

## **Amendments to the JSE Debt Listings Requirements (the “Debt Requirements”)**

**June 2021**

- **Introduction of Sustainability-Linked Debt Securities and Transition Debt Securities, and amendments to the current Sustainability Instruments to Sustainability Use of Proceeds Debt Securities.**
- **The introduction of a Transition Segment and expansion of the Sustainability Segment.**

### **Introduction**

The amendments being proposed to the Debt Requirements are the following:

- The JSE aims to introduce 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 further aims to introduce transition debt securities whereby the applicant issuers are raising funds for climate transition-related purposes. The transition debt securities can take the forms of either Sustainability Use of Proceeds Debt Securities or Sustainability-Linked Debt Securities.
- In order to accommodate the above new debt securities, the Sustainability Instruments will be renamed to Sustainability Use of Proceeds Debt Securities to align with its sustainability objectives.
- The JSE will introduce 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.

These new debt securities must comply with all the provisions of the Debt Requirements dealing with conditions of listing, listing particulars, financial information, continuing obligations and corporate governance. The main additional feature of these debt securities is the obligation to

appoint a mandatory independent external reviewer to report on the classification of the debt securities, on issue date and on an ongoing basis, in accordance with the applicable standards.

The amendments comprise a marked-up version of the Debt Requirements along with each of the debt securities in separate documents, affording a clear side by side view in order to be able to compare the different approaches followed.

Find attached the following for your attention:

- The separate Amendment Schedules for ease of reference to clearly identify and separate each of the debt securities:
  - Sustainability Use of Proceeds Debt Securities (previous Sustainability Instruments);
  - Sustainability-Linked Debt Securities; and
  - Transition Debt Securities;
- Consolidated amendments to the Debt Requirements; and
- Applicable ICMA standards and Climate Transition Finance Handbook as referenced in the Debt Requirements.

Item	Section	Proposed Amendment	Rationale
1	<b>Sustainability-Linked Debt Securities</b>  <i>(New)</i>	<p>The JSE intends to amend the Debt Requirements to expand the current Sustainability Segment, to include Sustainability-Linked Debt Securities under the Sustainability-Linked Bond Principles.</p> <p>The following documents are referenced in the amendments to the Debt Requirements and have been attached for ease of reference:</p> <ul style="list-style-type: none"> <li>• Sustainability-Linked Bond Principles prepared and issued by ICMA; and</li> <li>• Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews prepared and issued by ICMA.</li> </ul>	<p>There has been a significant trend locally and internationally towards impact and responsible investments. The JSE recognises its role in the economy and broader society. In an effort to meet investor requirements for social responsible investing, the demands of applicant issuers and that of the society as a whole, the JSE is aiming to expand on its current offerings under the Sustainability Segment.</p> <p>The expansion will follow established frameworks for Sustainability-Linked Debt Securities. These debt securities will both broaden the investors' choice as well as offer applicant issuers the ability to increase their participation in the broader impact and sustainability markets.</p> <p>Sustainability-Linked Debt Securities will enable applicant issuers to be rewarded for improvement on specific ESG metrics even though they do not have a specific project to allocate the proceeds raised.</p>
2	<b>Transition Debt Securities</b>  <i>(New)</i>	<p>The JSE intends to amend the Debt Requirements to create a new Transition Segment along with Transition Debt Securities in line with the Climate Transition Finance Handbook.</p> <p>The following document is referenced in the amendments to the Debt Requirements and has been attached for ease of reference:</p>	<p>There has been a significant trend locally and internationally towards impact and responsible investments. The JSE recognises its role in the economy and broader society. In an effort to meet investor requirements for social responsible investing, the demands of applicant issuers and that of the society as a whole, the JSE is aiming to offer Transition Debt Securities in line with the Climate Transition Finance Handbook.</p> <p>Climate Transition debt securities will enable issuers to raise capital to enable their transition strategy and commitments with internationally established de-carbonisation pathways.</p>

		<ul style="list-style-type: none"> <li>Climate Transition Finance Handbook prepared and issued by ICMA.</li> </ul>	<p>Transition finance debt securities are seen as a key enablement tool towards a carbon free economy and alignment with the Paris Agreement.</p>
3	<p><b>Sustainability Instruments</b></p> <p><i>(Existing)</i></p>	<p>In order to expand the Sustainability Segment with Sustainability-Linked Debt Securities, the JSE intends to amend the naming convention of the existing Sustainability Instruments to Sustainability Use of Proceeds Debt Securities.</p> <p>The Transition Segment will comprise Transition Debt Securities.</p> <p>The following document is referenced in the amendments to the Debt Requirements and has been attached for ease of reference:</p> <ul style="list-style-type: none"> <li>Guidelines for Green, Social, Sustainability prepared and issued by ICMA; and Sustainability-Linked Bonds External Reviews prepared and issued by ICMA.</li> </ul>	<p>The JSE amended the JSE Debt Requirements with effect from 23 July 2020 to expand the current Green Segment to a Sustainability Segment, which included sustainability instruments under the Green Bond Principles, Social Bond Principles and Sustainability Guidelines.</p> <p>The naming convention of the existing Sustainability Instruments will be amended to Sustainability Use of Proceeds Debt Securities.</p> <p>Going forward the Sustainability Segment will comprise Sustainability-Linked Debt Securities and Sustainability Use of Proceeds Debt Securities.</p> <p>The JSE has also proposed certain consequential amendments and general improvements to align more with Sustainability-Linked Debt Securities.</p> <p>These amendments have been marked-up as it constitutes amendments to the previous Sustainability Segment.</p>

4	<b>Section 7 – Corporate Governance</b>  <i>(New)</i>	The JSE intends to amend the Debt Requirements to expand Appendix 1 to Section 7 to include the Transition Segment in the same category as Sustainability Segment.	Appendix 1 to Section 7 must be updated to include the Transition Segment in the same category as Sustainability Segment.
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