The purpose of these Terms and Conditions is to set out the terms under which LSE displays securities on the Sustainable Bond Market of London Stock Exchange (“SBM”) and to set out the on-going obligations that must be complied with by the Issuer so that the relevant securities can be maintained on the SBM.

The definitions provided in the Application shall apply also to these Terms and Conditions and vice versa.

SECTION 1: SBM SECURITIES ADMISSION CRITERIA

Eligibility for securities to SBM is conditional on the following:

- listing or admission on one of the fixed income primary markets operated by LSE; and
- submission of completed SBM Declaration and Application Form (mandatory from 1 January 2020) which includes:
  - description of the classification of the securities being admitted: use of proceeds certified (green, social or sustainability) or issuer-level classified (green revenues or sustainability-linked bonds) or transition (and where relevant the nature of the transition instrument, e.g. green transition or sustainability-linked transition bond);
  - disclosure of mandatory sustainability related documents as applicable, such as an Independent External Review; and
  - acknowledgement and commitment to ongoing post-issuance reporting obligations.

1.1 Listing or admission to a market operated by London Stock Exchange

LSE operates the Main Market as its Regulated Market and the International Securities Market and the Professional Securities Market as its Exchange Regulated Markets or Multilateral Trading Facilities. Trading services include OFIS, ORB or trade reporting only. Issuers can access any of these trading services whilst bonds are eligible for SBM.

Any application to SBM would be conditional on the relevant admission criteria for the chosen fixed income primary market being met, in addition to any SBM eligibility criteria. More information on the fixed income primary markets operated by London Stock Exchange can be found at https://www.londonstockexchange.com/raise-finance/debt.

1.2 Submission of SBM Issuer Application

Issuers who wish their securities to be displayed on SBM shall complete the SBM Issuer Application Form. This includes:

a) Classification of securities

Bonds can be classified by the Issuer either as Use of Proceeds certified (green, social or sustainability), Issuer-level Classified (including green revenues and sustainability-linked bonds) or transition certified. Each of these classifications have differing criteria as outlined in Section 2 below. It is the Issuer’s responsibility to ensure that they are aware of the relevant criteria and declare that they comply accordingly. The use of proceeds applicable to each relevant security shall be described in the Issuer’s documentation and supporting materials provided to LSE and confirmed in the external review submitted as part of the application. LSE reserves the right to request any additional information related to the use of proceeds in the event that the information provided is deemed to be insufficient or unsatisfactory for any reason. LSE reserves the right to review applications to both the Use of Proceeds and Issuer-Level Classification Segment on a case by case basis, which will be dependent on the submission of relevant and satisfactory supporting documentation. The eligibility of an Issuer on this basis is wholly subject to the discretion of LSE.

The Issuer shall comply with the relevant ongoing eligibility requirements for the Use of Proceeds SBM segment and for the Issuer-level Classification SBM as outlined in Section 2 below.
b) Disclosure of mandatory sustainability related documents as applicable, such as an Independent External Review

For eligibility to SBM, Issuers are required to provide LSE with the relevant supporting materials and documentation (as set out in Section 2 below) to allow the sustainable nature of the securities to be ascertained.

c) Acknowledgement and commitment to post-issuance reporting obligations

Issuers must comply with the mandatory annual post-issuance reporting requirements for all issuers who wish to display securities on SBM, to demonstrate continued eligibility to SBM over the lifetime of the issuance for issuer-level classified bonds. These include the supply to LSE of an external review compliant with the criteria as described in Section 2 in advance of the date of eligibility for SBM.

SECTION 2: ELIGIBILITY CRITERIA AND GUIDANCE

2.1 Use of Proceeds Classification

Issuers can admit securities with more thematic uses of proceeds such as resilience bonds, blue bonds and Sustainable Development Goal related bonds. However, in relation to green, social and sustainability bonds displayed on SBM, issuers will be required to provide LSE with an acceptable external review which assesses the security’s adherence to eligible relevant international principles (outlined here below in sections 2.1 and 2.2). Annual post-issuance reporting will also be required for continued eligibility purposes.

Available classifications and description of Use of Proceeds:

a) **Green Bond**: are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects as per the relevant international standards used.

b) **Social Bond**: are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects as defined by the relevant international standards used.

c) **Sustainability Bond**: are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects.

LSE can also review eligibility to the Use of Proceeds Classification segments without a formal external review in instances where there is sufficient supporting material to indicate that this is appropriate. Such supporting materials will need to have been submitted as part of an application and will be reviewed on a case by case basis. Please note that eligibility decisions to SBM are made solely at the discretion of London Stock Exchange.

LSE also reserves the right to add bonds to the Use of Proceeds Classification segments without external verification in instances where the following criteria are met:

- Supranational issuer status with commitment to sustainability in the mission statement
- To the best of the Exchange’s ability to determine, adherence to ICMA Green Bond Principles or Social Bond Principles
- Commitment to ongoing reporting of Use of Proceeds
- Experience of previously having issued Green, Social or Sustainability bonds with certification

Further, to ensure transparency, where bonds do not have external verification this will be highlighted for those bonds.

2.1.1 External Review Guidance

Issuers shall provide LSE with proof of an external review of the relevant securities from an independent third-party reviewer at the time of application before any green, social or sustainable securities can be displayed on SBM, unless
discretionary eligibility has been confirmed and granted as outlined in Section 2.1. For an external review to be valid, the third party conducting the review must be:

a. independent of the entity issuing the bond;
b. remunerated in a way that prevents any conflicts of interests arising; and
c. specialised entity in assessing the framework of bonds’ environmental or social objectives and providing an assessment of the use of proceeds. For example, through:

i) affiliation with relevant and widely recognized industry bodies; or
ii) significant and appropriate previous experience in providing external reviews on green bonds.

External reviews can take the form of the following:

1. Consultant’s Review / Second Opinion
2. Verification
3. Third Party certification
4. Green Bond Rating (separate from an issuer’s overall ESG rating)

The Exchange reserves the right to request additional information related to use of proceeds if the information provided is deemed to be insufficient or unsatisfactory for any reason.

For more information and guidance on external verification of green, social and sustainable instruments please visit https://www.icmagroup.org/green-social-and-sustainability-bonds/external-reviews/.

2.1.2 Accepted International Standards

The following list includes international and regional principles and guidelines that are accepted for eligibility to SBM:

- ICMA Green Bond Principles (as relevant)
- ICMA Social Bond Principles (as relevant)
- ICMA Sustainability-Linked Bond Principles (as relevant)
- CBI Certification
- Sustainability Bond Guidelines
- EU Green Bond Standard
- PBoC’s Green Bond Guidelines
- NDRC Guidelines (China)
- ASEAN Green Bond Standards
- Indonesian Green Bond Regulation

The Exchange reserves the right to update the above list from time to time. Other international standards may be considered on a case by case basis, however eligibility to SBM is dependent solely on the decision of the Exchange.

2.2 Issuer-Level Classification Segment

The Issuer-Level Classified segment is dedicated to bonds by issuers whose core business activity is aligned with the green economy or where the sustainable nature of the instrument is not based on distinct and pre-defined use of proceeds. This enables those businesses and ‘pure-play’ issuers that meet eligibility criteria to be able to admit bonds to SBM in a flexible way whilst benefitting from enhanced visibility.

Available classifications and description of sub-segments within Issuer-Level Classification:

a) Green Revenues: any bond whereby Issuers demonstrate they have greater than or equal to 90% of revenues derived from green revenues as per criteria set out below:

1. if an Issuer has equity listed on a market operated by London Stock Exchange, they will be required to be Green Economy classified (as defined in the LSE classification and methodology available at https://www.lseg.com/sites/default/files/content/documents/Green%20Economy%20Fact%20Sheet%20 issuer%20version_FINAL_0.pdf); and
2. Eligible issuers will be required to have a Green Revenue (as defined in the FTSE Russell Green Revenue taxonomy available at https://www.ftserussell.com/data/sustainability-and-esg-data/green-revenues-data-model) score of greater than or equal to 90% at the time of application.

3. Issuers utilising financing subsidiaries for fixed income transactions under parent entities with a Green Revenue score of greater than or equal to 90% will also be eligible for the Issuer-Level Classified segment.

b) **Sustainability-Linked Bonds**: any forward-looking performance-based bond instruments where the issuer is committing to future improvements in sustainability outcomes within a predefined timeline, in accordance with relevant international standards.

Bonds are eligible for SBM’s Issuer-Level Classified segment as Sustainability-Linked Bonds if they have been issued in accordance with the ICMA Sustainability-Linked Bond Principles (SLBPs). These can be found at https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf.

As outlined in the ICMA SLBPs, disclosure shall incorporate the following elements:

- **Pre-issuance disclosure**
  - **General**
    - Issuers shall detail the rationale for SLB issuance and consistency with their overall Sustainability and Business strategy. Issuers should also outline the alignment with SLBP’s five core components, including information on the use of external review types, publication dates and reviewer name.
  - **Selection of KPIs**
    - Issuers shall provide a description and definition of KPI(s), rationale behind the selection of KPI(s) (i.e. relevance with issuer’s strategy, materiality), and detail historical externally verified KPI values covering at least the previous [3] years, where feasible. Where relevant, the verified baseline or reference point selected for improvement of KPIs shall be outlined, as well as the rationale for that baseline or reference point to be used (including date/period).
  - **Calibration of Sustainability Performance Targets (SPTs)**
    - Issuers shall provide a description and definition of SPT(s), including motivation for the outlined SPTs (i.e. ambition level, benchmarking approaches and consistency with overall strategic planning). The timelines for the target achievement, including the target observation date(s)/period(s), shall be clearly defined, including the trigger event(s) and the frequency of SPTs. Any strategic information that would decisively impact the achievement of the SPTs should be outlined. Where feasible, SPTs should be science-based or benchmarked against an industry standard (e.g. consider SMART philosophy - specific, measurable, attainable, relevant and time-bound). Issuers also shall summarise the means for achieving the target(s), where possible and taking competition and confidentiality considerations into account: i.e. how the issuers intent to reach such SPTs, e.g. by describing its ESG strategy and supporting ESG governance and investments, and its operating strategy, i.e. through highlighting the key levers / type of actions that are expected to drive the performance towards the SPTs as well as their expected respective contribution, in quantitative terms wherever possible. Any key other factors beyond the issuers’ direct control that may affect the achievement of the target(s) shall also be taken into consideration.
  - **Bond Characteristics**
    - Definitions of KPI(s) and SPT(s) (including calculation methodologies should be provided by issuers, including detailed descriptions of the potential variation of the SLB financial and/or structural characteristics of the bond and trigger criteria. If applicable, an explanation of the considered back-up mechanisms in case the SPTs cannot be calculated or observed satisfactorily should also be outlined. Additionally if applicable, language to take into consideration potential extreme / exceptional events (such as significant change in perimeters through material M&A activities or drastic changes in regulatory environment or extreme events) that could substantially impact the calculation of the KPI, the restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope should also be detailed.
- Reporting Commitments
  Issuers shall provide a summary of location and frequency of reporting, intended scope and granularity, as well as commitment and disclosure of post-issuance external review (verification / assurance report).

- External Review
  Pre-issuance external review is recommended but not necessary for SLBs. Any pre-issuance external review shall be published, such as a second party opinion, or if relevant a verification of baselines.

- Post-issuance disclosure
  - General
    Issuers shall provide reports and ex-post external review publication dates alongside the normal identification of the bonds: ISIN, amounts, currency, maturity dates and relative KPI(s) & SPT(s). The scope of reporting (bond-by-bond, bond programme) and adherence to specific standards or regulations should be provided.

  - Reporting
    Issuers shall make available regular and easily accessible disclosure, at least annually, and in any case for any [date/period] relevant for assessing SPT performance leading to a potential adjustment of SLB financial and/or structural characteristic(s) of the bond. This should include:

    1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant and
    2. Any information enabling investors to monitor the level of ambition of the SPTs (e.g., any update in the issuers sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPIs and SPTs).

  - Verification
    Verification / Assurance reports are mandatory for post-issuance disclosure and shall detail performance relating to the verified SPTs in publicly available documents, outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond financial and/or structural characteristics.

LSE can also review eligibility of the Issuer-Level Classification segment on a case by case basis only when appropriate supporting materials have been submitted as part of an application. Eligibility decisions to SBM are made solely at the discretion of LSE.

2.3 Transition Bonds

Transition bonds are a subset of sustainable debt finance instruments whereby the issuer is raising funds in debt markets for climate and/or just transition-related purposes. They can take the following forms:

- Use of Proceeds instruments, defined as those aligned to the Green and Social Bond Principles or Sustainability Bond Guidelines; or
- General Corporate Purpose instruments aligned to the Sustainability-Linked Bond Principles.

Transition bonds are a financing tool available to issuers that are crucial if the ambitious global carbon emission reduction targets are to be realised, as activities in higher emitting sectors require significant financing in order to move towards less carbon intensive operating models.

The concept of climate transition focuses principally on the credibility of an issuer’s climate change-related commitments and practices. For an instrument to be eligible as a climate transition bond on SBM, London Stock Exchange requires the following criteria to be satisfied:

1) A credible transition framework prepared in accordance with the guidelines set out in the ICMA Climate Transition Finance Handbook (see section 2.3.1), or as measured by well-recognised market frameworks such as the Transition Pathway Initiative (see section 2.3.2);
2) Confirmation of effective disclosure practices aligned with the principles outlined by Task Force on Climate-Related Financial Disclosures (TCFD) or a well-recognised standard within a reasonable timeframe (within 18 months from admission of securities, or by the following annual reporting period);

3) Confirmation of public commitment to Paris Agreement goals, including approved targets to achieve net zero emissions by 2050; and

4) Reporting on transition performance annually on an ongoing basis.

The additional criteria for Use of Proceeds type instruments and Sustainability-Linked instruments, as outlined in sections 2.1 and 2.2.1 respectively, will also continue to apply.

2.3.1 Transition Framework Guidance

According to ICMA Climate Transition Framework Handbook guidelines, a transition framework must cover the following areas:

- **Issuer’s climate transition strategy and governance**
  The financing purpose should be for enabling an issuer’s climate change strategy. A ‘transition’ label applied to a debt financing instrument should serve to communicate the implementation of an issuer’s corporate strategy to transform the business model in a way which effectively addresses climate-related risks and contributes to alignment with the goals of the Paris Agreement.

- **Business model environmental materiality**
  The planned climate transition trajectory should be relevant to the environmentally-material parts of the issuer’s business model, taking into account potential future scenarios which may impact on current determinations concerning materiality.

- **Climate transition strategy to be ‘science-based’ including targets and pathways**
  Issuer’s climate strategy should reference science-based targets and transition pathways. The planned transition trajectory should:
    - be quantitatively measurable (based on a measurement methodology which is consistent over time);
    - be aligned with, benchmarked or otherwise referenced to recognized, science-based trajectories where such trajectories exist;
    - be publicly disclosed (ideally in mainstream financing filings), include interim milestones, and;
    - be supported by independent assurance or verification.

- **Implementation transparency**
  Market communication in connection with the offer of a financing instrument which has the aim of funding the issuer’s climate transition strategy should also provide transparency to the extent practicable, of the underlying investment program including capital and operational expenditure. This may include R&D-related expenditure where relevant, and details of where any such operating expenditure is deemed ‘non-Business as Usual’, as well as other relevant information indicating how this program supports implementation of the transition strategy, including details of any divestments, governance and process changes.

2.3.2 Transition Pathway Initiative

When determining the credibility of an issuer’s overall climate transition strategy in relation to the issuance of transition bonds, London Stock Exchange will look for equivalence with well recognised market frameworks, such as the Transition Pathway Initiative (TPI).

TPI is an asset owner backed initiative and is underpinned by academic analysis from the London School of Economics Grantham Institute as well as data from FTSE Russell. The TPI methodology comprises scores for management quality and carbon performance. It also incorporates TCFD data points.

In order for an issuer to be deemed of sufficient quality for the purposes of the overall climate transition strategy component of transition bond eligibility then TPI data can be applied. In this case the issuer performance should be equivalent to at least 3 out of 4 on the TPI management quality scale, together with two-degree aligned carbon performance / targets.
This is ensured by the inclusion of transition eligibility criteria 2 and 3, whereby an issuer must commit to recognised disclosure standards and carbon performance targets aligned with the Paris Agreement for the life of the instrument. London Stock Exchange reserves the right to remove any instruments from SBM if these standards are not met. For more information on TPI methodology please see https://www.transitionpathwayinitiative.org/overview.

2.4 Ongoing Eligibility and Minimum Standards for Post-Issuance Reporting

2.4.1 Issuers displaying securities onto SBM are required to comply with eligibility requirements not only at the time of admission, but also throughout the life of the bond in order to maintain eligibility for SBM on an ongoing basis.

2.4.2 Issuers displaying bonds on SBM must comply with mandatory annual post-issuance reporting requirements to demonstrate continued eligibility to SBM over the lifetime of the issuance. Issuers will be expected to submit supporting documentation or report, on an annual basis, to demonstrate that they have complied with this reporting requirement.

2.4.3 Where applicable, the form of ongoing reporting is at the Issuer’s discretion, however at a minimum for use-of-proceeds bonds, LSE requires an allocation report to be made available annually, with the first report available within 12 months from the date of issuance. Issuers are required to state the format their ongoing post-issuance reporting will take as part of the SBM Issuer Application.

2.4.4 Issuer-level classified securities eligible under the FTSE Russell / Green Economy Mark are required to remain within a 10% band of the entry criteria on an ongoing basis to maintain eligibility to SBM.

2.4.5 Issuer-level classified securities classified as Sustainability-Linked Bonds are required to report on an ongoing basis with easily accessible disclosure, updated at least annually or in any case as frequently as the time period required for accurately assessing an issuer’s performance in relation to pre-defined KPIs, as outlined in the ICMA Sustainability-Linked Bond Principles.

2.4.6 Issuers utilising the Issuer-Level Classification route to eligibility based on LSE’s discretion may be required to submit supporting information for verification on an annual basis for LSE to verify they still meet the appropriate standards on an ongoing basis. This will be agreed at the time of admission.

2.4.7 In addition to the relevant criteria for use-of-proceeds bonds or sustainability-linked bonds, climate transition bond issuers are expected to make disclosures aligned with the principles outlined by Task Force on Climate-Related Financial Disclosures (TCFD) or a well-recognised reporting standard within a reasonable timeframe. Transition bond issuers should also report on interim milestones related to their decarbonisation pathways annually where possible.

2.4.8 For issuers who do not comply with the requirement for ongoing annual reporting post-issuance continually, LSE reserves the right to move their bonds to a segment of SBM labelled “pending reporting”; failure to report for a period longer than 24 months would cause the withdrawal of the relevant securities from the SBM.

2.4.9 LSE reserves the right to remove the securities displayed on SBM at any time in the event that LSE, in its sole discretion, were to consider that the display of certain bonds to SBM could be prejudicial to the reputation of the SBM or the LSE. In this case this Agreement shall terminate immediately.

2.4.10 LSE may, at its discretion, allow issuers that have qualified for entrance to SBM to retain eligibility (at the sole discretion of LSE) for an agreed period, should their compliance with ongoing eligibility requirements fall below the relevant requirements temporarily.

2.4.11 The removal of an Issuer’s securities from SBM does not affect the admission to trading of any of the securities issued by the relevant Issuer on any of the fixed income primary markets operated by LSE. The issuer’s securities will continue to be admitted to trading on the relevant fixed income primary market, however they will cease to have their securities visible on the SBM platform as a sustainable debt finance instrument and consequently they will not be entitled any longer to use the roundel.
2.5 Publication of sustainability related documents

2.5.1 As part of the eligibility to SBM, Issuers can request for key sustainability related disclosure documents, such as external reviews, frameworks and sustainability reports, to be made available on the LSE website in order to provide easy access for investors. The Issuer shall indemnify and keep LSE indemnified from and against any and all claims suffered, incurred or sustained by LSE as a result of any action, claim or proceeding made or brought by any person alleging that the publication, use or disclosure of the above mentioned documents infringes the rights (including Intellectual Property Rights) of any person.

2.5.2 Issuers with bonds displayed on SBM qualify for use of the Sustainable Bond Market accreditation, i.e. the roundel. This can be used on all promotional and marketing materials as appropriate for as long as they remain eligible for display on SBM. Use of the accreditation in this way signals to investors that the securities adhere to a robust standard of disclosure and internationally accepted principles. If the Issuer ceases to qualify for SBM it must remove the roundel from any and all current marketing materials, online or offline.

SECTION 3: GENERAL PROVISIONS

3.1 A person who is not a party to this Agreement shall have no rights under the UK Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

3.2 This Agreement and/or the rights and obligations thereunder or deriving therefrom may not be assigned, novated or otherwise transferred by either Party to any third party without the other party prior written consent.

3.3 The Issuer acknowledges and accepts that LSE may modify or supplement any provision of these Terms and Conditions at any time at its sole discretion. LSE shall inform the Issuer of such amendments by sending a notice via email at the address indicated in Section A of the Application form and give at least 10 (ten) Working Days before the coming in to force of the relevant amendments. The Issuer can withdraw from this Agreement by notifying LSE before the coming into force of the amendments.

3.4 LSE may terminate this Agreement at any time by giving the Issuer 30 (thirty) calendar days written notice, which will be sent to the address indicated in Section A of the Application form. This Agreement will automatically terminate without notice on the maturity date of the bonds.

3.5 This Agreement, and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims), shall be governed by and construed in accordance with the law of England and Wales and subject to the exclusive jurisdiction of the Courts of England and Wales.