte Ltd: 29 bonds
- Telecommunications: 17 bonds
- Sinar Karya Sdn Bhd: 16 bonds
- UTM Solar Power Sdn Bhd: 16 bonds
- Win Energy Sdn Bhd: 13 bonds
- BTS Group Holdings PCL: 10 bonds
- Sepa Astana Sdn Bhd: 8 bonds
- PMB Merdeka Ventures Sdn Bhd: 7 bonds
- Energy Absolute PCL: 6 bonds
- Persada Prima DFA Indonesia: 6 bonds

Number of issuers per Standard and Principle
What Standards and Principles are the most used by issuers?

Percentage of bonds per currency
What currencies are the most represented in the universe?

Number of Bonds per Eligible Category
What are the main areas of eligible investments?

Selected Criteria
- Country of Issuance: Thailand
- Country of Issuance: Singapore
- Country of Issuance: Philippines
- Country of Issuance: Malaysia

Scope of Data
- 34 issuers
- 171 bonds

Post-Issuance report available: No report
How can we invest in EM? How can we access international capital markets?

Enabling investors-issuers match-making

- International investors side: the demand for sustainable investments exceeds the supply of available projects
- Local issuers side: need to access international capital
- LuxSE is the stock exchange of sovereigns and emerging markets
- LuxSE is international by default

Luxembourg Stock Exchange

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<tr>
<th>16</th>
<th>117</th>
<th>2,000+</th>
<th>37,500+</th>
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Example of Republic of Philippines accessing international capital markets