

Sustainability

Singapore's Regulatory Framework for Sovereign Green Bond Issuance

- Key features of Singapore Green Bond Framework

Introduction

Underscoring its commitment to fight climate change and boost sustainable development, the Singapore Government published in 2021 the Singapore Green Plan 2030, which sets out the road map and targets for the country's path to a green economy and climate resilience for the coming decade.

Financing is critical to propel sustainable investments and projects. In this regard, the Monetary Authority of Singapore ("**MAS**") has developed the Green Finance Action Plan to promote financing for sustainable development. In addition, the Singapore Government announced that the public sector, including the Singapore Government and statutory boards, intends to issue up to S\$35 billion of green bonds by 2030. Proceeds from the public sector green bonds will be used to finance expenditures in support of the Singapore Green Plan 2030, such as green infrastructure projects. In the coming months, MAS (on behalf of the Singapore Government) will be issuing the first sovereign green bond¹ under the Significant Infrastructure Government Loan Act 2021 ("**SINGA**"). The issuance of public sector green bonds is intended to jumpstart corporate green bond issuances, deepen market liquidity for green bonds, and attract green issuers, capital and investors.²

Ahead of the inaugural sovereign green bond issuance, the Singapore Ministry of Finance ("**MOF**") published the [Singapore Green Bond Framework](#) ("**Framework**") on 9 June 2022 that sets out a regulatory and governance framework for green bond issuances by the Singapore Government under SINGA. The Framework sets out, among other things, how proceeds from green bonds issued may be used, how projects are evaluated and selected, how proceeds are managed, and requirements on post-issuance reporting on allocation of proceeds and impact on the environment. The Framework lays the foundation for the issuance of green bonds by the Singapore Government under SINGA, and will be a reference point for statutory boards to develop their own green bond frameworks.

In this Update, we outline in brief the salient features of this Framework.

¹ Known as the Green SGS (Infrastructure) Bonds.

² For more information, please refer to the [Ministry of Finance Policy on Green Bonds](#) where you can find further details. The press release is available [here](#).

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Key Aspects of the Framework

Independently reviewed to be in line with internationally recognised market principles and standards

To ensure the quality of green bonds issued under the Framework, as well as for compliance with best market practices, the Framework is aligned with internationally recognised market principles and standards, such as the core components and key recommendations of the International Capital Market Association (ICMA) Green Bond Principles 2021 ("**GBP**") and the ASEAN Capital Markets Forum ASEAN Green Bond Standards 2018 ("**GBS**"). The Framework has been independently reviewed by an ESG research firm, Morningstar Sustainalytics, which issued a pre-issuance [Second-Party Opinion](#) stating that the Framework is in line with the core components and key recommendations of GBP and GBS.

Four core components under the Framework

Green bonds issued under the Framework should conform with the following four core components:

- (i) **How proceeds are used (use of proceeds or "UOP").** Proceeds from Singapore sovereign green bonds will be used to finance specified eligible expenditures (referred to as Eligible Green Expenditures) that are set out in eight categories ("**Green Categories**"): (1) Renewable Energy; (2) Energy Efficiency; (3) Green Buildings; (4) Clean Transportation; (5) Sustainable Water and Wastewater Management; (6) Pollution Prevention, Control and Circular Economy; (7) Climate Change Adaptation; and (8) Biodiversity Conservation and Sustainable Management of Natural Resources and Land Use.

The eligibility criteria have been developed with reference to existing market standards and principles, such as the GBP and the Climate Bond Initiative Taxonomy and Sector Criteria, wherever relevant and feasible. Examples of potential Eligible Green Expenditures include infrastructure capital expenditures, and operational and maintenance expenditures for public infrastructure, among others. For details on the Green Categories, sub-categories, as well as examples of Eligible Green Expenditures, please refer to Section 2.1 of the Framework. Further, Section 2.1.1 (Exclusion) of the Framework sets out expenditures that are excluded under the Framework.

- (ii) **How projects are evaluated and selected.** The Green Bond Steering Committee ("**GBSC**"), set up by the Ministry of Finance and chaired by the Second Minister for Finance, has the overall responsibility for overseeing and approving key decisions related to the green bonds issued under the Framework. The responsibilities of GBSC include designing and maintaining the Framework, selecting and evaluating green projects based on the specified criteria, managing the deployment proceeds from the green bonds issued under the Framework, and reporting on the allocation of

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proceeds ("**allocation reporting**") and impact on the environment (and social co-benefits, if possible) ("**impact reporting**").

For instance, among other things, projects must fulfil the eligibility criteria under the UOP and requirements under SINGA before the Singapore Government can issue green bonds under SINGA. These requirements include, without limitation, ownership and control of the infrastructure by the Singapore Government, and minimum expected project cost of at least S\$4 billion. For an overview of the process of evaluation and selection of projects, please refer to the flowchart under Section 2.2 of the Framework (Process for Project Evaluation and Selection).

- (iii) **How proceeds will be managed.** The Singapore Government will apply the net proceeds³ from the green bonds to projects approved by the GBSC. It aims to fully allocate the funds within two to three years of issuance of the green bonds. Proceeds that are unallocated will be held in cash or invested in other short-term liquidity instruments. For more information on how proceeds will be managed, please refer to Section 2.3 of the Framework (Management of Proceeds).
- (iv) **Post-issuance allocation reporting and impact reporting.** To ensure transparency and accountability, as well as to keep investors and stakeholders informed, the Singapore Government intends to report on how the proceeds from green bond issuances are allocated and the associated environmental benefits and social co-benefits (where possible) of the Eligible Green Expenditures. The GBSC will review and approve the reports. For details on how the Singapore Government intends to report, the frequency of reports and what will be included in the reports, please refer to Section 2.4 of the Framework (Reporting).

Concluding Words

If you have any queries regarding the above development, please feel free to contact our team below.

In full support of the Singapore Government's efforts to champion green and sustainability practices in Singapore and the region, Rajah & Tann Singapore has a Sustainability Practice which comprises multi-disciplinary specialist teams who can advise you on the adaptation of your business to take into account sustainability and ESG (environmental, social and governance) issues.

Further, the Sustainability Practice is augmented by the Debt Capital Markets Practice, which is recognised for its highly creative lawyers with the depth and technical expertise to lead and navigate the full spectrum of complex and innovative debt capital market transactions. Our experience spans the full range of debt issuances, including green, social and sustainability-linked bonds, high-yield and investment-grade straight and equity-linked bonds, medium term note programmes, and restructuring and liability management exercises.

³ For green bonds issued by the Singapore Government under SINGA, net proceeds refer to the amount equivalent to the face value of the bonds.

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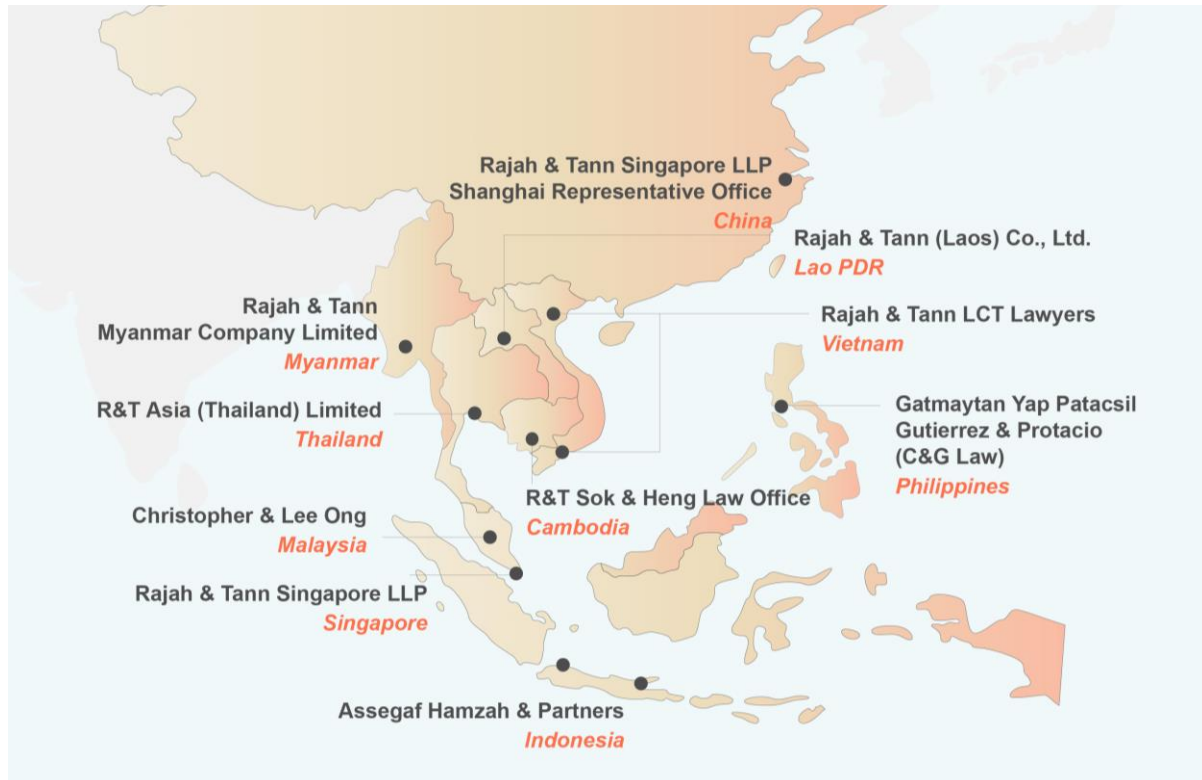
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