Nasdaq Sustainable 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 Sustainable Bond Criteria is applicable for issuers seeking a listing of a bond or other debt instrument aligned with the GBP, SBP or SBG on one of Nasdaq’s Sustainable Debt Markets. For listing criteria related to sustainability linked bonds, please refer to the Sustainability Linked Bond Criteria, found here.

International standards define sustainable bonds as loans used to finance projects that bring clear environmental and social-economic benefits. Green Bonds are defined as loans used to finance environment friendly initiatives and Social Bonds are used to finance projects achieving positive socio-economic outcomes.

Nasdaq offers sustainable solutions on all Nordic and Baltic exchanges covering all fixed income instruments ranging from government and corporate bonds to structured bonds and commercial papers. To be eligible to list on either market, issuers need to meet the relevant criteria which Nasdaq has developed in cooperation with Sustainalytics, a global leader in environmental, social and corporate governance (ESG) research. The Sustainable Bond Criteria have three core components that issuers must undertake to follow as part of the listing process:

1. **Use of Proceeds**

   The use of proceeds must be allocated to projects or assets that deliver clear environmental benefits or positive socio-economic outcomes. For examples of eligible projects or project categories, we recommend issuers to consult the GBP/SBP, our website or contact our listings team directly.

   We recommend that issuers are transparent not only in which projects are financed but also in regards to the process of project selection and evaluation. Issuers should aim to be transparent about why the financed projects have been chosen. Furthermore, it is important that a green, social or sustainability bond issuer sets up adequate routines and systems to make sure that the proceeds are allocated to the intended projects. Lastly, issuers of social or sustainability bonds must define the target population benefitting from the investments financed with the bonds to be listed.

2. **Third Party Review**

   To be eligible to list a Green, Social or Sustainability bond on a Nasdaq Sustainable Debt Market, the bond or the bond’s framework must be reviewed by an experienced third party. The review must have an adequate outcome.
and be attached when applying to list. There are four distinct types of third party reviews that are generally accepted when listing green bonds on Nasdaq’s Sustainable Debt Markets:

1. Consultant Review
2. Verification
3. Certification
4. Rating

Reach out to our listings team or consult the GBP/SBP if you want to learn more about the acceptable types of third party reviews. Nasdaq reserves the right to assess whether a third party review provider is to be deemed experienced.

3. Reporting

A key element of all types of sustainable bonds is the reporting of the financed projects or assets. Detailed reporting not only assures your investors but highlights the good work your company is doing to promote a more sustainable world. Transparency is key and we recommend that our issuers follow the guidelines set out in the GBP and SBP where it is applicable. There are many aspects to sustainable bond reporting. Nasdaq’s eligibility criteria focuses on the availability and frequency of satisfactory reports. Issuers are required to make annual reports on a bond or bond program level publicly available until full allocation. Nasdaq does not set detailed rules for the contents of the annual report. However, the issuer must transparently describe how the use of proceeds have been allocated. Issuers are urged to consult the guidelines and recommendations published by the ICMA when designing the reports. Lastly, all issuers with bonds listed on Nasdaq Sustainable Debt Markets are recommended to make use of the Nasdaq Sustainable Bond Network, which gives issuers a tool to broadly communicate the benefits achieved by their investments to investors in a machine readable format and generate annual bond reports.

4. 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 use of proceed criteria b. it does not meet its reporting obligations c. it is involved in a controversy directly relating to the project / activities financed by 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 the Sustainable Debt Markets.

KEY REPORTING ELEMENTS

- Allocation of proceeds until full allocation and descriptions or examples of the projects or project categories financed.
- The percentage of proceeds allocated to financing and refinancing.
- Sustainability Impact of the financed projects. Both materialized and estimated future impacts.
- Quantitative measures where it is possible.

QUESTIONS?

Please reach out to our listings team:
Fi.listings@nasdaq.com

Axel Holm
E-mail: axel.holm@nasdaq.com
Tel: +46 73 449 6812

Jesper Brams
E-mail: jesper.brams@nasdaq.com
Tel: +45 26 30 9607

Roni Gani
E-mail: roni.gani@nasdaq.com
Tel: +46 73 449 7189

1. If Nasdaq becomes aware that the issuer has failed to publish an annual report in accordance with the Criteria, the issuer is given 2 months to produce and publish a satisfactory report and submit it to Nasdaq.

2. One proposal for a harmonized framework for impact reporting was created by a group of development banks that are active in the green bond market: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-220520.pdf

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