



Media Release

25th April 2023

Colombo:

CSE enables issue of Green Bonds by Sri Lankan Companies

The Colombo Stock Exchange (CSE) is pleased to announce the introduction of listing and trading of Green Bonds for the first time in the Sri Lankan stock market, with effect from 25th April 2023.

Under the Green Bonds concept, proceeds are invested exclusively in green projects that generate climate or other environmental benefits, for example in renewable energy, energy efficiency, sustainable waste management, sustainable land use (forestry and agriculture), biodiversity, clean transportation, and clean water.

The objective of enabling regulations for the issue of green bonds in the Sri Lankan stock market is to facilitate Sri Lankan corporates to raise capital that will be used for green projects and to foster greater transparency and accountability in the use of proceeds from the Green Bond, and to ensure reporting of the impact of the green projects for which the proceeds of the bond was used.

The use of proceeds from the Green Bond should be aligned with the Green Bond Principles, which are accepted by the CSE. The accepted Green Bond Principles of the CSE are the Green Bond Principles by the International Capital Markets Association (ICMA), the European Green Bond Standards (EUGBS), and the Climate Bonds Initiative Standards (CBI Standards).

Corporate Debentures and Green Bonds

The Green Bonds will have the same features of a Corporate Debenture and will be listed on the Debt Market segment of the CSE.

The main difference between a Corporate Debenture and a Green Bond is the usage of the proceeds. In a Green Bond, the proceeds have to be exclusively used for financing or re-financing in part or in full, new or existing eligible green projects which are aligned with at least one international Green Bond standard set out above.

The Green Bonds will be traded on the Automated Trading System (ATS), similar to Corporate Debentures. The trading parameters currently applicable to Corporate Debentures will also apply to Green Bonds as well.

The potential issuers of Green Bonds are any public company incorporated under the Companies Act and any statutory body established/incorporated under a statute.

Benefits of issuing and investing in Green Bonds

Green Bonds could be identified as a new investment asset class for potential issuers and investors. By issuing Green Bonds, an issuer could access a broader pool of capital, including access to a foreign investor base who has an interest in investing in green projects. It also can play a positive role, in raising awareness and building expertise among investors on issues relating to the environment, thus, fostering greater transparency in the use of proceeds from the Bond.

Green Bonds can also facilitate the establishment of public-private partnerships that might accelerate the pace of green investment and lead to the adoption of new technologies and also contribute to a sustainable economy.

Commenting on this new product, CSE CEO Mr. Rajeeva Bandaranaike said, “As of January 2023, Green Bonds have globally raised \$2.5 trillion, to support green and sustainable projects. Sri Lanka can tap into these funds and capitalize on by attracting foreign investments into Green Bonds. This will contribute positively towards the Sri Lankan economy whilst issuers get an opportunity to attract a new pool of investor base; especially foreign funds which are exclusively aimed at green projects.”

“We are proud to be at the forefront of promoting sustainable investment mandates in the market, integrating environmental, social and good governance (ESG) criteria into the business or investment decisions, for the lasting benefit of both the capital market and the country at large.”

“based on the demand for bonds like Green Bonds, the CSE proposes to introduce Blue Bonds and Social and Sustainability Bonds in the future”, added Mr. Bandaranaike.

For more details, please visit CSE website (www.cse.lk).

About CSE

The Colombo Stock Exchange (CSE) operates the only stock market in Sri Lanka and is responsible for providing a transparent and regulated environment where companies and investors can come together. The CSE is a company that is limited by guarantee established under the Laws of Sri Lanka. The CSE is licensed by the Securities and Exchange Commission of Sri Lanka (SEC) and is a mutual exchange consisting of 15 Members and 13 Trading Members. All Members and Trading Members are licensed by the SEC to operate as Stockbrokers. For more information, please visit: www.cse.lk.

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