The role of Stock Exchanges in promoting green bond market development in China

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Stock Exchange and Sustainable Development

International experiences show that stock exchange can play a greater role in promoting sustainable and transparent capital markets by strengthening requirement on listed companies’ disclosure of sustainability information, listing of green bonds, issuance of green indices, and promoting the concept of responsible investors.

London Stock Exchange
• A member of the United Nations Sustainable Stock Exchange Initiative (SSE), and an observer at the Green Bond Principle (GBP);
• In June 2015, it launched a special Green Bond Segment;
• As of April 2017, it has totally listed a total of 42 green bonds in seven currencies, raising a total of about $11.2 billion US dollars

Luxembourg Stock Exchange
• A founding Member of the United Nations Sustainable Stock Exchange Initiative (SSE), and an observer of the Green Bond Principle (GBP);
• It listed the world’s first green bond;
• As of July 2017, it has totally listed a total of 130 green bonds in about 20 currencies were traded, raising a total amount of about €57 billion euros that accounts for about 30% of the market value of global listed green bonds;
• In September 1916, the “Luxembourg Green Exchange” was launched on line, specifically devoted for listing of the green securities;

Deutsche Boerse
• A member of the United Nations Sustainable Stock Exchange Initiative (SSE);
• Deutsche Börse has released about 100 sustainability indices through its index subsidiary (STOXX);
• It initiated the sustainable financial initiative in Frankfurt in May 2017, and signed the Frankfurt Declaration with key members of the Frankfurt Financial Center to express their commitment to jointly promoting sustainable financial development;

Other Exchanges
• Oslo Bors
• Nasdaq Stockholm
• Borsa Italiana
• Hong Kong Stock Exchange

To be continued...
On September 6, 2017, Mr. Wu Qing, the Chairman of the Shanghai Stock Exchange and Mr. James Zhan, UNCTAD Director of Division on Investment and Enterprise, jointly announced at the annual meeting of the World Federation of Exchanges (WFE) that Shanghai Stock Exchange formally joins the United Nations Sustainable Stock Exchange Initiative (SSE), becoming the 65th partner exchange of the Initiative. SSE is also China’s first exchange to join the SSE initiative.

The United Nations Sustainable Stock Exchange Initiative was launched in 2009, aiming to enhance exchange and mutual learning among peers of securities exchanges, foster exchange and cooperation between stock exchanges and various market players, and promote best practices in the field of sustainable development.

At present, SSE has a total of 65 exchange partners, including London Stock Exchange, Nasdaq, and Deutsche Boerse, which are geologically broadly distributed in six continents. It includes more than 30,000 listed companies with a total market capitalization of more than US $ 53 trillion that accounts for 70% of the total market capitalization of the global listed companies.
Pilot Project on Listing Corporate Green Bonds on the Shanghai Stock Exchange

On March 16, 2016, Shanghai Stock Exchange issued the “Notice on Implementing the Pilot of Green Corporate Bonds”

Proceeds which are used to fund the construction, operation, and acquisition of green projects, or reimbursement of green project loans and managed through special account;

For the scope of Green projects, please refer to the “Green Bond Endorsed Project Catalogue” developed by the Green Finance Committee of China Society For Finance And Banking;

Encourage greenness verification by an independent third party and annual greenness certification in the life of a green bond;

Disclose the use of proceeds, the progress of green projects, and the environmental benefits of corporate green bonds in their regular reports.

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Supportive Policy for Green Corporate Bonds

Design a system of Green Bond Issuance Channel: one-on-one reception, special review, and shift review upon receiving application;

The Securities Association of China regularly issued the “Green List of Public Welfare”;

To label “G” on green bonds as a unified logo in the market, and show it in the SSE Bond Information Network Column;

Research and publish corporate green bond index, establish and improve the green corporate bond segment, and expand the influence of corporate green bond market.

Encourage and support local governments to use preferential policies of discounts, financial subsidies, and establishment of green corporate bond investment funds and others to support development of green corporate bonds;

Explore interoperability mechanism to prioritize green corporate bonds into the domestic and foreign stock exchanges;

Encourage market investment institutions to develop green financial products such as publicly offered funds and private equity funds based on the green index to meet the demands of investors.

Seven ministries and commissions issued “Guidance on Construction of Green Financial System”, and China Securities Regulatory Commission issued “the Guidance on Supporting Development of Green Bonds”, as well as the Shanghai Stock Exchange’s “Notice on Launching the Pilot of Green Corporate Bonds”;
As of the end of August 2017, SSE has successfully listed a total of 24 green corporate bonds and 7 green asset-backed securities, with a total of more than RMB 43.6 billion Yuan raised. The Pilot project covers corporate ordinary green bonds, green asset-backed securities, renewable corporate green bonds, green panda corporate bonds, and other types of bonds.
Case of Corporate Green Bond in the Pilot Project

The first central SOE issuer of corporate green bond

First “green panda bond”

The largest corporate green bond in the pilot project until now
Case of Green Asset Support Securities in the Pilot Project

The world’s first RMB-dominated green ABS issued by a non-financial enterprise

Nationally the first green asset-backed securities of the water and electricity industry

The first green asset-backed securities of the Clean Transportation Field
In May 2017, Shanghai Stock Exchange and China Securities Index Co., Ltd. had jointly compiled SSE Green Corporate Index and SSE Green Corporate Bond Index.

Since June 19, the SSE’s series of green bond index are deployed simultaneously through Shanghai Stock Exchange and Luxembourg Stock Exchange to show the market dynamics in China and Europe.

**SSE Green Corporate Index**

The Sample bonds are the green corporate bonds that are in line with the guidance of China Securities Regulatory Commission and the pilot requirements of Shanghai Stock Exchange, and they were approved by the Commission and listed in Shanghai Stock Exchange.

**SSE Green Corporate Bond Index**

The Sample bonds include green corporate bonds and green enterprise bonds that are approved by China Securities Regulatory Commission or the National Development and Reform Commission (NDRC) and are publicly traded on the Shanghai Stock Exchange.
Social Bond / Sustainability Bond

- In June 2016, the International Capital Markets Association (ICMA) issued the Social Bond - Guidance for Issuers;
- In June 2017, ICMA officially released the Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG);
- In September 2017, the first Social Bond for poverty alleviation was not objected by Shanghai Stock Exchange (Yichang Changle Investment Group).

Social Bond

A bond financing facility that raises funds that will be used to finance or refinance the projects with positive social benefit

Sustainability Bond

A bond financing facility that raises funds which will be used for the both green and social benefits

More information on green, social and sustainable bonds

Special segment for Social Bond and Sustainability Bond in Luxembourg Green Exchange
Prospects for the Development of Green Corporate Bonds

• **Issuance system:** jointly establish and improve the country’s unified green bond definition standards, and gradually improve the green bond issuance, trading system, and its efficiency, and actively introduce foreign issuers to issue green corporate bonds in China.

• **Policy support:** Encourage relevant ministries and local governments to introduce preferential policies (such as tax breaks, financial discounts, government subsidies, pledges, and venture capital ratio concessions, etc.) to support the development of green corporate bonds.

• **Investors:** Encourage all kinds of financial institutions and securities investment funds and other investment projects like social security funds, enterprise annuities, social welfare funds, and other institutional investors to invest in green corporate bonds; actively introduce overseas professional investors so to reduce costs in issuance of green corporate bonds.

• **Segment of Corporate Green Bond:** When the time is right, Shanghai Stock Exchange will set up a segment of green corporate bonds to establish a highly international and transparent green corporate bond platform, and actively explore and write SSE green corporate bond index to expand the impact of green products.

• **Qualification:** Assist in establishing standards for market access of third-party green certification bodies in the country. Improve the certification process before and after green corporate bonds are issued.
Thanks!

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