
Factsheet

December 2016

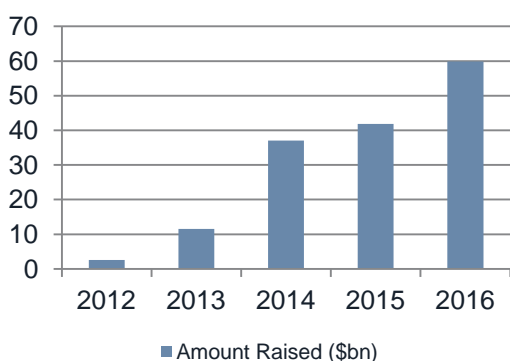
Green Bonds

1.0 What are green bonds?

'Green bonds' are any type of bond instrument where the proceeds will be exclusively applied to finance 'green' projects.

The key feature of green bonds is the use of proceeds, which is outlined in the bond's legal documentation, separately managed within the company, as well as monitored and reported throughout the life of the bond. Categories of potential eligible green projects include renewable energy, energy efficiency, sustainable waste management, sustainable land use, biodiversity conservation, clean transportation, climate change and adaptation.

Global Green Bond Issuance



With growing investor emphasis on sustainability, green bonds are one of the fastest growing market segments internationally. A record of \$42.2bn green bonds was issued in 2015, up 30% compared to total green bond issuance in 2014. In 2016, LSE welcomed 14 new green bonds which have raised \$5.07bn.

2.0 Green Finance at London Stock Exchange Group

London Stock Exchange Group is a partner exchange of the United Nations Sustainable Stock Exchanges (SSE) initiative and an Observer to the Green Bond Principles (GBP).

London Stock Exchange Group's activity in green financing is focussed on two key areas: fixed income products and information services/indices.

There are 40 Green Bonds listed on LSE that have raised around \$10.5 billion in 7 different currencies.

Through a range of new initiatives, LSEG intends to broaden its offering and support London in becoming the preferred listing venue for debt and equity Low Carbon Economy (LCE) financial instruments.

Through its FTSE Russell business, LSEG offers further opportunities to increase transparency in the green bond market, by providing issuers with more efficient tools to report on sustainable initiatives, and offering investors a comprehensive product to assess a wide range of financial instruments against an innovative LCE framework.

3.0 How to list green bonds

Green bonds have the same regulatory status of equivalent "non-green" bonds and can normally be issued through standard base prospectuses. To admit green bonds to London Stock Exchange's dedicated 'green bond' segments, issuers are required to provide the Exchange with the relevant "second opinion" document that certifies the 'green' nature of the bonds. The choice



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of the certification provider is up to the issuer and its advisers. London Stock Exchange has outlined guidance on a set of criteria that the certifier should meet in order for the certified instruments to be included in the relevant LSE green bond segment.

Issuers admitting bonds to the “green bond” segments on London Stock Exchange must provide a third party certification that the instruments are considered “green bonds” and a written confirmation that the entity that has been appointed to conduct the green bond certification meets the following criteria:

- Be a legal entity with a registered office in the European Economic Area or Switzerland Be independent of the entity issuing the bond, its directors, senior management and advisers. In particular, the organisation providing the second opinion must not be a subsidiary or owner, either in full or in part, of the entity issuing the bond
- Be remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure
- Have the required financial resources to conduct the verification
- Be an entity* specialising in assessing the framework of the bonds' environmental objectives, with sufficient financial and market-specific expertise to perform a comprehensive assessment of the use of proceeds. Such expertise could be demonstrated for example by:
 - Affiliation with relevant and widely recognized industry bodies; or
 - Significant and appropriate previous experience in providing second opinions on green bonds

*e.g. a research organisation or a certification company, or an entity of which one of its departments offer services in the relevant certification industry

4.0 London Stock Exchange ‘green bond’ milestones

November 2016: Bank of China issued first Chinese green covered bond raising \$500 million. This bond is backed by a portfolio of domestic Chinese climate-aligned bonds.

October 2016: MuniFin lists Finland's first ever green bond raising \$500 million.

August 2016: NTPC lists world's first green Masala bond and first Masala bond by a quasi-sovereign issuer on London Stock Exchange. The listing raised INR 20 billion.

June 2016: Axis Bank lists Asia's first Climate Bonds certified green bond by a bank, raising \$500 million. This is the first green bond by an Indian issuer to be listed on LSE and it's the largest green bond issued by a Scheduled Commercial Indian Bank.

October 2015: Agricultural Bank of China lists a \$1bn triple tranche, dual currency green bond, the largest green RMB issue on London Stock Exchange.

August 2015: IFC issues the first offshore Indian Rupee denominated green bond, raising INR 3.15 billion.

June 2015: London Stock Exchange launches a comprehensive range of dedicated green bond segments to offer increased flexibility for issuers.

April 2015: Transport for London lists its debut green bond, raising £400 million, to improve sustainability of the London transport network.

May 2014: London Stock Exchange Group joins UN's Sustainable Stock Exchanges (SSE) initiative.

March 2014: International Finance Corporation (IFC) issues the first Renminbi-denominated green bond, raising RMB 500 million. This was the first green bond issued by a multilateral institution in the offshore Chinese markets.

June 2007: European Investment Bank issues the first “Climate Awareness” bond tracking the performance of the FTSE4Good Environmental Leaders 40 index

5.0 Further Information

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