THE PROCESS FOR ISSUING AND LISTING GREEN BONDS ON THE EXCHANGE
OUTLINE

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   • The Green Bond Evolution
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   • Listing Green Bonds on the NSE
   • The Future of Green Bonds
Overview of Green Bonds

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 reduce greenhouse 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

- Emerged in 2007-08 with issuances by EIB & World Bank
- 1st African Issuance – Triple A rated $500m AfDB Green Bond
- Nigeria’s first Green Bond Issuance; 1st by African Sovereign & Certified by CBI & Listed on the Exchange
- Nigeria’s Second Sovereign Green Bond Issuance – ₦15bn
- Nigeria’s first Corporate Green Bond Issuance certified by CBI & Listed on the NSE

November 19
The Global Growth of the Green Bond Market

Source: ICMA
The Need for Green Bonds

Green Solutions
## Assets that Qualify for Green Bond Issuance

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

Source: Climate Bonds Initiative
Issuing Green Bonds

**Issuer Green Framework**: - Issuer develops Green Framework

**Second Party Opinion**: - Independent review of Green Framework - verification of alignment with Green Bond Principles

**Certification**: - In accordance with third-party certification standards

**Issuer Annual Reporting**: - Use of proceeds - Impact reporting

**Second Party Opinion**: - Verification of fund allocation - Environmental impacts of projects

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The Nigerian Stock Exchange
Preparing For Issuance

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
### Preparing for Issuance.../2

#### 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 bond 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
External Review Options

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

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

**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.
The Green Bond Principles

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.

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.
### Certifying Green Bond

**What is it 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.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td><strong>Prepare the bond</strong></td>
</tr>
<tr>
<td>2</td>
<td><strong>Engage a verifier</strong></td>
</tr>
<tr>
<td>3</td>
<td><strong>Get Certified &amp; issue a Certified Climate Bond</strong></td>
</tr>
<tr>
<td>4</td>
<td><strong>Confirm the Certification post-issuance</strong></td>
</tr>
<tr>
<td>5</td>
<td><strong>Report annually</strong></td>
</tr>
</tbody>
</table>

**Get Certified & issue a Certified Climate Bond**

- Submit the Verifier’s Report and Information Form to the Climate Bonds Initiative
- Receive a decision on pre-issuance Certification
- Issue your bond, using the Certified Climate Bond mark

**Confirm the Certification post-issuance**

- Within 12 months of issuance, submit the Verifiers post-issuance report
- Receive notification of post-issuance certification

**Report annually**

- Prepare a simple report each year for term of the bond
- Provide it to bond holders and Climate Bonds Initiative
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

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

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 Assessment Report**

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

External Review shall include a consultant review, verification & Certification.

**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

**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.
The Future of Green Financing

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

Other Products
- Green Depositary Receipts
- Green Indices & ETFs
- Green Funds
- Green Structured Products

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