



SEC MEMORANDUM CIRCULAR NO. 15

Series of 2023

***SUBJECT: GUIDELINES ON ELIGIBLE BLUE PROJECTS AND ACTIVITIES FOR THE
ISSUANCE OF BLUE BONDS IN THE PHILIPPINES***

WHEREAS, the Commission has taken on an active role in promoting the use of capital markets in achieving the United Nations Sustainable Development Goals (UN SDG) and the targets under the Paris Agreement, to which the Philippines is a signatory of along with 174 countries to reduce the Greenhouse Gas (GHG) emissions to lower the global average temperature increase to well below 2 degrees Celsius;

WHEREAS, the Philippines is an archipelagic country situated in the Asia-Pacific, the Commission recognizes the critical importance of ocean-based climate mitigation and resilience in building resilient communities and economies;

WHEREAS, the Commission has adopted the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, and the ASEAN Sustainability Bond Standards to attract sustainable investments in the debt security market and address key areas of environmental and social concern;

WHEREAS, Blue Finance is an emerging area in sustainable finance with increasing interest from global investors, financial institutions, and issuers;

WHEREAS, the subject Guidelines are based on the Blue Finance Guidance Framework developed by the International Finance Corporation (IFC) and the Green and Blue Bond Framework of the Asian Development Bank (ADB);

WHEREAS, Section 8 of the SRC provides that securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the Commission;

WHEREAS, Section 12 of the SRC, the relevant provisions of the 2015 Implementing Rules and Regulations of the SRC (2015 SRC IRR) and "Annex C" provides for the procedure for registration of securities and non-financial disclosure requirements;

WHEREAS, Blue Bonds are a subset of Green Bonds where proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing Blue eligible projects and/or activities;

WHEREAS, the requirements under the subject Guidelines shall be in addition to the applicable requirements under Sections 8 and 12 of the SRC; *unless* there is an available exemption under Sections 9 or 10 of the SRC, where the Issuer shall submit the requirements as prescribed by the Commission;

WHEREAS, the subject Guidelines should be read in conjunction with subsequent amendments/updates which the Commission may issue from time to time.

NOW, THEREFORE, pursuant to the foregoing, the Commission hereby adopts and issues the following Guidelines to supplement the requirements under Section 8 and 12 of the SRC.

GUIDELINES ON ELIGIBLE BLUE PROJECTS AND BLUE ACTIVITIES FOR THE ISSUANCE OF BLUE BONDS IN THE PHILIPPINES

ARTICLE ONE: GENERAL PROVISIONS

CHAPTER ONE: Scope and Application

Section 1. Applicability – This shall be known as the “Guidelines on the Eligible Blue Projects and Blue Activities for the Issuance of Blue Bonds in the Philippines.” These Guidelines must be read and applied in conjunction with *SEC Memorandum Circular No. 12, series of 2018* otherwise known as the “Guidelines for the Issuance of ASEAN Green Bonds Under the ASEAN Green Bonds Standards in the Philippines.” These Guidelines shall primarily govern the issuance of the Blue Bonds where proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Blue Projects and/or Blue Activities.

Section 2. Coverage – These Guidelines shall apply to the issuance of Blue Bonds in the Philippines confirmed by the Commission.

Section 3. Suppletory Application of the ASEAN Green Bond Standards and ICMA Green Bond Principles – These Guidelines build on the ASEAN Green Bond Standards (GBS) and the ICMA Green Bond Principles (GBP). Any guidance issued by the ASEAN and ICMA on the GBS and GBP, respectively, should also be considered, where relevant.

Section 4. Power to Amend – The Commission reserves the right to amend or repeal any provision of these Guidelines.

CHAPTER TWO: Definitions

Section 5. Definition of Terms – For purposes of these Guidelines, the following definition of terms shall apply, unless the context otherwise requires:

- A. **ADB Green and Blue Bond Framework** refers to the expanded framework of the Asian Development Bank (ADB) that guides its green and blue bond program which enables the ADB to support its developing member countries seeking to deliver environmentally sustainable growth to help reduce poverty and improve the quality of life of their people. The ADB Green and Blue Bond Framework has received a Second Party Opinion from CICERO Shades of Green and rated CICERO Medium Green.
- B. **ASEAN GBS** refers to the ASEAN Green Bond Standards as applicable and as revised from time to time.

- C. *ASEAN SBS* refers to the ASEAN Social Bond Standards as applicable and as revised from time to time.
- D. *ASEAN SUS* refers to the ASEAN Sustainability Bond Standards as applicable and as revised from time to time.
- E. *Blue Activities* refer to more specific eligible activities that address sustainable water management and ocean protection as indicated under the United Nations Sustainable Development Goals 6 and 14, respectively. The list of eligible Blue Activities is not an exhaustive list.
- F. *Blue Bonds* refer to a subset of green bonds and *sukuk* which comply with these Guidelines, where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Blue Projects and/or Blue Activities. In the case of Islamic bonds or *sukuk*, it must also comply with the relevant laws and requirements applicable for the issuance of Islamic bonds or *sukuk*. In such instances, the Islamic bonds or *sukuk* may be labelled as Blue *Sukuk*.
- G. *Blue Projects* refer to the broad categories of eligible Blue Projects as listed in these Guidelines. The list of eligible Blue Projects is not an exhaustive list.
- H. *Green Bonds Principles (GBP)* refers to the voluntary process guidelines issued by the International Capital Market Association (ICMA), as revised from time to time, that recommend transparency and disclosure, and promote integrity in the development of the green bond market.
- I. *Guidelines for Blue Finance* refers to the guidance document published by the International Finance Corporation (IFC) that aims to provide a list of eligible use of proceeds to support private investments aligned with the Green Bond Principles and Green Loan Principles and contributing to Goals 6 and 14 of the United Nations Sustainable Development Goals.
- J. *Issuer* refers to a company incorporated in the Philippines that issues Blue Bonds.
- K. *Look-back period* refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such eligible Blue Projects and/or Blue Activities that will be included in the blue bond reporting.
- L. *Sustainable Development Goals (SDGs)* refer to the seventeen (17) integrated objectives aimed at ending poverty, protecting the planet, and ensuring that by 2030 all people enjoy peace and prosperity.

ARTICLE TWO: APPLICATION OF THE GUIDELINES ON THE ISSUANCE OF ASEAN GREEN BONDS

Section 6. Requirements for Blue Bonds – The Issuer of a Blue Bond must comply with the Guidelines for the Issuance of ASEAN Green Bonds – i.e. the Issuer must satisfy the four (4) core components identified in the ASEAN GBS. In addition, the proceeds allocated for the Project/Activity must not be used for Ineligible Projects specified under the ASEAN GBS.

ARTICLE THREE: ELIGIBLE BLUE PROJECT CATEGORIES AND BLUE ACTIVITIES

Section 7. Requirements for Eligible Blue Projects and/or Blue Activities – All designated Blue Projects and/or Blue Activities **must** provide clear benefits to ocean health and the blue economy and/or must contribute substantially to UN SDG 6 and/or 14, which will be assessed and, where feasible, quantified by the Issuer. It is best practice that an Issuer of green, social, and/or sustainability bonds with a blue component prepares a framework that clearly distinguishes the green, social, and blue activities for the use of proceeds.

Section 8. Eligible Blue Project Categories – Blue Projects directly aim to address sustainable water management and ocean protection and/or seek to contribute to the development of the blue economy. The following list is intended to be indicative and captures the most commonly used types of projects supported or expected to be supported by the blue bond market. The categories, listed in no specific order, include, but are not limited to–

- A. Ecosystem management and natural resources restoration of coastal, marine, river, lake, and other marine-/ water-based ecosystems;
- B. Sustainable fisheries management;
- C. Sustainable aquaculture;
- D. Sustainable tourism in the vicinity of marine conservation areas;
- E. Solid waste management projects within 50 kilometers of the coast or a river that drains to the ocean;
- F. Projects that prevent, control, and reduce waste from entering the coastal and marine environments;
- G. Resource efficiency and circular economy (to reduce marine debris and/or associated impacts to marine life);
- H. Wastewater management;
- I. Ports and shipping projects to increase environmental performance and sustainability of maritime infrastructure and transport; and
- J. Marine and offshore renewable energy that do not harm marine ecosystems; and
- K. Protection and restoration of aquifers.

Section 9. Specific Blue Activities – Building on the eligible Green Project categories of the Green Bond Principles, Blue Activities are specific activities under eligible Blue Projects that may be financed by blue bonds including, but not limited to–

- A. **Ecosystem management:** investments in conserving, improving, and restoring marine and coastal ecosystems; investments in the development of ecosystems' insurance products related to critical aquatic ecosystems; investments in information systems, technology, and instruments deployed for measuring, tracking, and reporting physical

and chemical indicators of the water body; investments into promising new restoration techniques.

- B. **Fisheries, aquaculture, and seafood value chain:** investments in sustainable production and waste management and reduction measures that meet, keep, or exceed the Marine Stewardship Council certification standards or equivalent; cold chain and storage for small- and medium-sized fishing in areas with sustainable fishing quotas; investments for a fishery improvement project; investments in development and implementation of traceability systems to ensure sustainability of operations, facilities, and supply chains in the fishing industry.
- C. **Sustainable tourism:** licensed/ certified sustainable tourism in the vicinity of marine conservation areas with inclusive livelihood elements and business opportunities; Nature-based freshwater and marine visitor centers showcasing the environment and disseminating research and knowledge;
- D. **Sustainable waste management:** investments in solid waste systems and infrastructure; investments in rehabilitation projects of coastal or riverside landfills or open dumps; investments in stormwater management system improvements; investments in design, development, and implementation of new or upgraded wastewater collection and treatment systems; investments in new technologies or systems to prevent wastewater pollutants from entering coastal and marine waters;
- E. **Resource efficiency and circular economy:** investments in development of new business models that “design-out” plastic waste; investments in research, design, and implementation of green supply chain management programs to reduce plastic waste; investments in innovative technologies or approaches that reduce single-use plastic production and consumption;
- F. **Sustainable shipping and port logistics sectors:** investments in the research, design, development, and implementation of water and waste management and reduction measures in shipping vessels, shipping yards and ports; investments in water treatment in shipping vessels; investments in water treatment equipment and facilities for all blackwater and greywater generated from ports and shipping and cruising vessels; investments in shipping vessels to reduce their contribution to maritime air and noise pollution; investments in improvement of oil (fuel) spill prevention, risks safeguard, and recovery facilities;
- G. **Water supply:** investments in the research, design, development, and implementation of efficient and clean water supply; investments in sustainable desalination plants that help protect groundwater depletion and wetlands and avoid hypersaline pollution of the environment; investments in water efficiency technologies and equipment and water management activities that reduce water footprint;
- H. **Water sanitation:** investments in the research, design, development, and implementation of water treatment solutions;

- I. **Ocean-friendly and water-friendly products:** investments in the value chain, including production, packaging, and distribution of environmentally-friendly products that avoid water or ocean pollution;
- J. **Ocean-friendly chemicals and plastic-related sectors:** investments in the research, design, development, and implementation of measures to manage, reduce, recycle, and treat plastic, pollution, or chemical wastes in coastal and river basin areas;

Section 10. Ineligible Blue Projects and/or Blue Activities – In line with the ASEAN GBS, fossil fuel power generation projects are excluded from eligible blue projects and/or blue activities. In addition, projects and/or activities which pose significant harm to ocean health and water resources and which introduce material risk to other themes and priority environmental areas of the SDG themes are excluded from the eligible Blue Projects and/or Blue Activities under these Guidelines. Issuers are also encouraged to develop a list of additional ineligible projects and/or activities for the issuance of their Blue Bonds, if applicable.

ARTICLE FOUR: REPORTING ON USE OF PROCEEDS

Section 11. Quantitative Performance Measures – In relation to *Section 21 - Continuous Reporting on the Use of Proceeds* of SEC Memorandum Circular No. 12, series of 2018, the following quantitative performance measures may be employed by the Issuer:

- A. Greenhouse gas emissions reduced/ avoided;
- B. Ocean-based renewable power generation/ energy savings;
- C. Water savings;
- D. Plastic waste reduced or avoided;
- E. Wastewater treated or avoided;
- F. Runoff chemicals prevented to affect areas connected to rivers or coastal water basins;
- G. Use of sustainable fertilizers (vs non-sustainable);
- H. Percent of products with Marine Stewardship Council certification;
- I. Percent of products with Aquaculture Stewardship Council certification;
- J. Absolute number of predefined target organisms and species per km² (bigger fauna);
- K. Absolute number of predefined target organisms and species per m² (smaller fauna and flora) before and after the project;
- L. Absolute number of protected and/or priority species that are deemed sensitive in protected/conserved area before and after the project;
- M. Number of people with access to clean water;
- N. Number of people with improved sanitation facilities;

- O. Area covered by sustainable water resources management practices;
- P. Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts; and
- Q. Other reasonable performance measures.

ARTICLE FIVE: EXTERNAL REVIEW

Section 12. External Review and Verification – Issuers of Blue Bonds are strongly encouraged to engage an external review provider for the issuance of their blue bonds in line with international standards and best practice and in accordance with *SEC Memorandum Circular No. 12, series of 2018*.

ARTICLE SIX: APPLICABILITY ON EXISTING BLUE BONDS

Section 13. Applicability on Existing Eligible Blue Bonds – In certain circumstances, and at the discretion of the Commission, outstanding bonds issued prior to the effectivity these Guidelines, which were issued by Philippine-based Issuers and/or the proceeds of which were used or are intended to be used in the Philippines, will be considered for eligibility under these Guidelines, *Provided*, that the issuance is compliant with the requirements of these Guidelines.

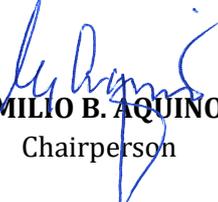
ARTICLE SEVEN: LIMITATIONS ON CONFIRMATION OF BLUE BOND LABEL

Section 14. Limitation on the Use of Blue Bond Label – Consistent with public interest and protection of investors, the call for transparency, as well as to ensure integrity of the Philippine sustainable finance market, the Commission reserves the right to direct any Issuer from using the “Blue Bond” label confirmed by the Commission.

ARTICLE SEVEN: EFFECTIVITY

Section 15. Effectivity – These Guidelines shall take effect immediately upon its publication in two (2) newspapers of general circulation.

21 September 2023, Makati City Philippines.


EMILIO B. AQUINO
Chairperson