



EXCERPT OF THE AMENDMENTS TO NSE LISTING RULES TO INTRODUCE GREEN BONDS IN THE CAPITAL MARKET

Definitions

Green Bond means a fixed income instrument whose proceeds are used to finance or refinance new or existing projects that generate climate or other environmental benefits that conforms to the Green Guidelines and Standards listed on the Exchange and is approved by the Authority

Green

Guidelines and Standards means green guidelines and standards including-

- (a) Green Bond Principles, as may be amended, issued and governed by International Capital Markets Association;
- (b) Green Bond Standards such as the Climate Bonds Standard, as may be amended, issued and governed by the Climate Bonds Initiative.
- (c) Government policies and guidelines such as the Kenya National Policy on Climate Change, National Policy on Climate Finance and Green Economy Strategy, among other Government policies; or
- (d) any other standard acceptable to the Exchange and the Authority

Green bond label means a label assigned to a bond by the Exchange to identify the bond as green;

Independent Verifier means an entity appointed by the issuer under Rule 2.13.1

Procedure for admission to listing for Green Bonds

2.13 An issuer of a Green Bond, shall comply with the eligibility requirements set out in these Rules in addition to those set out under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations:

Appointment of an Independent Verifier

2.13.1 The issuer of a Green Bond shall appoint an Independent Verifier, to carry out a pre- issuance review and confirm to the investors, the Exchange and the Authority that the Bond is classified as green pursuant to the Green Guidelines and Standards.

2.13.2 The Independent Verifier shall carry out a pre- issuance and annual review and confirm to the investors, the Exchange and the Authority that the Bond is classified as green pursuant to the Green Guidelines and Standards.

2.13.3 The issuer shall include a statement in the Information Memorandum confirming that the Independent Verifier has been appointed pursuant to Rule 2.13.1.

2.13.4 The Independent Verifier must be an entity:

- (i) specialising in assessing the framework of the Green Bond's environmental objectives, with sufficient environmental, financial and market-specific expertise to perform a comprehensive assessment of the use of proceeds;
- (ii) independent of the issuer, its directors, senior management and advisors;
- (iii) compliant with the International Capital Markets Association's Guidelines for External Reviewers, or accredited under the Climate Standards and Certification Scheme, or any industry body acceptable to the Exchange and the Authority; and
- (iv) with significant and appropriate expertise needed for providing independent reviews on green bonds.

Submission of the Information Memorandum

- 2.14 An Issuer shall simultaneously submit the Information Memorandum and supporting documentation to the Authority and the Exchange through the Transaction Advisor.
- 2.15 The Information Memorandum submitted by the Issuer to the Authority and the Exchange shall contain the following particulars in line with the Green Bond Guidelines and Standards:
- (a) A statement on the environmental objectives of the Green Bond and the process to determine project eligibility and related eligibility criteria;
 - (b) A statement of the systems, policies and processes to be used for the management, allocation and reporting of the bond funds and investments.
 - (c) a pre-issuance report from an Independent Verifier confirming the Green Bond can be classified as green pursuant to the Green Bond Guidelines and Standards.
- 2.16 The Exchange shall undertake a review of the Information Memorandum and supporting documentation and shall satisfy itself that the necessary disclosures have been made by the Issuer in line with the Green Bond Guidelines and Standards, these Rules and the Capital Markets (Securities) (Public Offers, Listings and disclosures) Regulations.
- 2.17 The Exchange shall communicate its comments on the application to the Authority, in writing.
- 2.18 The Authority shall carry out a review of the application and incorporate any comments from the Exchange and shall either approve or reject the application.
- 2.19 The decision taken by the Authority shall be communicated, in writing, to the Issuer and the Exchange.
- 2.20 The Exchange shall, upon receipt of the letter of approval from the Authority approve the listing of the Green Bond under the Fixed Income Market Segment without any other conditions except the attainment of the prescribed minimum number of investors following a public offering or offer for sale, attainment of minimum subscriptions (if any) as disclosed in the information memorandum or prospectus, as the case may be, payment of listing fees, and signing of the information memorandum.

2.21 The issuer shall comply with the listing requirements for Green Bonds as set out under the Green Guidelines and Standards, these Rules and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

Continuing Obligations for Issuers of Green Bonds

2.22 The issuer of a green instrument shall comply with the disclosure requirements for Fixed Income Instruments as set out in the Public Offers Regulations, and the Green Guidelines and Standards.

2.23 The issuer shall provide to investors, the Authority and the Exchange a Green Bond report annually for the duration of the Green Bond, in line with standard reporting procedures for listed Fixed Income instruments as set out in the Capital Markets (Public Offers) (Listings and Disclosure) Regulations and the Green Bond Report shall include the following details:

- (i) A brief description of the projects and the amounts disbursed, including the percentage of proceeds that have been allocated to different project types and to financing and refinancing. Where confidentiality agreements or competition considerations limit the amount of detail that can be disclosed, the information may be presented in generic terms. The Authority and the Exchange may however request the detailed information for regulatory purposes;
- (ii) The expected impact of the projects and assets;
- (iii) The qualitative performance indicators and, where feasible, quantitative performance measures of the impact of the projects; and
- (iv) The methodology and underlying assumptions used to prepare performance indicators and metrics shall be disclosed

2.24 The annual report on use and management of proceeds will be reviewed and signed off by the Independent Verifier to confirm the green status of the bond.

2.25 The green bond annual report may be disclosed through the issuer's website.

Consequences for breach of greenness requirement for Green Bonds

3.8 In the event of breach of the requirements of these Rules by an issuer of a Green Bond, the Exchange or the Authority shall communicate to the issuer

concerning the breach and shall authorize the issuer to take remedial steps to rectify the breach, subject to an agreed timeframe between it and the Exchange or the Authority, in addition to any other action that the Exchange or the Authority may take.

- 3.9 The Authority shall take any other enforcement action against the Issuer for the breach as it may deem fit and in the interest of the investors.
- 3.10 Where it is found that the Independent Verifier did not perform its responsibilities as required in independently reviewing the green bond, the Authority may take enforcement action against the Independent Verifier.

- 9.5 A Green Bond Issuer shall be required to comply with the Public Offers Regulations in addition to the continuing listing obligations set out in these Rules.