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## ASEAN's sustainable finance market making progress despite a challenging year

*\* Many positives remain, including various policy and market development initiatives, despite market contracts driven by drop in overall debt market \**

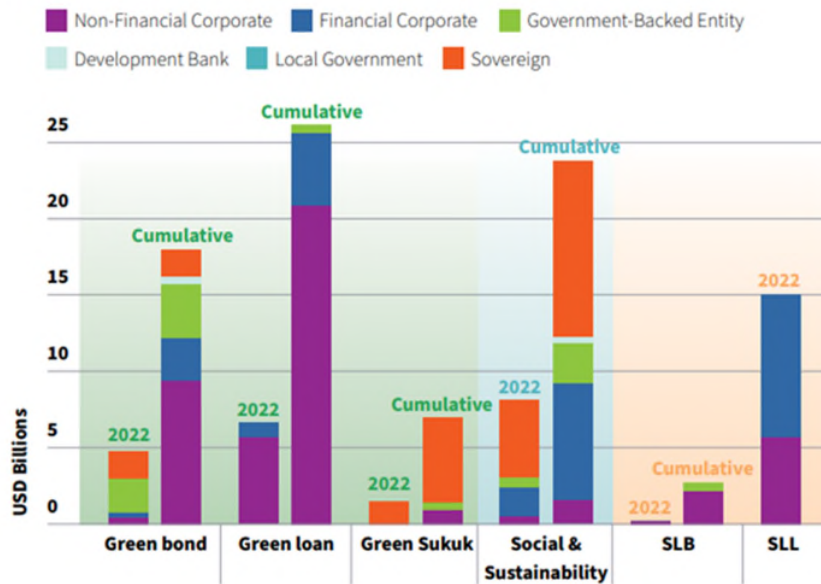
(Ho Chi Minh City) – Supported by HSBC, the fifth iteration of the Climate Bonds' ASEAN State of the Market report series is officially launched, analysing key developments during 2022 in the green bond and broader sustainable finance market in six ASEAN countries including Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Across ASEAN, green, social, sustainability, sustainability-linked and transition (GSS+) debt market in 2022 saw a contraction of 32% YOY, in line with the global trend (-24% YOY globally – USD858.5bn in 2022 vs. USD1.1tn in 2021). Despite that, volumes stayed robust at almost twice the level of 2020 and many positives remain, including increased sovereign issuances and a range of policy and market development initiatives that has further strengthened the regulatory and technical landscape. There was also tremendous growth of GSS+ issuance observed in Indonesia and the Philippines, largely attributed to robust sovereign issuance and record amounts issued in the green Sukuk and social bonds category.

### **Larger deal sizes and longer tenors with Sovereigns staying strong**

ASEAN saw an increase in deal sizes and tenors – a considerably higher share (71% in 2022 vs. 52% in 2021) of deals were benchmark-size (USD500m+), and the first sustainability bond with a tenor of over 20 years (excluding perpetual) was issued in 2022 in the Philippines. Across the six markets covered (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam), Singapore was top in most debt segments, representing 63% of the cumulative volume and 60% of 2022.

Low share of corporates in green bond issuance in 2022 versus cumulative level; S&S and green Sukuk dominated by sovereigns



Sovereign issuances play a key role in stimulating market activity and development as well as in allocating large amounts of capital to sustainable projects and activities. In 2022, Singapore and the Philippines joined the ASEAN's Sovereign club. Sovereign issuance in the region is concentrated in sustainability bonds, which enable governments to raise funds for a combination of green and social projects.

**Active year for policy and market development initiatives**

2022 was an active year for policy and market development initiatives in the region, with the release of a regional ASEAN Sustainability-Linked Bond Standards, as well as stakeholder consultation on the first version of ASEAN Taxonomy conducted throughout the year, alongside a range of national-level sustainable finance initiatives and measures by respective ASEAN Member States, including but not limited to the spheres of disclosures, transition finance and taxonomies.

**Kelvin Tan – Managing Director, Head of Sustainable Finance and Investments, ASEAN, HSBC**

said: “The sustainable finance market in ASEAN is now at an inflection point. The frequent sovereign issuances, which have become the norm in ASEAN, indicate a high level of interest from governments in the region to develop the market. Additionally, with greater awareness and stronger business impetus as a result of recent developments in policies and taxonomies, this sets a very promising tone for the future of sustainable finance in the region. We must continue with this momentum and build on the strong private-public partnership in the region, such as the Just Energy Transition

Partnerships in Indonesia and Vietnam, to allow for more financing to be deployed to support the transition to a net-zero future.”

**Tim Evans, CEO of HSBC Vietnam** said: "As economies in ASEAN face the threat of climate change, both physical as well as transition risks, banks like HSBC have an important role to play in providing thought leadership as well as providing funding to mitigate these risks and support our clients in their transition plans. In early 2022, we announced our commitment to help arrange up to \$12 billion of direct and indirect sustainable financing for Vietnam and its corporate sector by 2030. This year, we have joined the GFANZ Working Group to continue our work alongside the Vietnamese Government to help mobilise private capital to support Vietnam's Just Energy Transition Partnership (JETP). Together with the efforts and policies on sustainable finance advocated by the ASEAN governments, we are positive that the sustainable finance market in ASEAN and Vietnam will continue to grow over the next years and provide the necessary support to the region's net zero objectives".

## **Key Highlights of ASEAN Member States**

### **Vietnam**

#### **Market Overview**

- Vietnam has seen an increasing diversification of thematic issuances in recent years, both in terms of instrument types and themes.

#### **Policy and Development**

- Supportive efforts and policies on sustainable finance were advocated by the Vietnamese Government, with the release of a guidance on environmental risk management in credit extension activities by the State Bank of Vietnam, alongside the announcement of a national programme to support private enterprises in sustainable business development till 2025<sup>1</sup>.
- Building on the Just Energy Transition Partnership, which will see an initial USD15.5bn of financing to transition the Vietnam’s energy sector, the government is also committed to improve the country’s green finance legal framework to further spur interest in this space<sup>2</sup>.

#### **Issuance**

- Only loans (green and sustainability-linked) were issued during 2022, with five deals all from different issuers.

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<sup>1</sup> <https://moit.gov.vn/en/news/latest-news/programme-to-support-private-firms-in-sustainable-business-development.html>

<sup>2</sup> <https://en.vietnamplus.vn/vietnam-improving-legal-framework-to-attract-green-finance-green-technology/247181.vnp>

- The largest was a USD500m green loan from automotive company Vinfast Trading and Production (a subsidiary of the larger conglomerate Vingroup JSC), its second transaction following a USD400m green loan in 2021. Another Vingroup subsidiary, Vinpearl JSC, had come to market with a USD425m sustainability bond in 2021, the only one from Vietnam so far.

## **Singapore**

### **Market Overview**

- Singapore boasts the largest and most diverse thematic debt market in ASEAN, with USD81bn issued from 127 issuers (the latter being one of the highest country figures globally), and heavily dominated by green debt and SLLs, representing 96% combined in terms of amount issued.

### **Policy and Development**

- Singapore introduced a wide range of market- and policy-led initiatives in 2022, with several of these focusing on the important topic of disclosure, the development of a green and transition taxonomy for Singapore-based financial institutions, as well as market development and capacity building, to develop a vibrant sustainable finance ecosystem, both in Singapore and ASEAN more broadly.

### **Issuance**

- Multinational agribusiness company Olam International ranked top in 2022 with USD4.875bn over two large SLLs (USD2.9bn and USD1.975bn) through its Olam Agri Holdings financing arm.
- The only other issuer with a deal over USD2bn was Perennial Shenton Property with an inaugural green loan worth SGD3bn (USD2.09bn).
- Singapore's Government became a first-time sovereign issuer with a 50-year SGD2.4bn (USD1.75bn) green bond that will finance a vast array of projects with environmental benefits.

## **Malaysia**

### **Market Overview**

- Malaysia has seen issuances across the thematic debt spectrum throughout the years, with sustainability bonds accounting for 99% of the 2022 volume, attributed to issuers seemingly keen to finance the social dimension along with projects delivering environmental benefits.

### **Policy and Development**

- A variety of supportive initiatives and policies was introduced in 2022, such as the SC's principles-based Sustainable and Responsible

Investment Taxonomy, alongside a suite of ESG frameworks, standards, guidelines, and disclosure requirements by domestic regulators.

- Coupled with the efforts and programmes by the Joint Committee on Climate Change, these would further cement the country as a leader in Islamic sustainable finance.

### **Issuance**

- In 2022, the average deal size was USD79m, which is fairly small compared to its regional neighbours, although most issuers came to market more than once. Cagamas Bhd remained a highly frequent issuer with four deals, matched by first-time issuer Pengurusan Air Selangor Sdn Bhd. CIMB Bank was one of the only issuers with just one transaction, a USD500m deal that was comfortably the largest of the year.

## **Indonesia**

### **Market Overview**

- Indonesian deals and issuers are relatively large, with the issuance volume dominated by its sovereign transactions. The largest green sovereign Sukuk issued thus far by the Indonesia Government came in 2022 worth USD1.5bn; but there were no sustainability sovereign bonds during the year, following one in 2021.

### **Policy and Development**

- 2022 saw Indonesia introduce important supportive tools and policies that are set to stimulate the nation's thematic debt market, including the release of a green taxonomy, introduction of carbon tax, as well as the launch of the Energy Transition Mechanism Country Platform and Just Energy Transition Partnership.

### **Issuance**

- 2022 was marked by Indonesia's largest sovereign green Sukuk, a 10-year USD1.5bn deal well received by the market.
- Despite a record USD3.7bn issued, only five of the country's cumulative 28 deals came during 2022, translating into an average deal size of USD743m.
- Apart from the sovereign green Sukuk, the other large transaction amounting USD1bn (both in 2022 and overall) was an SLL from PT Bank Rakyat, its first thematic issuance.

## **Thailand**

### **Market Overview**

- Whilst Thailand's market has had diversity overall in terms of thematic issuances, the country has been dominated by sovereign sustainability issuance in recent years.
- Thailand has seen social bond issuance every year since 2019 (which is scarce across the rest of ASEAN).

### **Policy and Development**

- Thailand continues its sustainable finance development journey with efforts by the regulators and financial sector, capacity development initiatives, as well as taxonomy development via a cross-agency platform. The taxonomy is expected to be released in H1 2023 and will focus on the energy and transportation sectors.

### **Issuance**

- The THB10bn (USD295m) deal from its Government Savings Bank was both the only social bond from the region in 2022 as well as the largest one yet.
- 2022 was marked by the Thai Government tapping its 2020 sustainability sovereign three times for a total amount of THB55bn (USD1.76bn), as well as issuing a new bond worth USD948m.
- On the green side, Global Power Synergy (PTT PCL) was the most prolific issuer in 2022, with five green bonds totalling THB12bn (USD341m), taking its cumulative total to THB19bn (USD565m).

## **Philippines**

### **Market Overview**

- The Philippines has a growing and increasingly diversified thematic debt market.
- 2022 was an important year with its inaugural sovereign issuances: three deals totalling USD2.3bn. All were sustainability bonds financing a variety of green and social categories. This complemented volumes in other segments, including green and sustainability-linked instruments.

### **Policy and Development**

- Guided by the Philippine Sustainable Finance Roadmap and Guiding Principles introduced by the consortium of regulators, alongside the launch of the Sustainable Finance Framework by the Department of Finance in 2022, Bangko Sentral ng Pilipinas embarked on a sustainable central banking strategy, in addition to the issuance of a set of sustainable funds guidelines by the Securities and Exchange Commission.

### **Issuance**

- 2022 witnessed three sovereign sustainability deals totalling USD2.3bn, with the one denominated in JPY issued as four tranches ranging in tenors from five to 20 years.
- First-time issuer BDO Unibank (PHP52.7bn/USD1.03bn) and repeat Rizal Commercial Banking Corp (PHP14.8bn/USD289m) were the other two contributors to sustainability bond issuance.
- There was also a PHP10bn (USD170m) green bond from repeat issuer Acen Finance, alongside a USD100m sustainability-linked loan transaction issued by SMC Global Power Holdings, the power arm of multinational conglomerate San Miguel Corp.

The full report is available for download on Climate Bonds [website](#) and HSBC Centre of Sustainable Finance [website](#).

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**Notes for Editors:**

**HSBC Bank (Vietnam) Ltd.**

HSBC has been in Vietnam for over 150 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank’s current network includes two branches and four transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

**About Climate Bonds Initiative:** Climate Bonds Initiative is an international not-for-profit working to mobilise global capital for climate action. Climate Bonds undertakes advocacy and outreach to inform and stimulate the market, provides policy models and government advice, market data and analysis, and administers an international Standard & Certification Scheme for best practice in green bonds issuance. For more information, please visit [www.climatebonds.net](http://www.climatebonds.net).

**Thien Long Group**

After more than 40 years of establishment and development, Thien Long is Asia's leading stationery manufacturer and trader. Currently, Thien Long owns a system of 55,000 selling points throughout the country, and exports to 70 countries around the world. Thien Long Group's new vision is to inspire and provide effective, comprehensive solutions for happy learning life.

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