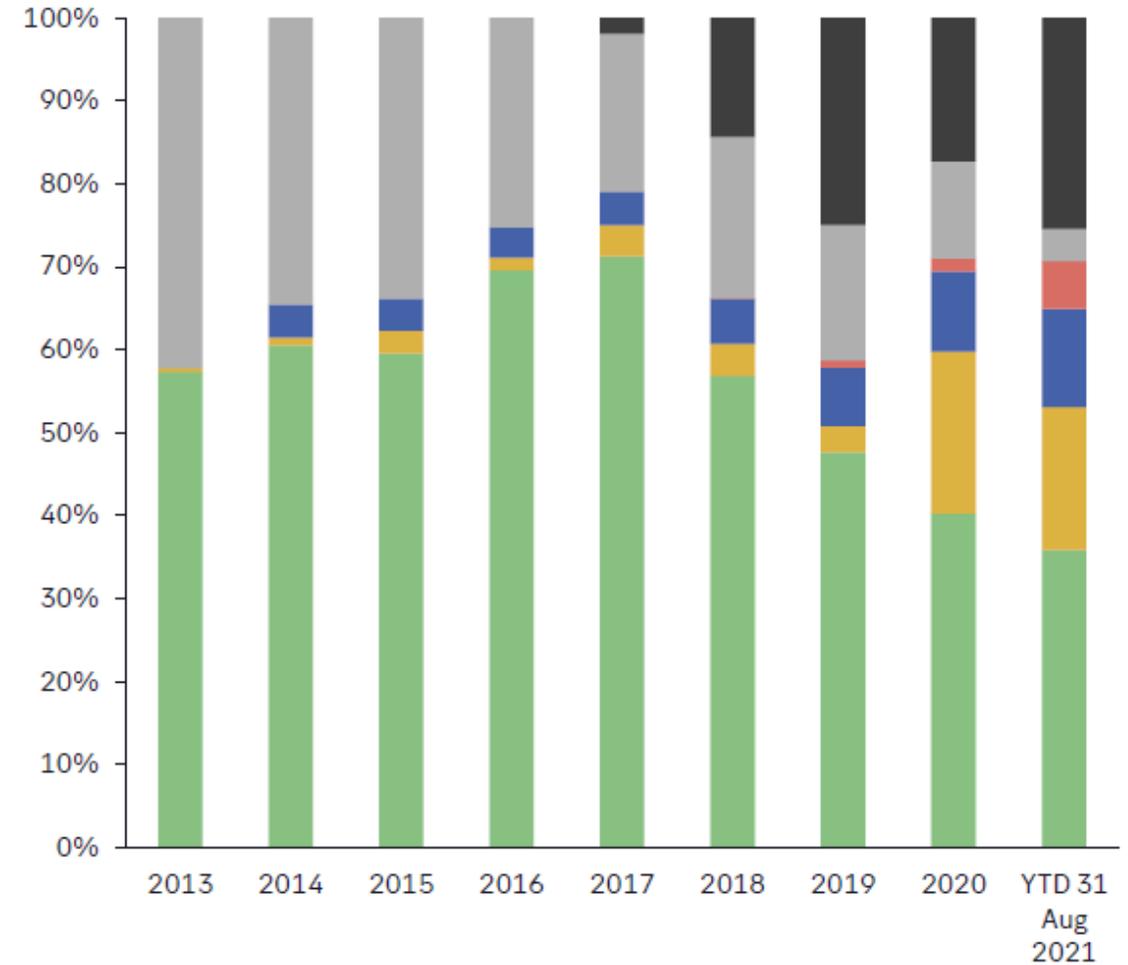
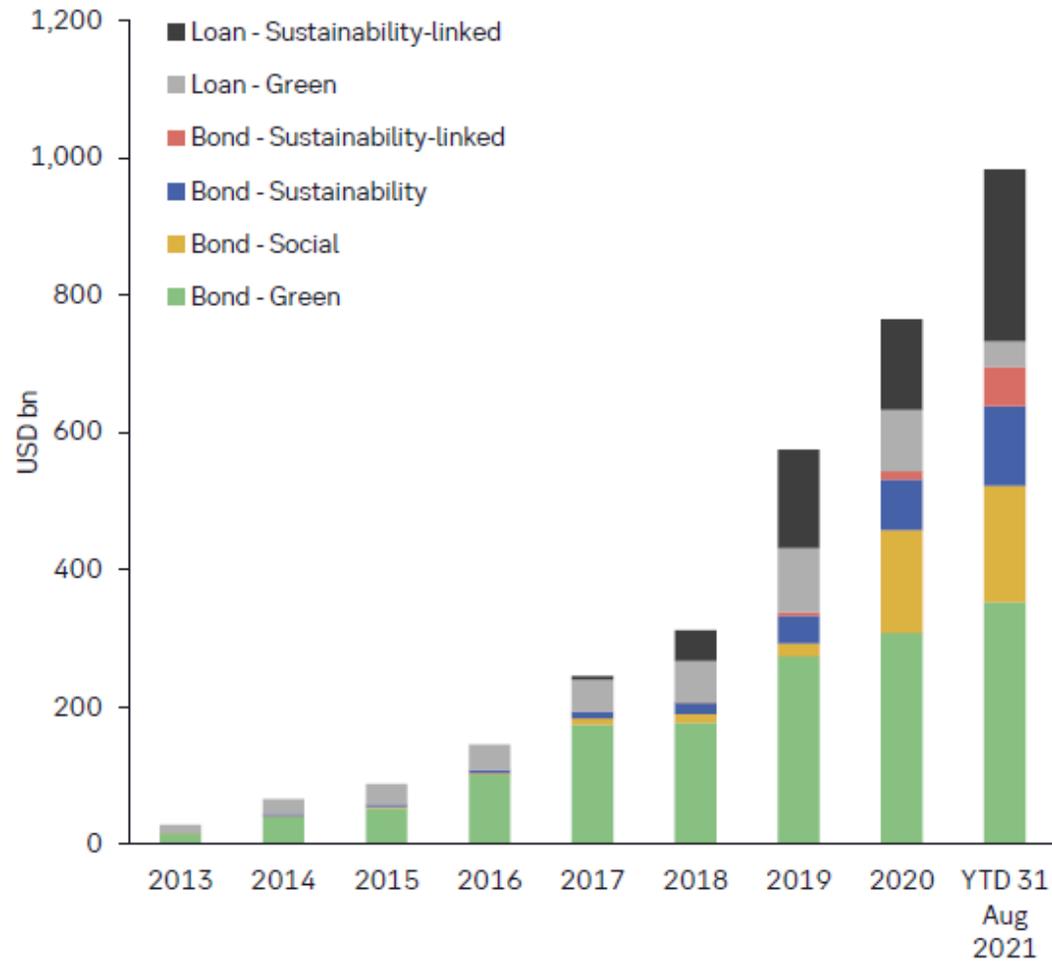


ICMA and sustainable finance

December 2021

Mushtaq Kapasi
Managing Director
Chief Representative for Asia-Pacific
ICMA

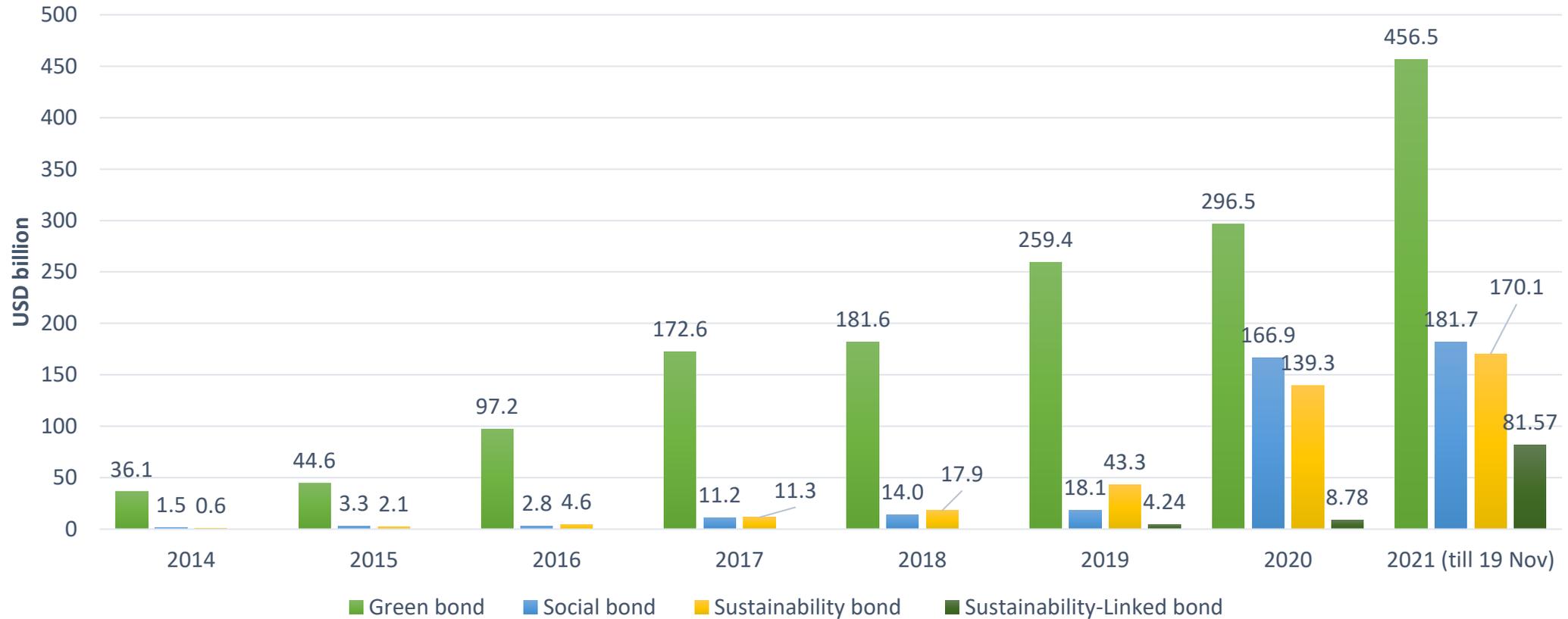
Growth in sustainable debt issuance



Source: BNEF; SEB report *The Green Bond: Your insight into sustainable finance*

The sustainable bond markets

Annual issuance volume



Source: ICMA analysis based on EF data

Development of the Principles



SBP's launch

SBP developed by GBP ExCom to federate array of social-themed bonds (e.g. education, gender) under one umbrella



SLBP's launch

Innovative and complementary approach focused on entity-level sustainable targets and KPIs rather than use-of-proceeds



2007

2014

2017

2019

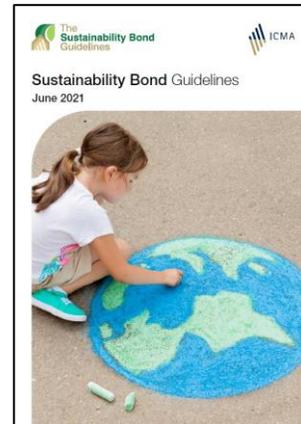
2020

GBP's launch

SBG's launch

CTF Handbook released

GBP launched with support of leading IBs and ICMA. Builds on existing practice for use-of-proceeds bond issuance by MDBs



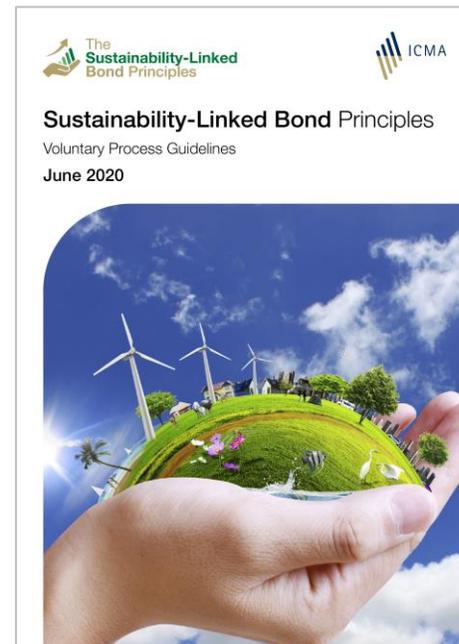
SBG launched to allow a mix of green and social projects in the new sustainability bonds label



Issuer-level disclosure guidance for climate transition finance applicable to both GSS bonds and SLBs

A new standard, the Sustainability-Linked Bond Principles (SLBP), was released in June 2020. A dedicated [Q&A](#) was also released in February 2021 to further guide market participants.

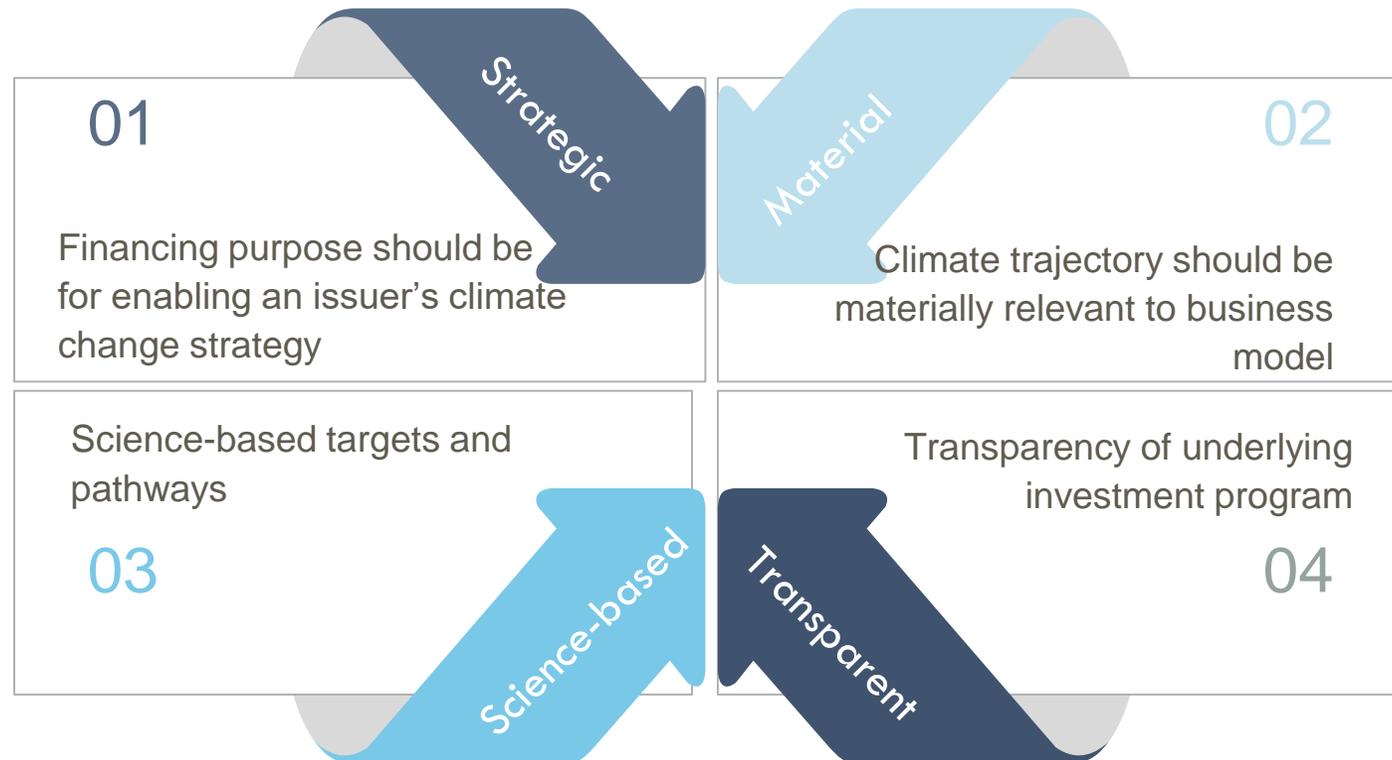
- SLBs are any type of bond instrument for which the **financial and/or structural characteristics** can vary depending on whether the issuers achieve **predefined Sustainability/ESG objectives**
- Issuers are committing, to **future improvements in sustainability outcome(s)** within a predefined timeline. It is a forward-looking performance-based instrument
- Such outcomes are:
 - measured through **predefined KPIs** and
 - assessed against agreed **Sustainability Performance Targets**.
- Within these parameters, SLBs are to be used for general purposes



Five core components

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics (financial/structural)
4. Reporting
5. Verification

Climate Transition Finance Handbook - Guidance for Issuers was issued in December 2020.



Handbook to be used when raising funds in debt markets for climate transition-related purposes, whether this be in Use of Proceeds format or Sustainability-Linked

- **Overview and Recommendations for Sustainable Finance Taxonomies, May 2021**
- **Taxonomy definition:** classification system identifying activities, assets, and/or project categories that deliver on key climate, green, social or sustainable objectives with reference to identified thresholds and/or targets
- **Purpose:**
 - Introduce the existing taxonomies and provide a comparison at a high-level
 - Explain the complementary relationship between the GBP and taxonomies
 - Propose success criteria for future taxonomy developments

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 - 3. Malaysia's Climate Change and Principle-based Taxonomy
 - 4. Other national taxonomies (Bangladesh, Mongolia, Singapore, South Africa)
 - 5. OECD Rio Markers
- IV. **Market-based taxonomies**
 - 1. Climate Bonds Initiative Taxonomy
 - 2. The MDBs-IDFC Common Principles
 - 3. ISO's upcoming green taxonomy
- V. **Complementary approaches: the GBP's eligible project categories**
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- VII. **Conclusion**
- VIII. **Annex – High-level comparison of taxonomy systems**

Success criteria for future taxonomy developments

- **Emergence of official sector taxonomies**
- **Different geographies** = different starting points + different environmental priorities / careful balance needed to take regional/national variations into account but not too inconsistent and fragmented
- Existing **calls for a harmonised approach** towards the emergence of taxonomies (EU TEG, World Bank, International Platform on Sustainable Finance, GFMA)
- ICMA proposes: “**success criteria**” for national taxonomies

Success criteria

1. **Targeted** in their purpose and objectives.
2. **Additional** in relation to existing international frameworks.
3. **Usable** by the market for all intended purposes.
4. **Open and compatible** with complementary approaches and initiatives.
5. **Transition-enabled** incorporating trajectories and pathways.

- Green Bond Principles 2021 update
- ICMA's analysis of the proposed Regulation on European Green Bonds
- ICMA's memo on the sustainability disclosure regime of the EU
- Involvement in the European Commission Platform on Sustainable Finance
- Involvement in the Industry Advisory Panel for the ASEAN Capital Market Forum and Working Committee on Capital Market Development
- Consultation responses:
 - ❑ ICMA's response to the EU Platform on Sustainable Finance's Reports on the expansion of the Taxonomy and a potential Social Taxonomy
 - ❑ ICMA's response to the US Securities Exchange Commission's Climate Change Disclosures
 - ❑ ICMA's response to IOSCO's Recommendations on Sustainability-Related Practices, Policies and Disclosure in Asset Management
 - ❑ ICMA's response to the Singapore Exchange's Consultation Paper on Climate and Diversity
 - ❑ ICMA's response to SEBI's consultation on ESG funds

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