



**THE Nigerian
STOCK EXCHANGE**

THE PROCESS FOR ISSUING AND LISTING GREEN BONDS ON THE EXCHANGE

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What are Green Bonds?

- Green Bonds are debt instruments (Fixed Income) whose proceeds are used to finance climate change and environmental sustainability projects

How do Green Bonds Work?

- Green bonds have maturity terms are similar to those of traditional bonds, ranging from 3-25 years with a focus toward medium term bonds
- Like traditional bonds, Green bonds can be issued in tranches and can also be re-issued.

Why Green Bonds?

- Green Bonds are an increasingly attractive mechanism for both private and public sector organizations to raise capital for projects, assets or other activities that benefit the economy, environment and society
- Green Bonds can be utilized to achieve the Nationally Determined Contribution (NDC) to the Paris climate accord which aims to reduces green house emissions which are harmful to the environment

Benefits for Issuers & Investors

Investors

- Balance risk-adjusted financial returns with environmental benefits
- Satisfy ESG requirements and green investment mandates
- Improved risk assessment in an otherwise opaque fixed income market through use of proceeds reporting
- Potential use pure-play, project and ABS to actively hedge against climate policy risks in a portfolio that includes emissions intensive assets
- Recognised by UNFCCC as non-state actor “climate action”

Issuers

- Demonstrating commitment to ESG issues
- Strong investor demand can lead to oversubscription and potential to increase issuance size
- Improving diversification of bond issuer investor base, potentially reducing exposure to bond demand fluctuations
- Evidence of more “buy and hold” investors for green bonds which can lead to lower bond volatility in secondary market
- Reputational benefits
- Enhanced credibility of sustainability strategy
- Access to “economies of scale” as majority of issuance costs are in setting up the processes

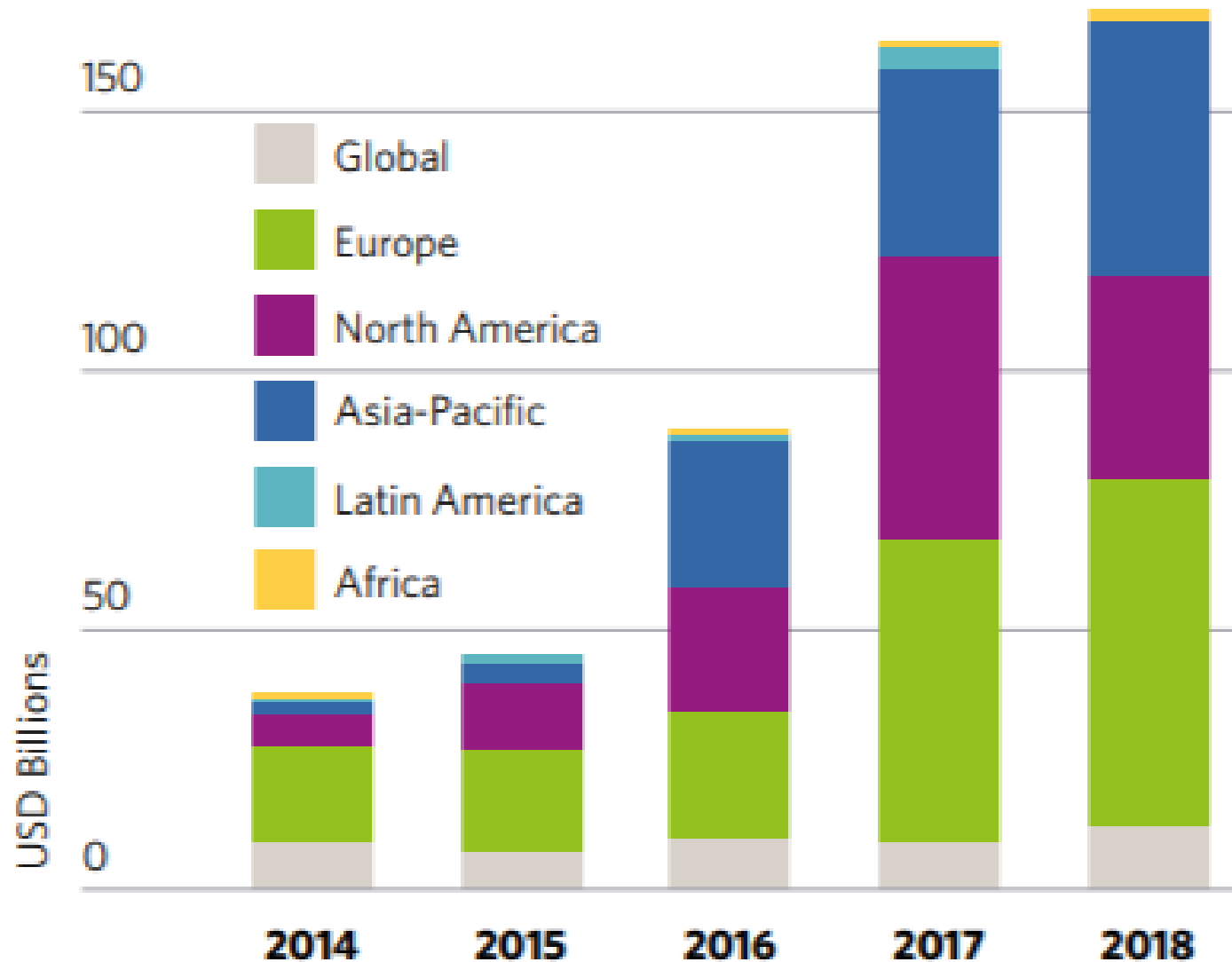
Green Bond Evolution



Estimated to reach \$180 billion in 2019, following a record high of \$167 billion in 2018



The Global Growth of the Green Bond Market

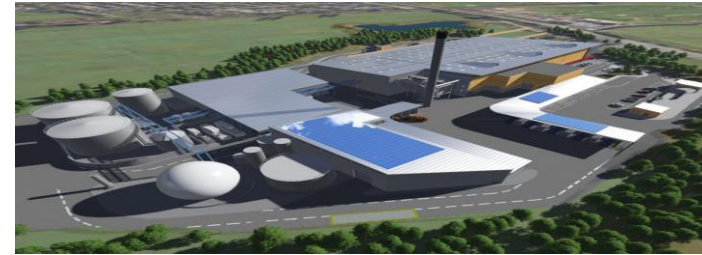


Source: ICMA

The Need for Green Bonds



Green Solutions



Assets that Qualify for Green Bond Issuance

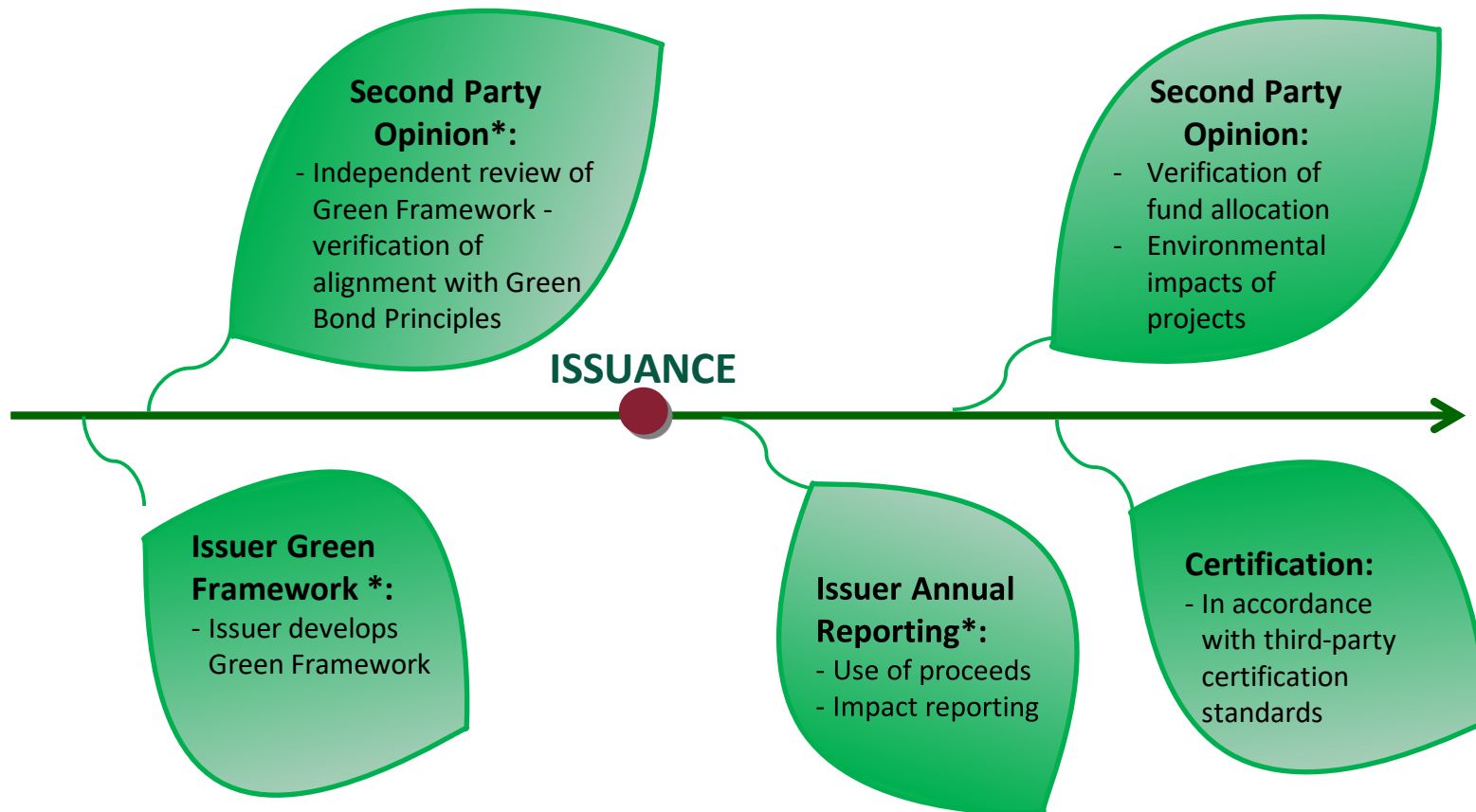


ENERGY	LOW CARBON BUILDINGS	INDUSTRY & ENERGY-INTENSIVE COMMERCIAL	WASTE & POLLUTION CONTROL	TRANSPORT	INFORMATION TECHNOLOGY & COMMUNICATIONS	NATURE BASED ASSETS	WATER
Solar	Residential	Manufacturing	Recycling facilities	Rail	Power management	Agricultural land	Flood Defences
Wind	Commercial	Energy efficiency processes	Recycled products & circular economy	Vehicles	Broadband	Forests (managed and unmanaged)	Water distribution infrastructure
Geothermal	Retrofit	Energy efficiency products	Waste to energy	Mass transit	Resource efficiency	Wetlands	Water capture & storage infrastructure
Hydropower	Products for building carbon efficiency	Retail and wholesale	Methane management	Bus rapid transport	Teleconferencing	Degraded Lands	Water treatment plants
Bioenergy		Data centres	Geosequestration	Water-bourne transport		Other land uses (managed and unmanaged)	Assets in energy & production industries
Wave and Tidal		Process & fugitive emissions		Alternative fuel Infrastructure		Fisheries and aquaculture	
Energy distribution & management		Energy efficient appliances				Coastal infrastructure	
Dedicated transmission		Combined heat & power					



Source: Climate Bonds Initiative

Issuing Green Bonds





For Successful Issuances, Issuers Must Take Into Account the Following Steps.

Meeting Relevant Preconditions

- Issuer must meet all legal & Regulatory & Financial Prerequisites required for issuing the bonds in Nigeria
- Proceeds of all Green bonds must be used for projects classified as green

Designing a tailor-made Green Bond Framework

- Green Bond Issuances should be uniquely developed with Environmental consultants & structural advisor to ensure they address issues classified as green.
- Green Bond Issuance should be based on a standardized templates i.e. the Green Bond Principles (GBP)

Externally Reviewing the Green Bond Framework

- An Issuers Green Bond framework should be externally reviewed by an independent second reviewer, or a bond certifier to boost investor confidence in the Issue
- For an assessment of creditworthiness of the issue, a rating agency should provide a credit rating based on the risk/return profile of the Issuer & the financial project and assets

Establishing Structures for Managing Proceeds

- Issuers should put in place procedures to ensure the effective tracking of proceeds to ensure they are utilized for the approved projects

Committing to Frequent Reporting

- Given that Issuers commit to allocating the use of proceeds to exclusively to a particular project, they are expected to publicize information on how the proceeds raised from the bond is utilized on an annual basis.
- Information published should be made available to both investor and the general public



Developing a Sales Strategy

- Issuers and their book runners should develop a sales strategy that takes into account market condition, pricing, marketing and syndication plans
- Green Bonds are priced in line with a bonds of a similar maturity or using a base rate plus a risk and new issue premium

Preparing relevant legal documents and due diligence

- With exception of the explicit use of proceed, Green Bond issuances do not require any additional legal documents when compared to issuing regular bonds
- Once documentation is complete, a second opinion document should be provided to both prospective investors and the general public prior to the launch of the issuance

Identifying Suitable Bond Terms, Market Conditions & Target Market

- Issuers should determine the best funding conditions, currency & maturity of a green bond as well as a specific target market prior to an issue.
- Issuers should take into account expected return & risk when identify a suitable market
- Issuers should also strive for a green label of the bond to attract more issuers

Defining the Bond type & Structure

- After all legal and regulatory criteria have been met, Issuers must determine the appropriate size, tenure, spread, coupon and payment method for a bond
- Issuers should consider the financing needs, issuer profile & as well as the overall market conditions when structuring a green bond.

Registering the Bond Issue

- For registration of a green bond, relevant documents such as the preliminary prospectus, financial records, statements from the issuing institution, must be submitted and approved by the Securities and Exchange Commission in Nigeria



Consultant Review And Second Opinion

Issuer can seek support of consultant or consulting firm with recognized environmental climate finance expertise, which revises and assesses the issuer's green bond framework, typically in form of a second opinion prior to the issuance.

01



Rating

An issuer can have its green bond or associated framework rated by qualified third parties, usually rating agencies or specialized consulting firms.



04

02



Verification Or Auditing

An issuer can have its green bond, the associated framework or individual parts independently verified or assured by qualified third parties (usually audit firms) against certain internal or external reference criteria.



Certification

An issuer can have its green bond, the associated framework or individual parts certified by a qualified third party (usually an accredited certifier) against an external standard.

03

The Green Bond Principles



What are the Green Bond Principles (GBPs)

- The GBPs are voluntary process guidelines developed by the ICMA for the issuance of Green Bonds that aim to promote integrity in the green capital markets through transparency in disclosure and reporting.



The
Green Bond
Principles
2017



ICMA
International Capital Market Association

1. Use of Proceeds

Utilisation of the proceeds should be appropriately described in the legal documentation.

All designated green projects should provide clear environmental benefits, which will be assessed and quantified by the issuer.

Proceeds may be used for new financing or refinancing green projects

2. Process for Project Evaluation and Selection

Issuers should clearly communicate to investors:

- Environmental sustainability objectives
- Process to determine the eligible projects
- Related eligibility criteria

3. Management of Proceeds

The net proceeds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process

4. Reporting

Issuers should make readily available, up to date information on use of proceeds to be renewed annually until full allocation, and as necessary thereafter in the event of material developments.

The report should include a list of the projects to which proceeds have been allocated, and brief description of projects, amounts allocated and expected impact.

Certifying Green Bond



What is the CBI Bond Certification Scheme

The Climate Initiatives (CBI) Bond Certification scheme is a labeling scheme for bonds which applies Rigorous scientific criteria to priorities investments which genuinely contribute to addressing climate change.





Committed to environmental sustainability and climate adaption

Issuance.

The NSE pioneered the issuance & Listing the First Sovereign Green bond listed in Africa and the Fourth (4th) in the world

1st

Partnerships.

The NSE is a Partner Exchange of the United Nations Sustainable Stock Exchanges (SSE). The NSE signed MOU with the LuxSE on promoting cross listing and trading of green bonds in Nigeria and Luxembourg

Two

₦49.19bn

Listings.

The NSE has a total of four (4) Sovereign and corporate Green Bonds Listed on its platform with a total value of ₦49.19bn (\$136nm)

Listing Green Bonds on the Exchange



Aside from meeting all requirements for listing plain vanilla bonds, Issuer must meet the following requirements to list a Green Bond on the Exchange

Clear Declaration of Bond Type

The Issuers shall clearly state in the prospectus that the bond is a Green Bond

Compliance With Bond Listing Criteria

The Issuer shall comply with these Rules, the Securities and Exchange Commission's (Commission) regulations, and The Exchange's requirements for listing and issuance of bonds.

Use of Proceeds

The Bond Prospectus & other documents should clearly describe the project to be undertaken such as Clean Transportation, Green Buildings & Sustainable waste management



Process for Evaluation & Selection

The Issuer shall:

- I. Identify Process for Project Evaluation*
- II. Demonstrate Green Eligibility of project*
- III. Process for managing environmental & social risks*
- IV. Identify their Environmental Sustainability Criteria*

Listing Green Bonds on the Exchange



Reporting

Issuers shall make readily available up to date information on the use of proceeds on an annual basis including a list of all Projects being financed with the proceeds and their potential impact.

Information should be published in one (1) newspaper daily.

Independent External Review

The company appointed as an external review shall:

- I. Exist & operate independently*
- II. Not be a subsidiary of the issuer*
- III. Have the relevant track record*
- IV. Be specialized in assessing the framework of bonds*



Independent Assessment Report

Issuers shall appoint an independent external reviewer to issue an annual assessment report to be published and retain on the issuers website throughout the tenor of the green bond

External Review shall include a consultant review, verification & Certification

Continuous Obligations on Compliance

The Issuer shall continuously file with the NSE a report on its compliance with the Green Bond Principles. The report shall include a list of all projects and its environmental impact

The first report shall be due twelve (12) months from the issue date

Failure to abide by the NSE's Rules will lead to the Exchange publicly declaring that bond as non-compliant and investors will be warned to trade such bond with caution.



Growth Measures

**Enhance
Environmental
Awareness**

**Implement Green
Finance
Regulation**

**Green Financing
Tools and
Products**

**Adoption of ESG
Guidelines**

Green Financing Options

Debt

Green
Eurobond

Green
Sukuk

Green
Supra
Bonds

Green
Depository
Receipts

Green
Indices &
ETFs

Green
Funds

Green
Structured
Products

Mobilizing Capital for a Sustainable Economic Future



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STOCK EXCHANGE**

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