Nasdaq Sustainability Linked Bond Criteria

Nasdaq’s first Sustainable Debt Market was launched in June of 2017. Since then, the concept has spread to all Nasdaq operated European Exchanges and expanded in scope in tandem with the markets’ development. Today, the Nasdaq Sustainable Debt Market comprises several segments for bonds, commercial papers and retail investment products that are aligned with the Green and Social Principles (GBP/SBP) as well as the Sustainability Bond Guidelines (SBG) and the Sustainability Linked Bond Principles (SLBP), for all of which the ICMA acts as a secretariat. The Nasdaq Sustainability Linked Bond Criteria is applicable for issuers seeking a listing of a bond aligned with the SLBP. For issuers seeking a listing of a Green, Social or Sustainability Bond, please find the relevant set of listing criteria here.

The International Capital Markets Association defines Sustainability Linked Bonds (SLBs) in the Sustainability Linked Bond Principles. Unlike Green, Social and Sustainability Bonds, SLBs are not characterized by the use of the bond proceeds. Instead, SLBs are forward looking and performance based securities which financial or structural features can be changed post-issuance as a result of trigger events that are based on the issuer’s ability to meet predefined Sustainable Performance Targets (SPTs). The potential variation in the bonds features must be material and go beyond the business-as-usual trajectory.

An issuer seeking a listing of a Sustainability Linked Bond on a Nasdaq Sustainable Debt Segment must undertake to comply with the Nasdaq Sustainability Linked Bond Criteria as part of the listing process. The Sustainability Linked Bond Criteria are based on the SLBP but have been simplified to cover the features of the principles that the Exchange can confirm and validate.

1. Pre-Issuance External Review

Whilst only recommended in the SLBP, an issuer who seeks a listing on a Nasdaq Sustainable Debt Market is required to obtain an external review from an experienced external review provider before or in direct connection to the bond issuance that confirms the bonds’ alignment to the SLBP. This criteria is maintained to safeguard a robust development of the market. Nasdaq reserves the right to assess whether a third party reviewer is to be deemed experienced.

2. Reporting

Issuers are required to publish reports on their progress on the selected KPIs as well as the potential resulting variation in the bonds’ financial or structural features and the timing of such effects on their website. As the selected target observation date(s) may occur at different frequencies, the issuer must report at least at the frequency required for investors to assess the potential variation in the bonds financial or structural features. The latest report shall also be e-mailed to Nasdaq at fi.listings@nasdaq.com without undue delay once published. If Nasdaq is made aware that an issuer has failed to meet its reporting commitments as stipulated pre-issuance, the issuer is given 2 months to produce and publish such a report and its accompanying external verification.
3. Bond Characteristics
The issuer must include definitions of the selected KPI:s and their Sustainability Performance Targets, the calculation methods and baselines used, a description of potential effects on the bond’s financial or structural characteristics and the timing of said effects in the bond documentation (e.g. prospectus, or final terms).

4. Post-Issuance Verification
Issuers’ reported performance on the KPI:s and Sustainability Performance Targets must be externally verified or assured by an experienced third party, such as an auditor or environmental consultant. The Post-Issuance Verification shall be made publically available at the same frequency of the reporting and sent to Nasdaq by e-mail to fi.listings@nasdaq.com without undue delay.

5. Exclusions
Nasdaq reserves the right to exclude or remove bonds from a Nasdaq Sustainable Debt Market if they fail to meet the above outlined criteria. A bond can be removed from the segment if: a. it becomes incompliant with the criteria above b. it is involved in a controversy directly relating to the bond. Furthermore, we do not allow bonds which proceeds are directed towards projects deemed to be unethical, controversial or in violation of the UN Global Compact Principles to be listed on a Sustainable Debt Market.

QUESTIONS?
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