



The JSE view on the use case for a Green Taxonomy

Presentation by JSE Ltd.

16 October 2020

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King IV – Sustainability thinking is part of good governance

Concepts setting the foundation: ethical leadership, the organization in society, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and integrated reporting
Fundamental focus on the **triple context** of “**people, planet, profit**”

The 3 paradigm shifts in the corporate world:

- **From financial capitalism to inclusive capitalism** - “Long-term financial performance depends on the efficient and productive management of resources not currently measured by traditional accounting methodologies – human, intellectual, social and relationship, and natural capitals. The financial capital market system is insufficient to guard against the multi-faceted and interconnected risks of the future and hence an inclusive market system should be adopted”
- **From short-term capital markets, to long-term, sustainable capital markets**
- **From siloed reporting to integrated reporting** – consistent with the concept of a sustainable, inclusive capital market system. The International Federation of Accountants has promoted Integrated Reporting to the G20 countries

Key considerations

- Credibility: classification of Green
- Reference point
- Context and relevance
- Market need



FILE PHOTO: Wind turbines of the Mozura wind farm are seen in Ulcinj, Montenegro, June 18, 2020.
REUTERS/Stevo Vasiljevic

LONDON (Reuters) - Green bonds worth more than \$200 billion have been issued so far this year, taking the cumulative total since the securities were launched in 2007 to over \$1 trillion, research by Bloomberg New Energy Finance (BNEF)

Sustainable finance (NT paper):
Encompasses models, products, markets and ethical practices to deliver resilience and long term value in each of the environmental, economic and social aspects and thereby contributing to the **delivery of the SDG's and climate resilience.**

Green, Social and Sustainability bonds

JSE

Tomorrow's Legacy, Grown Today



Introducing JSE Green Bonds, home to Africa's Green Capital Market.

- The transition to a sustainable global economy requires scaling up the financing of investments that provide environmental and social benefits. The bond markets through Green, Social and Sustainability Bonds as well as Sustainability-Linked Bonds can play an essential role in attracting private capital to finance these global needs.
- Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to **eligible environmental and/or social projects.**
- Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives.

The Green bond principles - outline

- Eligibility
- UOP
- Annual reporting
- External Review

1. Use of Proceeds:

- ▶ Issuer should declare the eligible green project categories upfront, providing clear environmental benefits.

2. Process for Project Evaluation and Selection:

- ▶ Issuer should outline the process of selection and work to establish impact objectives.

3. Management of Proceeds:

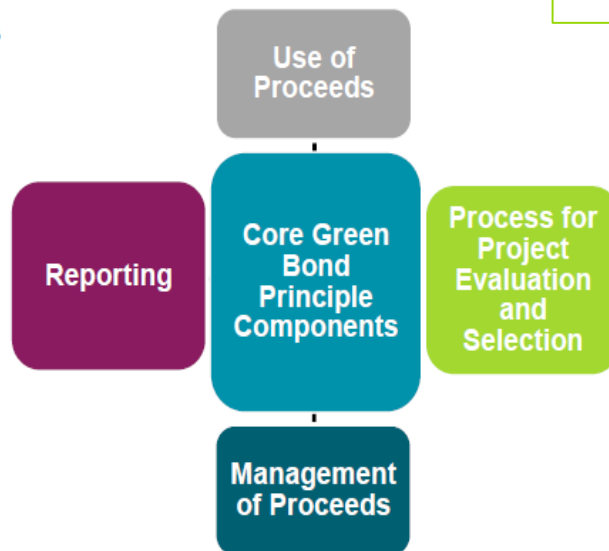
- ▶ Funds should be segregated or otherwise tracked.

4. Reporting:

- ▶ Issuers should report at least annually on projects and where feasible, the impact of the specific investment.

Recommendations - External Reviews:

- ▶ The GBP encourage a high level of transparency and recommended that issuers use an external review to verify the green definitions/criteria and the processes and systems applied



*Source – ICMA, Skandinaviska Enskilda Banken

No taxonomy for SA at the time of writing ... but the need for sustainable finance instruments was there. Needed to adapt.

Sustainability segment

6.10 In these Debt Listings Requirements pertaining to the sustainability segment, unless the contrary intention appears, the following terms shall have the meanings assigned to them below:

“sustainability standards”

means the Green Bond Principles, the Social Bond Principles and Sustainability Bond Guidelines , as may be amended, issued and governed by ICMA or any other standard acceptable to the JSE, in its discretion in relation to the classification of sustainability instruments;

“sustainability instrument”

means an instrument that finances one or more green, sustainable and social projects and confirmed by an independent sustainability advisor the sustainability status pursuant to the sustainability standards;

“sustainability segment”

means the segment of the JSE’s Interest Rate Market where sustainability instruments are listed;

“independent sustainability advisor”

means an entity, removed and independent of the issuer, its directors, senior management and advisers, who has been appointed by the issuer confirming the sustainability or framework status pursuant to paragraph 6.14; and

“ICMA”

means the International Capital Market Association.

Placing document

- 6.11 Applicant issuers must appoint an independent sustainability advisor confirming to the JSE that the instrument or use of proceeds framework is classified as sustainable pursuant to the sustainability standards.
- 6.12 For sustainability instruments that comply with the sustainability standards, the placing document published in connection with the issue of these instruments must, over and above the information required as per Section 4, include the following additional information in order to qualify for the sustainability segment:
- (b) a report from an independent sustainability advisor. The report must confirm that the instruments are classified as sustainable, green or social pursuant to the sustainability standards; and

Continuing obligations

6.13 Applicant issuers with instruments listed on the sustainability segment must:

- (a) comply with the Debt Listings Requirements and Section 7 in relation to continuing obligations;
- (b) confirm that the instrument is classified as a sustainability instrument pursuant to the sustainability standards in its annual compliance certificate pursuant to Section 1;
- (c) confirm that the independent sustainability advisor is and has remained independent pursuant to paragraph 6.14;
- (d) publish any updates since the listing date, in relation to the disclosures made in the listing documentation in respect of the independent sustainability advisor's report; and
- (e) comply with the sustainability standards on an ongoing basis. Applicant issuers who fail to comply with the sustainability standards on an ongoing basis, must report such non-compliance to the JSE in writing and must remedy the non-compliance within a period of 25 business days. Should the issuer fail to remedy the non-compliance, the sustainability instrument will either need to be redeemed and removed in accordance with Section 1, or reclassified and transferred to a more appropriate sector should the instrument remain listed.

Criteria for the independent sustainability advisor

- 6.14 The independent sustainability advisor responsible for issuing the report confirming that the instrument or framework is classified as sustainable pursuant to the sustainability standards must adhere to the below criteria and the applicant issuer must include this information in the placing document:
- (a) a statement by the applicant issuer confirming that an independent sustainability advisor has been appointed pursuant to paragraph 6.14;
 - (b) be an entity specialising in assessing the framework of the instruments' sustainability objectives, with sufficient financial and market-specific expertise to perform a comprehensive assessment of the use of proceeds. Such expertise is demonstrated by:
 - (i) affiliation with relevant and widely recognised industry bodies; and
 - (ii) significant and appropriate previous experience in providing external reviews on sustainability instruments.



**If we don't invest
in the future we
want, the one we
get will be worth
infinitely less.**



Questions?

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