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# Factsheet

April 2017

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# Green Bonds

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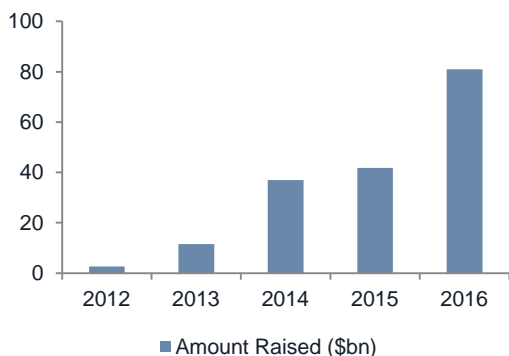
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## 1.0 What are green bonds?

'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 \$81 billion green bonds was issued in 2016, up 92% compared to total green bond issuance in 2015. In 2016, LSE welcomed 14 new green bonds which have raised \$5.07bn.

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## 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, an Observer to the ICMA's Green Bond Principles (GBP) and a partner of Climate Bonds Initiative.**

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

**There are 42 Green Bonds listed on LSE that have raised around \$11.2 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.

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## 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 an external review document verifying the



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'green' nature of the bonds. Ongoing disclosure and impact reporting are also encouraged to enable investors to make their own investment assessments regarding these instruments. The choice of the external review provider is up to the issuer and its advisers. London Stock Exchange has outlined guidance on a set of criteria that the external reviewer should meet in order for the instruments to be included in the relevant LSE green bond segment.

- Be independent of the entity issuing the bond, its directors, senior management and advisers. In particular, the organisation providing the external review 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
- 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

*\*The external review could take the form of the following: Consultant's Review / Second Opinion, Verification, Third Party certification, Green Bond Rating (separate from an issuer's overall ESG rating)*

## 4.0 London Stock Exchange Green & ESG Bond Milestones

**March 2017:** National Bank of Abu Dhabi issues **First Green Bond from Gulf Region** raising a total of \$587 million.

**February 2017:** LSEG launches **Guide to ESG Reporting**.

**November 2016:** Bank of China issues **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 **First Chinese Green Bond** 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**

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