

The JSE Limited Debt Listings Requirements

BULLETIN 1 of 2022

05 May 2022

Dear Subscriber

JSE Limited Debt Listings Requirements

The JSE amended the JSE Debt Listings Requirements (the “Debt Requirements”) to expand the current Sustainability Segment and introduce the Transition Segment.

The JSE currently has a Sustainability Segment for debt securities based on a use of proceeds sustainability model.

The amendments to the Debt Requirements are the following:

- The JSE introduced Sustainability-Linked Debt Securities which are forward-looking performance-based debt securities for which the financial and/or structural characteristics can vary depending on whether the applicant issuer achieves predefined sustainability / ESG objectives pursuant to the sustainability-linked standards.
- The JSE introduced Transition Debt Securities whereby the applicant issuers can raise funds for climate and/or just transition-related purposes. The Transition Debt Securities can take the forms of either (i) Sustainability Use of Proceeds Debt Securities or (ii) Sustainability-Linked Debt Securities.
- In order to accommodate the above new debt securities, the current debt securities under the Sustainability Segment will be deemed Sustainability Use of Proceeds Debt Securities to align with its sustainability use of proceeds objectives.
- The JSE introduced two new segments to accommodate the above debt securities:
 - Sustainability Segment comprising Sustainability Use of Proceeds Debt Securities and Sustainability-Linked Debt Securities; and
 - Transition Segment comprising Transition Debt Securities.

The Financial Sector Conduct Authority (the “FSCA”) published the approval of the amendments to the Debt Requirements in the *Government Gazette* through Board Notice 220 of 2022 No. 45954, with the effective date as the date of publication. However, after engagements with the FSCA, it was agreed that the effective date will be 11 April 2022.

Kindly take note of the transitional arrangements pertaining to sustainability use of proceeds debt securities.

Definitions and Interpretations

Climate Transition Finance Standards	means the standards set out in the Climate Transition Finance Handbook published by ICMA, as updated from time to time, or any other principles, guidelines or standards acceptable to the JSE, in its discretion in relation to the classification of transition debt securities;
ESG	means environmental, social and governance;
effective disclosure practices	means the effective disclosure practices aligned with the principles outlined by the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures as may be amended or any other framework acceptable to the JSE, in its discretion in relation to disclosure practices;

guidelines on external reviews	the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews published by ICMA, as updated from time to time, or any other guidelines on external reviews acceptable to the JSE, in its discretion;
ICMA	in respect of the sustainability segment and transition segment, the International Capital Market Association;
independent external reviewer	means an entity, independent of the issuer, its directors, senior management and advisers, who has been appointed by the applicant issuer;
Paris Agreement	means the Paris Agreement, as defined by United Nation Climate Change, a legally binding international treaty on climate change adopted by 196 parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016;
sustainability-linked debt securities	means a forward-looking performance based debt security listed on the sustainability segment for which the financial and/or structural characteristics can vary depending on whether the applicant issuer achieves predefined sustainability / ESG objectives pursuant to the sustainability-linked standards;
sustainability-linked standards	means the Sustainability-Linked Bond Principles published by ICMA, as updated from time to time or any other principles, guidelines or standards acceptable to the JSE, in its discretion in relation to the classification of sustainability-linked debt securities;
sustainability use of proceeds debt securities	means a sustainability use of proceeds debt security listed on the sustainability segment that finances one or more green, sustainable and social projects pursuant to the use of proceeds standards;
transition debt securities	means debt securities listed on the transition segment whereby the applicant issuer is raising funds for climate and/or just transition-related purposes. The transition debt securities can take the following forms: <ul style="list-style-type: none"> • sustainability use of proceeds debt securities; or • sustainability-linked debt securities;
transition segment	means the segment of the JSE's Interest Rate Market where transition debt securities are listed;
use of proceeds standards	means the Green Bond Principles, the Social Bond Principles and Sustainability Bond Guidelines published by ICMA, as updated from time to time or any other principles, guidelines or standards acceptable to the JSE, in its discretion in relation to the classification of sustainability use of proceeds debt securities;

Section 3 – Conditions for Listing

Sustainability Use of Proceeds Debt Securities

- 3.15 The listing of sustainability use of proceeds debt securities (new issuance or framework) are granted subject to compliance with the Debt Listings Requirements and provided the debt securities are issued in accordance with the use of proceeds standards as supported by a complete review report (through means of a second party opinion as described in the guidelines on external reviews) from an independent external reviewer. An application for listing based on a framework does not require a second party opinion on every new issuance.
- 3.16 Applicant issuers must appoint an independent external reviewer with reference to the guidelines on external reviews.

Sustainability-Linked Debt Securities

- 3.17 The listing of sustainability-linked debt securities (new issuance or framework) are granted subject to compliance with the Debt Listings Requirements and provided the debt securities are issued in accordance with the sustainability-linked standards as supported by a complete review report (through means of a second party opinion as described in the guidelines on external reviews) from an independent external reviewer. An application for listing based on a framework does not require a second party opinion on every new issuance.
- 3.18 Applicant issuers must appoint an independent external reviewer with reference to the guidelines on external reviews.

Transition Debt Securities

- 3.19 The listing of transition debt securities are granted subject to compliance with the Debt Listings Requirements and provided the debt securities are issued in accordance with the Climate Transition Finance Standards as supported by a complete review report (through means of a second party opinion as described in the Climate Transition Finance Standards) from an independent external reviewer. The review must opine on the proposed quantified decarbonisation trajectory noted in Elements 1 and 3 of the Climate Transition Finance Standards, deemed necessary to limit climate change to safe levels.
- 3.20 An applicant issuer must appoint an independent external reviewer pursuant to paragraph 3.21.
- 3.21 The appointed independent external reviewer must be an entity specialising in assessing transition debt securities, with sufficient financial and market-specific expertise. Such expertise is demonstrated by:
- (i) having an organisational structure, working procedures and other relevant systems for carrying out external reviews;
 - (ii) having policies and procedures on ethical and professional standards; and
 - (iii) employing appropriate staff with the necessary expertise and qualifications for the scope of the external review to be provided.

Section 4 – Listing Particulars

Sustainability Use of Proceeds Debt Securities

- 4.22 The placing document published in connection with the issue of these debt securities must, over and above the information required pursuant to Section 4, include the following additional information in order to qualify for the sustainability segment:
- (a) the full name, address and contact details of each independent external reviewer;
 - (b) disclosure on the use of proceeds which must explain how such proceeds will be managed and allocated to, and how the applicant issuer will report annually on the use of proceeds and the impact, in each case, in adherence with the use of proceeds standards until the proceeds of the issue of the relevant sustainability use of proceeds debt securities have been fully allocated; and
 - (c) a complete review report through means of a second party opinion from an independent external reviewer. The report must opine on whether the debt securities adhere to the use of proceeds standards.

This information can also be incorporated by reference and must then be made available on the applicant issuer's website. The information must be available on the website of the issuer at least five business days before the issue date.

Sustainability-Linked Debt Securities

- 4.23 The placing document published in connection with the issue of these debt securities must, over and above the information required pursuant to Section 4, include the following additional information in order to qualify for the sustainability segment:
- (a) the full name, address and contact details of each independent external reviewer;

- (b) disclosure that the sustainability-linked debt securities incorporate forward-looking ESG outcomes pursuant to the sustainability-linked standards;
- (c) disclosure of the alignment of the sustainability-linked debt securities with the core components pursuant to the sustainability-linked standards; and
- (d) a complete review report through means of a second party opinion from an independent external reviewer. The report must opine on whether the debt securities adhere to the sustainability-linked standards.

This information can also be incorporated by reference and must then be made available on the applicant issuer's website. The information must be available on the website of the applicant issuer at least five business days before the issue date.

Transition Debt Securities

4.24 The placing document published in connection with the issue of these debt securities must, over and above the information required pursuant to Section 4, include the following additional information in order to qualify for the transition segment:

- (a) the full name, address and contact details of each independent external reviewer;
- (b) specify whether the transition debt securities are either -
 - (i) sustainability use of proceeds debt securities; or
 - (ii) sustainability-linked debt securities;
- (c) depending on the form of the debt securities as specified in paragraph (b) above, the information and disclosures required by the Debt Listings Requirements in respect of such debt securities;
- (d) disclosure of the effective disclosure practices; and
- (e) disclosure of public commitments to Paris Agreement goals.

This information can also be incorporated by reference and must then be made available on the applicant issuer's website. The information must be available on the website of the applicant issuer at least five business days before the issue date.

Section 6 – Continuing Obligations

Sustainability Use of Proceeds Debt Securities

6.80 Applicant issuers with sustainability use of proceeds debt securities listed on the sustainability segment must:

- (a) comply with the Debt Listings Requirements and Sections 6 and 7 in relation to continuing obligations;
- (b) confirm to the JSE that the sustainability use of proceeds debt securities complies with the use of proceeds standards, including a verification report from an independent external reviewer pursuant to the use of proceeds standards, in its annual compliance certificate pursuant to Section 1. The verification report must be made available on the website of the applicant issuer;
- (c) publish any updates since the listing date, in relation to the disclosures made in the placing documentation in respect of the independent external reviewer's report;
- (d) in the event that the use of proceeds standards are updated/revised, any new issuance of sustainability use of proceeds debt securities will only be permitted with the preparation of a new second party opinion as contemplated in paragraph 3.15 to reflect the updates/revision to the use of proceeds standards;
- (e) publish through SENS immediately, any material divergence from the use of proceeds standards; and
- (f) comply with the use of proceeds standards on an ongoing basis. Applicant issuers who fail to comply with the use of proceeds 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 use of proceeds debt securities will no longer be visible on the suitability segment but

continue to remain listed on the appropriate sector pursuant to the provisions of the Debt Listings Requirements.

Sustainability-Linked Debt Securities

6.81 Applicant issuers with sustainability-linked debt securities listed on the sustainability segment must:

- (a) comply with the Debt Listings Requirements and Sections 6 and 7 in relation to continuing obligations;
- (b) evidence to the JSE that the sustainability-linked debt securities issuer complies with the sustainability-linked standards, including a verification report from an independent external reviewer pursuant to the sustainability-linked standards, in its annual compliance certificate pursuant to Section 1. The verification report must be made available on the website of the applicant issuer;
- (c) publish through SENS at the time of submitting its annual compliance certificate pursuant to Section 1, the applicant issuer's progress against baseline/benchmark targets as prepared by the independent external reviewer;
- (d) in the event that the sustainability-linked standards are updated/revised, any new issuance of sustainability-linked debt securities will only be permitted with the preparation of a new second party opinion as contemplated in paragraph 3.17 to reflect the updates/revision to the sustainability-linked standards;
- (e) publish through SENS immediately, any material divergence from the sustainability-linked standards; and
- (f) comply with the sustainability-linked standards on an ongoing basis. Applicant issuers who fail to comply with the sustainability-linked 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-linked debt securities will no longer be visible on the sustainability segment but continue to remain listed on the appropriate sector pursuant to the provisions of the Debt Listings Requirements.

Transition Debt Securities

6.82 Applicant issuers with transition debt securities listed on the transition segment must:

- (a) comply with the Debt Listings Requirements and specifically Sections 6 and 7 in relation to continuing obligations;
- (b) evidence to the JSE that the transition debt securities adheres to the recommendations of the Climate Transition Finance Standards, as supported through the effective disclosure practices.
- (c) in the event that the Climate Transition Finance Standards are updated/revised, any new issuance of transition debt securities will only be permitted with the preparation of a new Second Party Opinion as contemplated in paragraph 3.19 to reflect the updates/revision to the Climate Transition Finance Standards;
- (d) publish through SENS immediately, any material divergence from the Climate Transition Finance Standards; and
- (e) comply with the recommendations of the Climate Transition Finance Standards on an ongoing basis. Applicant issuers who fail to comply with the recommendations of the Climate Transition Finance 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 applicant issuer fail to remedy the non-compliance, the transition debt securities will no longer be visible on the transition segment but continue to remain listed on the appropriate sector pursuant to the provisions of the Debt Listings Requirements.

Appendix 1 to Section 7

Applicable corporate governance provision pursuant to type of debt securities/issuer.

4	Sustainability & Transition Segment	S&TS
---	-------------------------------------	------

Regards,

Nicole Smith
LexisNexis
Managing Editor: Tax and Financial Services
nicole.smith@lexisnexis.co.za
May 2022