

Guideline on Issuance of Green, Social, and Sustainable Bonds

In accordance with the Preah Reach Kram No. NS/RKM/0121/003 on 16 January 2021 on promulgating the Law on the Non-Bank Financial Services Authority; the Preah Reach Kram No. NS/RKM/1007/028 on 19 October 2007 on promulgating the Law on Issuance and Trading of Non-Government Securities; the Anukret No. 45 ANKR.BK on 08 April 2009 on the implementation of the Law on Issuance and Trading of Non-Government Securities; and the Prakas No. 006/20 K.M.K/BB.K. on 05 May 2020 on Debt Securities Offering to Qualified Investors; as well as other related regulations; and to facilitate understanding of the issuance of Green, Social and Sustainable Bonds, the Securities and Exchange Regulator of Cambodia (SERC) released the Guideline on “Issuance of Green, Social and Sustainable Bond” as follows:

1. General Concept of Green, Social, and Sustainable Bond

3.1. Green Bond

Green Bonds refer to debt securities issued by securities issuer where proceeds shall be used to finance or re-finance green projects or assets.

Example: Developing wind or solar power generating project, purchasing land to construct or equipment to support wind or solar power generation, developing electric car manufacturing project, etc.

3.2. Social Bond

Social Bonds refer to debt securities issued by securities issuer where proceeds shall be used to finance or re-finance projects that have positive impacts on society.

Example: Small and medium enterprises (SMEs) loans that contribute to socio-economic and job creation, education projects, developing clean water and sanitation projects in rural areas, developing public health education projects, etc.

3.3. Sustainable Bond

Sustainable Bonds refer to debt securities issued by securities issuer where proceeds shall be used to finance or re-finance projects that consist of a combination of green features and social features that have positive impacts on society and environment.

Example: Developing waste recycling projects, which have positive impacts on not only the environment but also social welfare, developing public transportation projects with the aim to reduce the usage of personal vehicles, developing air-purifying projects, etc.

2. Green, Social and Sustainable Bond Principles

The entity proposes to issue green, social, or sustainable bonds shall comply with 4 (four) principles as follows:

- First principle: The purpose of the use-of-proceeds

The issuer shall define the purpose of the use-of-proceeds in alignment with the green, social, or sustainable bond standard or framework.

- Second principle: Project Assessment and Selection Procedure

The issuer should have sufficient mechanisms and internal procedures to assess and select types of projects or assets that will be used for the issuance of green, social, or sustainable bonds.

- Third principle: Management of the proceeds

The issuer shall properly manage the proceeds in alignment with the stated purpose.

- Fourth principle: Reporting

The issuer shall report to investors:

- (a) The allocation of proceeds for the stated project or asset.
- (b) Eligibility to meet the green, social, or sustainable bonds requirements in alignment with the applicable standard and framework.
- (c) Positive and negative effects of the projects that have been carried out, or use of assets in alignment with the applicable standard or framework.

3. External Review

An external review refers to the procedure of reviewing and assessing the alignment of projects or assets of issuer with the applicable standard or framework. Issuer may obtain the assessment from external reviewer on its types and projects, or asset of green, social, or sustainable bonds to be issued. In case the issuer obtains external reviewer assessment, the issuer shall attach with the debt securities issuance application the assessment report.

3.1. Types of External Review

There are four types of external reviews:

(a) Second Party Opinion (SPO)

The issuer may seek opinions or recommendations from consultant or professional institution which is independent of the issuer. The SPO is an assessment on:

- Alignment with the green, social, or sustainable bond principle.
- Purposes, strategies, policies, and/or operation of the issuer related to green, social, or sustainable features.
- Types of green, social or sustainable projects to be financed with the proceeds.

(b) Certification of Green, Social, or Sustainability

The issuer may obtain a certification on the alignment with standard or classification as green, social, or sustainability which is accredited by the external reviewer.

(c) Verification

The issuer may obtain verification by external reviewers on business operation and/or criteria as green, social, or sustainability. This verification may focus on the alignment with the green, social, or sustainable standard or framework.

(d) Scoring/Rating:

The green, social, or sustainable bonds or the green, social, or sustainable bond framework of the issuer may be rated as green, social, or sustainable by a

qualified third party such as a credit rating agency or other companies that has obtained the SERC's approval.

3.2. External Reviewer

An external reviewer refers to an individual who is independent of the issuer and has a role in assessing the types of projects or assets to be financed or refinanced with the proceeds from the green, social and sustainable bond issuance. An external reviewer can be an environmental professional, social professional, or any specific professional.

4. Compliance with Regulation in Force

Entity who proposes to issue green, social, or sustainable bonds shall comply with the Prakas on Public Offering of Debt Securities in the case of a public offering of debt securities and the Prakas on Debt Securities Offering to Qualified Investors in the case of debt securities offering to qualified investors and other related regulation in force in the Kingdom of Cambodia and shall further comply with the Detailed Guidance for Issuing Green Bond in the Kingdom of Cambodia, ASEAN GREEN BOND STANDARDS, ASEAN SOCIAL BOND STANDARDS AND ASEAN SUSTAINABILITY BOND STANDARDS or other international standards related to green, social, or sustainable bonds in force.

Phnom Penh, [Date]

Securities and Exchange Regulator of Cambodia