
Factsheet

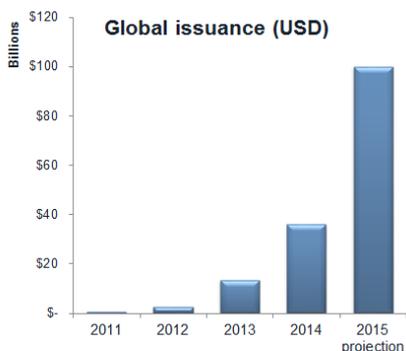
2 June 2015

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.



Sources: Bloomberg, S&P RatingsDirect and Climate Bond Initiative (www.climatebonds.net/)

With growing investor emphasis on sustainability, green bonds are one of the fastest growing market segments internationally. A record \$36bn of green bonds were issued in 2014, almost tripling 2013 total green bond issuance, and global green bond issuance is expected to reach the \$100bn mark in 2015.

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. 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 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 London Stock Exchange green bond segment.



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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 and that such entity have the required financial resources to conduct the verification
- 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

December 2009: First green bond listed by World Bank on London Stock Exchange’s markets

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

June 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.

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

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

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

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

London Stock Exchange has welcomed a total of 24 ‘self-labelled’ green bonds to its markets, raising over \$4 billion.

5.0 Further Information

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