



**RULEBOOK OF THE NIGERIAN STOCK EXCHANGE**

**ISSUERS' RULES**

**PROPOSED RULES FOR LISTING OF GREEN BONDS ON THE NIGERIAN STOCK EXCHANGE**

**Definitions:**

Bond	An instrument of indebtedness issued by a body to which these Rules apply, to secure the repayment of money borrowed by such body.
Green Bond	A special bond issued to finance or re-finance in part or in full new and existing eligible environmental or climate projects.
Green Bond Principles (GBP) <sup>1</sup>	a set of voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. The GBP are intended for broad use by the market: they provide Issuers guidance on the key components involved in launching a credible Green Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards standard disclosures which will facilitate transactions.
Green Project	A collaborative enterprise that is planned to achieve a particular aim using best practice methodologies that suit the Issuer's business model, whilst being simultaneously environmentally friendly by virtue of their ability to reduce pollution, reduce fossil fuel consumption, or create other positive effects on the environment.

**1.0 Introduction**

- 1.1 A Green Bond is different from other bonds because the proceeds of a Green Bond offering are ear-marked for financing green projects.
- 1.2 Proceeds shall be managed separately from other funds, and their use shall be monitored and reported throughout the tenor of the Green Bond.
- 1.3 Green Bonds shall also comply with the core components of the Green Bond Principles (GBP); and the Issuer of a Green Bond shall demonstrate transparency regarding the

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<sup>1</sup> Issued by the International Capital Market Association in June 2018.



use of proceeds, and the environmental benefits derived from the projects sought to be financed.

## **2.0 Requirements for Listing**

### **2.1 Clear Declaration of Bond Type in Prospectus**

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

### **2.2 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.

### **2.3 Compliance with the GBP<sup>2</sup>**

The Issuer shall demonstrate that the proposed Green Bond shall comply with the GBP, and the principles are outlined briefly below:

#### **2.3.1 Use of Proceeds:**

- (a) The bond prospectus and other relevant documentation shall clearly describe the purpose or projects towards which the proceeds shall be applied, and how the projects address environmental/climate concerns.
- (b) Use of proceeds for green projects aimed at addressing key areas of environmental and climate concern include but shall not be limited to climate change adaptation, clean transportation, green buildings, sustainable waste management, natural resources depletion, renewable energy, energy efficiency, prevention of loss of biodiversity, pollution prevention and control, terrestrial and aquatic biodiversity conservation, sustainable water and wastewater management.

#### **2.3.2 Disclosure of Process for Project Evaluation and Selection:**

The Issuer shall:

- (a) Clearly disclose the process for project evaluation and selection;
- (b) Demonstrate how the projects fit within the eligible Green Projects categories identified in 2.3.1 above;
- (c) Indicate the related eligibility criteria including where applicable, exclusion criteria or other process applied to identify and manage potential material environmental and social risks associated with the projects; and
- (d) Identify the environmental sustainability objectives.

#### **2.3.3 Management of Proceeds:**

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<sup>2</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles--June-2018-140618-WEB.pdf>



- (a) The Issuer shall open an escrow account specifically for the net proceeds of the issue; and shall prudently manage the proceeds from the offer in order to ensure strict allocation to identified proposed projects.
- (b) The management of the proceeds shall be in accordance to a very transparent process from issue of the bond to full allocation of the proceeds. Specifically, the proceeds of the Green Bond or an amount equal to it, shall be placed in an account and tracked by the Issuer.
- (c) As long as the Green Bond is outstanding, the balance of the tracked net proceeds shall be periodically adjusted to match allocations to eligible Green Projects during the period.
- (d) All temporary placements of the balance of unallocated net proceeds shall be made known to bond holders. The process shall be described in the prospectus.

#### 2.3.4 **Reporting:**

Issuers shall make and keep readily available, up to date information on the use of proceeds on an annual basis until full allocation of the proceeds, which shall be presented in an annual report to bondholders. The annual report shall:

- (a) include a list of all the projects to which the Green Bond proceeds had been allocated, as well as their potential impact;
- (b) be published in at least one (1) national daily newspaper, and
- (c) ensure that the information is published on and remains on its website throughout the tenor of the Green Bond.

#### 2.4 **Independent Confirmation and Assessment Report**

2.4.1 The Issuer shall appoint an independent external reviewer to issue annual, and follow up assessment reports to confirm the alignment of the Green Bond issue with the key features of the GBP as set forth in Rule 2.3 above.

2.4.2 Each assessment report shall be published on and retained on the Issuer's website throughout the tenor of the Green Bond.

2.4.3 An external review can be provided in one or more of the following forms:

- (a) Consultant Review: external review by consultants or institutions with recognized expertise in relation to the establishment/review of an Issuer's Green Bond framework;
- (b) Verification: performed by qualified independent parties, such as auditors, which provide assurance that the Issuer's bonds satisfy the GBP criteria;
- (c) Certification: provided by qualified third parties or certification agencies, that they endorse the Green Bond, its framework or its use of proceeds against an external green assessment standard; or



- (d) Rating: assigned by specialized research providers or rating agencies acceptable to The Exchange and the Commission. Green Bond ratings shall apply to individual securities (or Green Bond programs).

### **3.0 Qualifications of Independent External Reviewer**

3.1 The entity appointed to conduct the external review shall:

- (a) Exist and operate independently of the Issuer, its directors, senior management and advisers.
- (b) Not be a subsidiary or owner, either in full or in part, of the Issuer.
- (c) Be remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure.
- (d) Demonstrate that it has the personnel, experience and financial resources to conduct the verification.
- (e) Be an entity specializing in assessing the framework of 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 by affiliation with relevant and widely recognized industry bodies; or significant and appropriate previous experience in providing external reviews on Green Bonds.

3.2 The independent external reviewers report shall include a section representing that it meets the criteria set forth in paragraph 3.1 above and explaining how it does so, together with supporting documentation. The Exchange may require additional information in this regard.

### **4.0 Continuous Obligations: Report on Compliance with the Green Bond Principles**

4.1 On an annual basis, the Issuer shall provide a report on its use of the Green Bond proceeds as well as confirmation of its compliance with the Green Bond Principles.

4.2 The report shall include a list of all the projects to which bond proceeds have been allocated on an annual basis. This shall also include the details of the expected environmental impact of such projects.

4.3 The first report shall be due twelve (12) months from the date the Green Bond was issued.

### **5.0 Failure to Abide by the Framework**

Upon a finding that the Issuer has failed to comply with these Rules, The Exchange shall declare in a release to the public that such Issuer's Green Bond listing is no longer in compliance with the Rules of The Exchange, and that investors are to trade with caution on the bonds in light of the absence of up to date information, among other actions.