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GREEN EXCHANGE
by Luxembourg Stock Exchange

Issuing and listing a sustainable bond on international exchanges

14 May 2024
Bhutan

Is it necessary? Is it mandatory?

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REASONS FOR LISTING A SUSTAINABLE DEBT INSTRUMENT ON A STOCK EXCHANGE

- Comply with some regulations
- Not mandatory but became a norm for sovereign issuers (Thailand, The Philippines, Poland, Uruguay, Mexico, etc)
- Same procedure for play vanilla bond listing + extra requirements related to sustainability credentials
- It provides visibility, transparency, reaching out to international markets and further credibility

The key lesson is that the intention to list a sustainable bond should be clarified from the beginning so that the structure and associated transaction costs can be fully accounted.

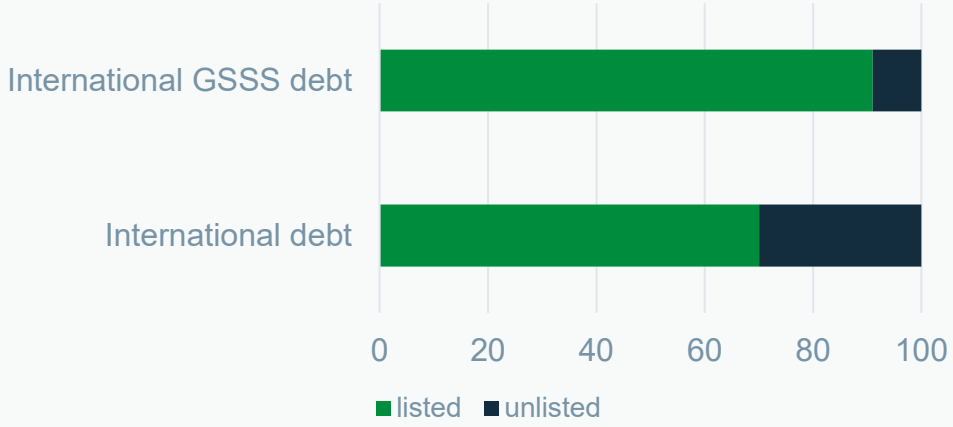


Listing and displaying sustainable debt instruments: A strong connection

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DID YOU KNOW THAT….

More GSSS bonds are listed than plain-vanilla bonds





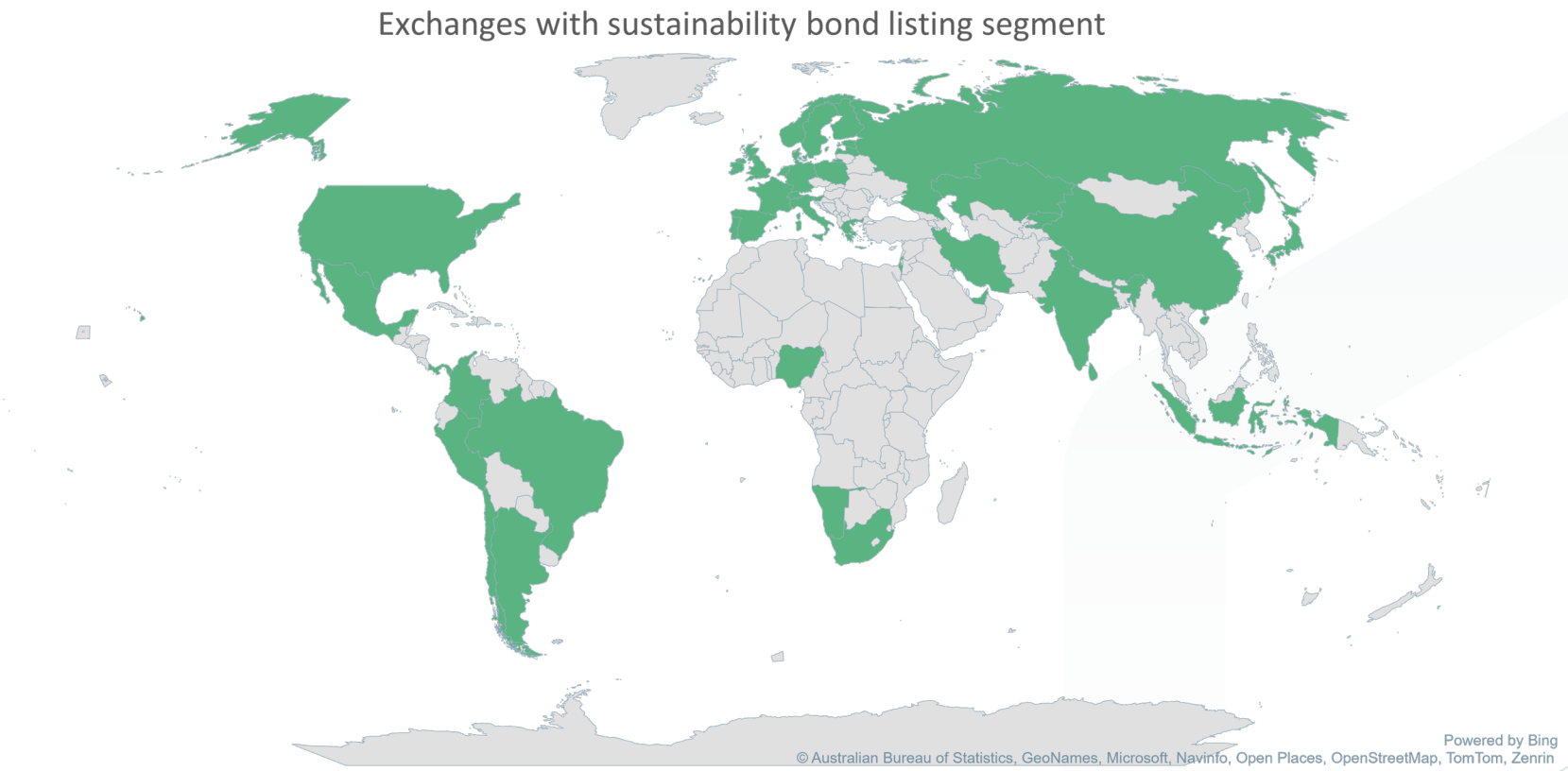
Source: Dealogic, issuance data from 1.1.2021 to 31.12.2021

Where to list? Local vs. International

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ACCORDING TO THE UNSSE, 53 EXCHANGES HAVE SUSTAINABILITY BOND LISTING SEGMENT

Can you list on an exchange with no sustainabilit y segment?

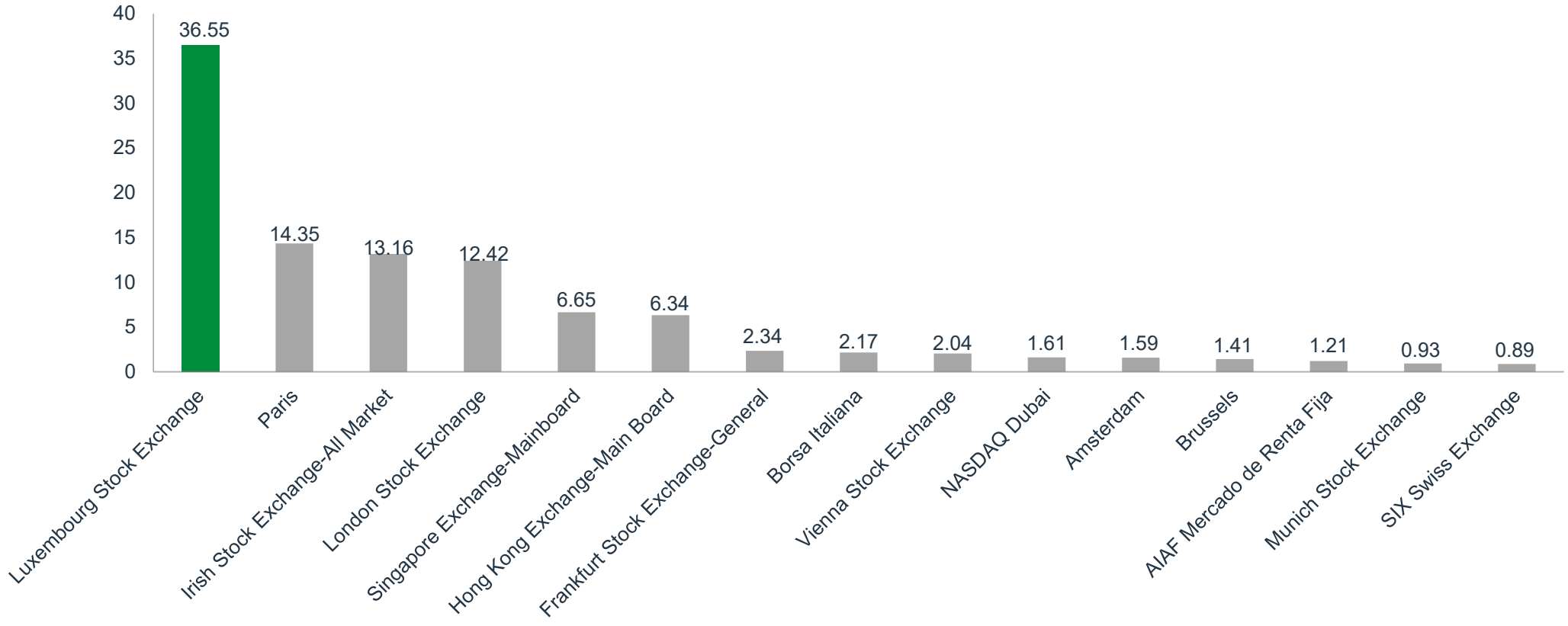


Source: UNSSE initiative

Where are issuers listing their sustainability bonds?

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LISTINGS IN INTERNATIONAL DEBT CAPITAL MARKETS JANUARY TO DECEMBER 2023 - LABELLED SUSTAINABLE DEBT (% OF LISTED VOLUMES IN TOTAL)



Figures by Dealogic / Basis for computation EUR (m) 461,615.80 of issued and listed amounts

Case of listing Fiji green bond on LSE

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While the sustainable bond component/credentials can be clear/ straightforward, the structure of the bond itself might not immediately be in compliance with the listing rules

Initially intended for domestic investors

100 million Fiji dollar size

Compliance with international listing requirements

Legal assistance



however significant global interest following Fiji's COP 23 presidency led to approaches from several stock exchanges to list the bond

A bond of this size is unlikely to attract international institutions. Given the limited size of the bond, the primary purpose of the bond listing would be for marketing exposure, rather than investor base expansion or secondary market activity

Additional disclosures required by international exchanges regarding the sovereign's financial position, instrument codes and identifiers were not used in Fiji's domestic issuance, and working through settlement procedures where Fiji does not yet have dematerialized securities

Fiji secured external legal counsel advice with experience working on green bond listings, and formed a high-level committee to work on meeting listing requirements

Source: guidance for sovereign green bond issuers – IFC adapted by LGX

Thailand sovereign sustainability bond dual listing

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THB 50 billion

Issued in August 2020

Named Asia Domestic Bond of the Year at the IFR Asia awards 2020

EUR1.3 billion

Listed on LuxSE in April 2021

1st

Thai issuer to display a security on LGX

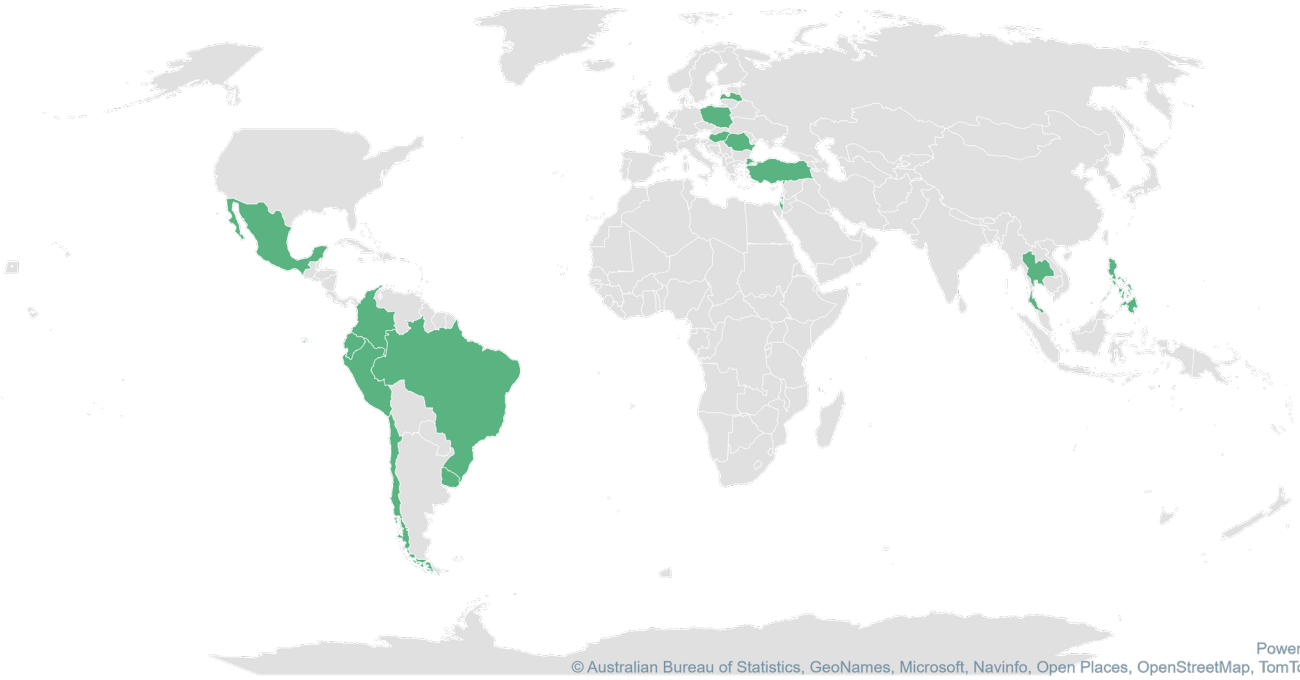
RINGING THE BELL CEREMONY





Some sovereigns' sustainable instruments on LuxSE and LGX

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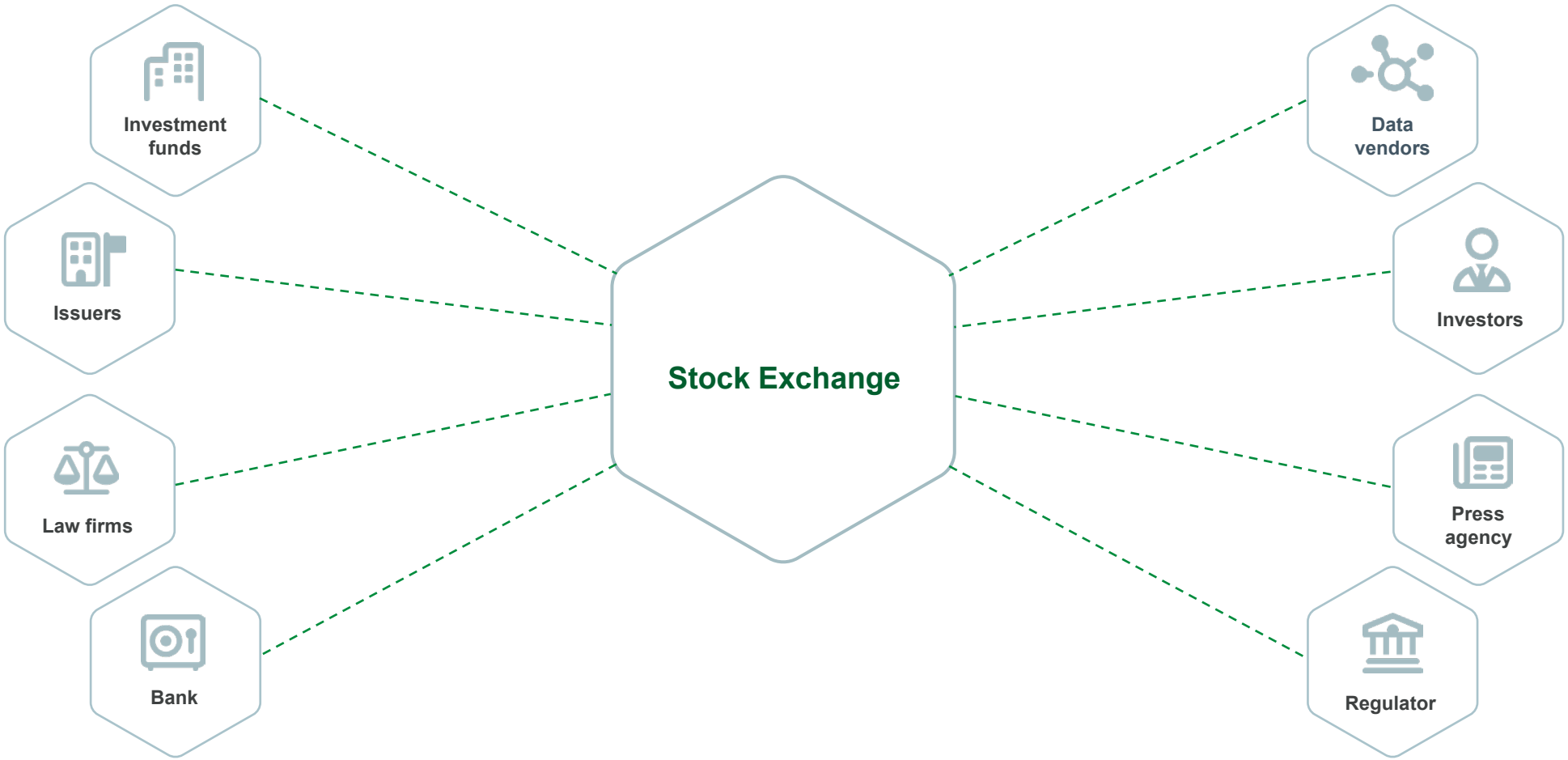
Thailand
Philippines
Austria
Mexico
Chile
Colombia
Turkey
Luxembourg
Ecuador
Brazil
Poland
Peru
Uruguay
Latvia
Romania
Hungary

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The Role of Stock Exchanges

Essential players within the GSSS bond market

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Traditional vs Sustainable Finance

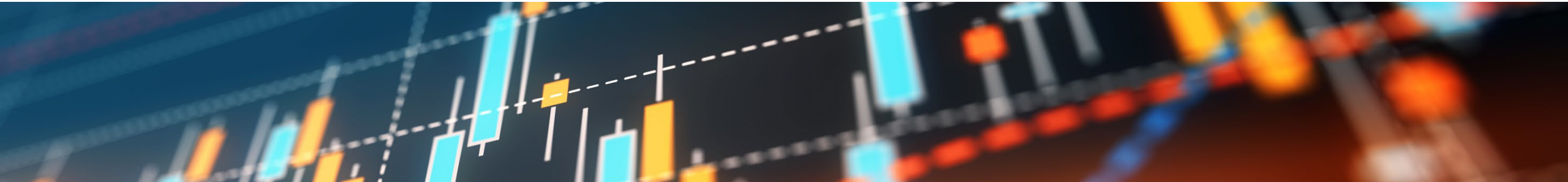
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TRADITIONAL

- Facilitate capital raising and ensure liquidity
- Improve information and investor relations
- Provide visibility and enhance issuer's reputation/credibility
- Achieve ECB eligibility (in EU)
- Ensure market efficiency

SUSTAINABLE FINANCE

- Re-orient capital flows towards sustainable development
- Connect sustainable issuers with ESG investors
- Promote transparency
- Promote product identification
- Promote issuer's ESG strategy and credentials
- Contribute to training and education
- Provide data
- Promote innovation through products, indexes, etc.



UN Sustainable Stock Exchanges initiative (UNSSE)

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DIFFERENT FORMS OF ACTIVITIES



Source: SSE initiative

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Case study: LuxSE's listing process and disclosure requirements

How to display a sustainable security on LGX

A DISPLAY ON LGX FIRST REQUIRES AN ADMISSION ON ONE OF THE TWO MARKETS OF LUXSE OR, ALTERNATIVELY, AN ADMISSION TO THE SECURITIES OFFICIAL LIST (LUXSE SOL)

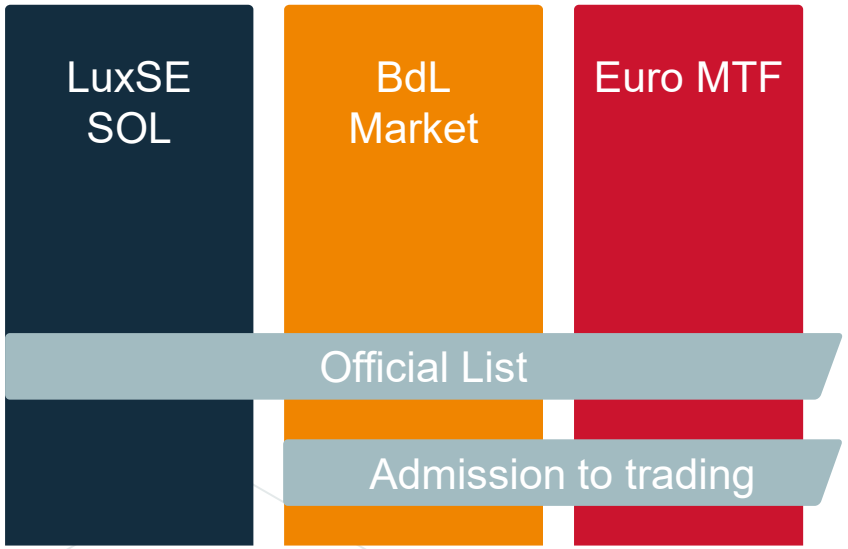


Source: LuxSE/LGX

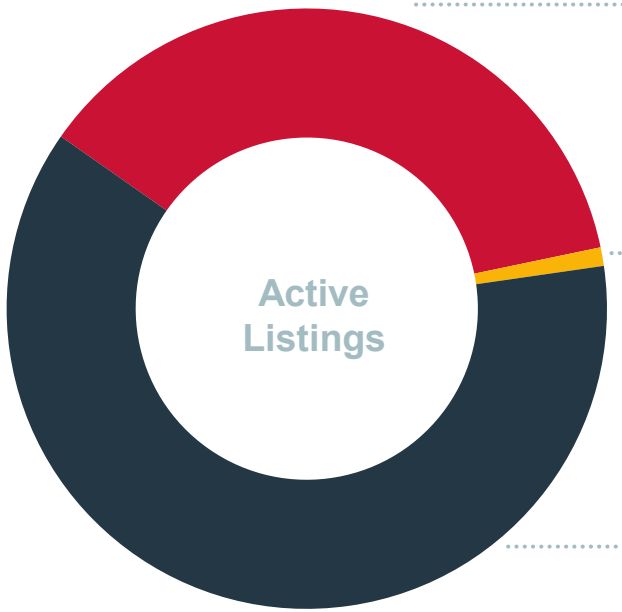
Three choices for your securities

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BDL MARKET, EURO MTF AND LUXSE: LUXSE'S 3 VENUES



SECURITIES DISPLAYED ON LGX: ON WHICH VENUE ARE THEY LISTED?



37% Euro MTF
Exchange Regulated Market

1% LuxSE SOL
Securities Official List

62% Bourse de Luxembourg
EU Regulated Market

Source: LuxSE/LGX

Admission documentation

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DOCUMENTS TO BE FILED BY THE ISSUER FOR **LUXSE LISTING**:

- Draft prospectus
- Articles of incorporation
- Financial statements for the last 2 years
- Application form, letter of undertaking, KYC form (for new issuers only)

DOCUMENTS TO BE FILED BY THE ISSUER FOR **LGX DISPLAY**:

- GSSS bond framework
- External review such as second opinion, certification, verification report, bond rating report
- Allocation report and, if available, impact report, one year after issuance



Source: LuxSE/LGX

Enhanced visibility around sustainable securities

HOME OF LGX, THE FIRST AND LEADING PLATFORM FOR SUSTAINABLE SECURITIES

Pre-listing sustainable finance assistance through **LGX Assistance Services,** access to sustainable finance education through **LGX Academy,** communication support to issuers via videos, blogs and inclusion into LGX case study material

LuxSE is the only exchange to have been awarded the title of "**Exchange of the Year**" 7 times since 2017 at Environmental Finance's Annual Bond Awards

Recognised by the UN for our trailblazing work during its prestigious **UN Global Climate Action Award** in the category "Financing for Climate-Friendly Investment" (2020)

Leadership role in the development / recognition of standards and disclosures:

- Participation in UN Climate Change Conference – Conference of the Parties (COP)
- Member of the UN-sponsored Sustainable Stock Exchanges initiative (SSEi)
- Member of the World Federation of Exchanges (WFE)'s working group on sustainable finance
- Observer of the International Capital Market Association (ICMA)'s Green Bond Principles group
- Member of the European Commission's High Level Expert Group and Technical Expert Group on sustainable finance
- Member of the European Commission's High Level Expert Group on scaling sustainable finance for low- and middle-income countries
- Signatory of the ADGM (Abu Dhabi Global Markets) Sustainable Finance Declaration
- Invited to speak at the UN High-level Dialogue on Financing Development 2023 during the 78th session of the UN General Assembly

Structured sustainable bond data on the full universe of listed sustainable bonds worldwide through **LGX DataHub** – recognised for its depth and quality, and selected to build and feed ICMA's sustaiable bond database

37%
market share*

2,000+
labelled GSSS bonds displayed on LGX

€ 1 trillion+
total amount raised for bonds currently displayed on LGX

** source: Dealogic, listed international sustainable debt securities*

How to join LGX

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Registration

BdL Market

Euro MTF Market

LuxSE SOL

Classification

- GREEN BONDS
- SOCIAL BONDS
- SUSTAINABILITY BONDS
- SUSTAINABILITY-LINKED BONDS

Transparency and Disclosure

- Use of proceeds
- Project selection
- Management of proceeds
- Reporting
- External review

Commitment to



LGX REVIEW PROCESS

Upon receipt of the listing documentation, LGX verifies the availability of:

- Use of proceeds
- Framework
- External review

If the documentation is available, LGX will immediately start to classify the security and proceed to onboarding.

No formalised request required from issuer

A rigorous three level validation process will determine if the security complies with LGX criteria. If positive:

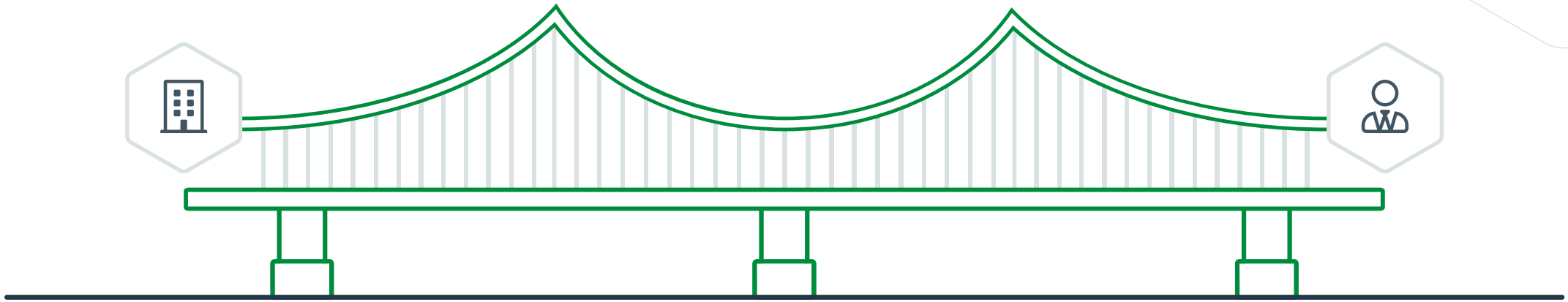
Security displayed to LGX & confirmation message sent to issuer

Post-issuance reporting is verified 12 months after issuance. After review, the report is uploaded to the issuer's security.

No action required by the issuer

Benefits of joining LGX

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FOR ISSUERS

- Additional **channel to communicate** with **new and prospective investors**
- Highest **visibility** & enhanced ESG profile
- Leverage **disclosure efforts** via an information platform service
- **Free upload of sustainable documentation**

FOR INVESTORS

- Easy access to **highly transparent** sustainable financial instruments
- Free and unrestricted **access to sustainability-related information**
- Improved **comparability** of sustainable financial instruments
- High level of **transparency**

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