GLOBAL LISTINGS AND ESG

Before the emergence of COVID-19 this year, and the impact on so many aspects of our lives, Environmental, Social and Governance (ESG) was already a key focus for investors. Many large institutional investors, such as pension funds, sovereign wealth funds and endowment funds are seeking to ensure that their investments do not negatively impact issues such as climate change, and many are investing with a view to finding solutions to global issues. This trend is only going to increase as the most ESG conscious generation of millennials become increasingly important as investors and decision makers. The effects are already being seen with numerous asset managers developing ESG scores to determine where to invest and relative weightings in the vast array of shares and bonds on offer.

As we start to emerge from the various COVID-19 restrictions, it appears that momentum is already building for a "green new deal" that helps rebuild the global economy from the impact of COVID-19 and also strengthens the economy in a way that benefits the world and environment. This will increase in importance with every new initiative, such as the UK Government's recently announced 10 point plan for a Green Industrial Revolution. If policymakers worldwide follow this path, then the value of ESG to investors, funds, companies and asset managers alike will become increasingly important.

COVID-19 appears to have fast-forwarded the momentum that was already building for companies to adapt to the new ESG reality. The increased need for many companies to raise finance in the international capital markets during COVID-19 has seen ESG bond issuances, with a potential to result in a beneficial societal or environmental impact, being attractive to an increasing number of investors. Many commentators are also noting that the election of Joe Biden as the next President of the US is expected to have wide-ranging implications for investors in the ESG space, even if Congress remains divided.

While still in its early stages, those companies that do not embrace an ESG strategy could see the cost of capital continue to rise decreasing their appeal to investors and their competitive edge over time. There is still some way to go in standardising an ESG score, if in practice that will ever be a reality. There are many subjective factors and proprietorial aspects at play leading to a wide variety of ESG scoring methodologies and benchmarks across the industry. However, as the ESG issuance market matures, it is likely that more standardised market practices will evolve.

The Maples Group has seen the growth in ESG issuances through many of our clients. We have worked on a number of recent ESG transactions, one such example being the QNB Group, the first issuer from Qatar to issue a green bond, in line with its sustainability framework published in February 2020. The bonds will be displayed on the Sustainable Bond Market of the London Stock Exchange. QNB intends to use the proceeds to fund its green assets in areas such as green buildings, energy efficiency, sustainable water and waste management. The deal supports QNB Group's sustainability strategy and is in line with its commitment to Qatar National Vision 2030 and the United Nation's Sustainability Development Goals. We expect continued growth in ESG issuances going forward.

As a listing agent for listings on a number of international stock exchanges including Euronext Dublin, the Cayman Islands Stock Exchange (CSX) and The International Stock Exchange (TISE), we have been pleased to note the introduction of ESG, Green and Social Bonds and Clean Technology (CleanTech) market segments across the exchanges with which we work. With our diverse experience in listing across these exchanges, we are well positioned to advise issuers on the options available when looking to list on an ESG bond segment. Such a listing on the appropriate ESG segment of an internationally recognised stock exchange can assist with the marketing and general ESG credentials of a bond issuance as well as enabling access to certain institutional investors, including pension funds as well as providing a withholding tax exemption for certain issuers.

The following provides a useful summary of the various ESG segments on offer:

Euronext Dublin

Euronext ESG Bonds groups together ESG bonds listed in the various Euronext locations, allowing issuers to highlight their ESG credentials and permitting investors to rapidly identify bonds including green, social, sustainability, blue and sustainability-linked bonds. To date, more than 130 issuers are featured on the Euronext ESG Bonds[1] segment including energy companies, sovereigns and various financial institutions.

TISE

TISE has developed TISE GREEN[2] as a market segment for green investments, including bonds, funds and trading companies, which enhance or protect the environment.

CSX

CSX has devised specialist listing rules for Clean Technology Companies[3], in order to assist such companies in accessing the capital markets by helping to promote their commercial and environmental benefits.

[1] https://www.euronext.com/en/list-products/bonds/esg-bonds
[2] https://www.tisegroup.com/market/segments/green
[3] https://www.csx.ky/listing/listing-guide.asp?guide=Clean%20Technology%20Companies

We would be delighted to work with you on any of your listing needs.

We offer our listing services from our network of global offices for your time zone convenience. If you require more information, please reach out to your usual Maples Group contacts or any of those listed below.

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