

**CAPITAL MARKET GUIDELINES No 003/CMA_G/2024 OF 09/12/2024
ON ISSUANCE OF GREEN, SOCIAL, SUSTAINABILITY AND OTHER
LABELS(GSS+) BONDS**

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Capital Market Authority

Pursuant to the Law N° 057/2021 bis of 18/09/2021 establishing the Capital Market Authority of Rwanda especially in its articles 8 and 9;

Pursuant to Law N° 01/2011 of 10/02/2011 regulating capital market in Rwanda as modified to date;

Pursuant to the Regulation N°15 for issuance of Capital Market Debt Securities

The Capital Market Authority hereinafter referred to as the “AUTHORITY”, issues the following guidelines

CHAPTER 1: GENERAL PROVISIONS

Article 1: Purpose

The purpose of these guidelines is to guide issuers on how to raise funds through the issuance of green, social, sustainability and other labels (GSS+) Bonds.

Article 2: Definitions

In these guidelines, unless the context otherwise indicates—

“Authority”		the Capital Market Authority of Rwanda,
“Climate Bonds Initiative” or CBI	Bonds	the Climate Bonds Initiative, an international, not-for-profit organisation;
“Climate Bonds Standard”	Bonds	the Climate Bonds Standard, as issued by the Climate Bonds Initiative;
“Exchange”		The Rwanda Stock Exchange Limited or another Securities Exchange approved by the Authority where the securities will be listed;
“General-Purpose Bond”		A fixed income instrument for which the proceeds are primarily used for the general purposes of an issuer in pursuit of identified KPIs and SPTs
“Green Bond”		Any type of bond instrument approved by the Authority whether listed or unlisted where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the GBP and Rwanda Green taxonomy where applicable.
“Green Principles”	Bond	The Green Bond Principles (GBP), issued by International Capital Markets Association

“GSS Objectives”	any green, social, and sustainability objectives, or any combination thereof;
“ICMA”	the International Capital Markets Association
“External Reviewer”	<p>an entity that –</p> <ul style="list-style-type: none"> (a) is independent of the issuer, its directors, senior management, and advisors; and (b) aligned with the Guidelines for External Reviewers established by ICMA; (c) has significant and appropriate expertise in providing independent reviews on GSS+ Bonds; (d) specialises in the assessment of frameworks for the issuance of GSS+ instruments; (e) has sufficient expertise in assessing environmental and/or social objectives in the context of an issuers’ own strategy, as well as financial and market-specific expertise to perform assessments on use of proceeds and general-purpose instruments; (f) has not provided technical advisory or supported in either the development of the GSS+ bond framework in question or GSS+ bond report (g) Compliant with the ICMA’ guidelines for external reviewers or accredited under the Climate Bond Standard as an Approved external reviewer, or any industry body acceptable to the Authority, and to a Securities Exchange, in the case of a listed GSS+ bond.
“Initial Verification Report”	Report by an independent third party confirming the alignment of the bond or bond programme with the core components of ICMA's Green, Social, Sustainability Linked Bond Principles and/or Sustainability Bond Guidelines and Rwanda’s sustainable taxonomies where applicable.
“KPIs”	Key Performance Indicators used to measure the achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability objectives in the context of a sustainability-linked bond.

Post-Issuance External Review:		A limited / third party assurance carried out by an external reviewer on the GSS+ bond report/ allocation and impact report and in compliance with ICMA Bond Principles
“Pre-Issuance External Review”		A review that is carried out by an external reviewer appointed by an issuer, to determine whether a proposed issuance is eligible to be classified as a GSS+ Bond in accordance with ICMA Bond Principles or Guidelines and ICMA guidelines for external reviews and is contained in the Initial Verification Report;
“Proceeds”		An amount equal to the value of the funds raised from the GSS+ bond issuance;
“Rwanda’s Taxonomy”	Green	The official classification system established and maintained by relevant Rwandan regulatory authorities to categorize environmentally sustainable economic activities and investments.
“Social Bond”		Any type of bond instrument approved by the Authority whether listed or unlisted where the proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects and which are aligned with the four core components of the SBP.
“Social Principles”	Bond	The Social Bond Principles (SBP), issued by ICMA, including any annexure and appendices,
“GSS+ Guidelines”	Bond	These guidelines;
“GSS+ Framework”	Bond	A document compiled by the issuer explaining alignment of their GSS+ bond or bond programme with the relevant core components of the applicable ICMA bond principles or guidelines and Rwanda’s sustainable taxonomies where applicable;
“Allocation and Impact Report”	and	A periodic report prepared by the issuer in line with the provisions of Article 6;
“Sustainability Bond”		Sustainability bonds are any type of bond instrument approved by the Authority whether listed or unlisted where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both green and social projects and aligned with the four core components of both the GBP and the SBP.

“Sustainability Guidelines”	Bond	The Sustainability Bond Guidelines, as issued by ICMA, including any annexures and appendices.
“Sustainability-Linked Bond”		Sustainability-Linked Bonds (SLBs) are any type of bond instrument approved by the Authority whether listed or unlisted for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives and aligned with the five core components of the SLBP.
“Sustainability-Linked Principles”	Bond	The Sustainability-Linked Bond Principles (SLBP), as issued by the ICMA, including any annexures and appendices.
Sustainability Performance Targets “SPTs”		Targets used to assess the achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability objectives in the context of a sustainability-linked bond;
“Sustainability Washing”		<p>Indirect and direct misrepresentation, wherein –</p> <p>(a) indirect misrepresentation is the superficial or insincere display of concern for social or environment issues, where the substance of the GSS+ Bond does not match the form as presented in the GSS+ Bond framework or subsequent reports; and</p> <p>(b) direct misrepresentation, includes –</p> <p>(i) mislabelling of a bond as green, social, sustainability, or sustainability-linked; or</p> <p>(ii) the overstatement of the environmental benefits as well as social benefits of a project that the proceeds of the Sustainable Bond will fund; and</p> <p>(iii) false or misleading claims about the KPIs and SPTs that are being pursued</p>
“Taxonomy Requirements”		The criteria prescribed for environmentally sustainable economic activities in Rwanda’s sustainable Taxonomies, as established and maintained by relevant regulatory authorities.

- “Use of Proceeds Bond”** A fixed income instrument –
- (a) for which an amount equal to at least 75% of the net bond proceeds is used to finance an eligible green or social projects, or a combination thereof;
 - (b) for the purposes of the GSS+ Bond Guidelines, includes all GSS+ Bonds other than sustainability-linked bonds.

Article 3: Scope

- 3.1. The provisions of the GSS+ Bond Guidelines and Regulation N°15 for Issuance of Capital Market Debt Securities, shall apply mutatis mutandis to the issuance of any GSS+ Bond.

CHAPTER 2: CONDITIONS AND REPORTING FOR THE ISSUER

Article 4: Conditions and process of issuance for issuers of GSS+ Bonds

- 4.1. No person shall be eligible to issue a GSS+ Bonds to the public or section of the public or list a GSS+ Bonds at the Exchange unless the issuer complies with the relevant provisions of the:
- (a) Regulation N°15 For Issuance of Capital Market Debt Securities, read with relevant section of the RSE Rule Book or another Exchange approved by the Authority where the GSS+ Bond will be listed; and
 - (b) GSS+ Bond Guidelines.
- 4.2. The issuer may obtain a rating from an approved credit rating agency prior to the issuance of the GSS+ Bond.
- 4.3. The issuer shall appoint an external reviewer to carry out a pre-issuance external review to determine:
- (a) whether all pre-issuance requirements have been met; and
 - (b) whether the issuance is eligible to be classified as a particular sustainable instrument pursuant to the applicable ICMA Bond principles or guidelines relevant to the instrument and Rwanda sustainable taxonomies where applicable.
- 4.4. The issuer shall prepare and provide the GSS+ Bond Framework to the external reviewer, to enable the external reviewer to conduct the pre-issuance review.
- 4.5. The GSS+ Bond Framework shall be made available to the Exchange and all interested investors prior to the issuance of the GSS+ Bond, and until maturity of the GSS+ Bond.
- 4.6. The issuer shall submit the following documents to the Authority for approval—
- (a) the GSS+ Bond Framework; and

- (b) the initial verification report
- (c) the bond prospectus

Article 5: GSS+ Bond Framework

- 5.1. The issuer shall provide a GSS+ bond framework which is a description of the issuer's alignment with the relevant ICMA bond principles or guidelines as well as any relevant internal or external standards such as Climate Bond Standards or any other standards acceptable to the Authority or the securities exchange where the bond will be listed prior to the issuance of the inaugural bond.
- 5.2. In the case of a use of proceeds bond the issuer shall provide information, regarding the –
- (a) use of proceeds
 - (b) project evaluation and selection, the process and criteria to be used by the issuer in selecting eligible projects;
 - (c) management of proceeds, a description of the issuer's systems, policies and processes that will be used for the internal tracking of –
 - (i) the use of proceeds; and
 - (ii) the allocation of funds from green, social, and sustainability bond proceeds; and
 - (iii) where applicable, compliance with Rwanda's sustainable Taxonomies requirements as established and maintained by relevant regulatory authorities.
 - d) Reporting –
 - (i) a description of the reporting that the issuer is committed to from a content, timing, and accessibility perspective; and
 - (ii) a description of the issuer's systems, policies and processes that will be used to manage the reporting of the environmental and social impact of the relevant projects, including its alignment with the relevant ICMA bond principles or guidelines or other relevant standards.
- 5.3. In the case of a sustainability-linked bond, the issuer shall provide the information regarding the –
- (a) selection of KPIs –
 - (i) a description of the KPIs selected by the issuer for its sustainability-linked bond including baselines of the KPIs (if any exists); and
 - (ii) the reasons why the KPIs are relevant and material to the issuer.
 - (b) calibration of SPTs –
 - (i) a description of the SPTs selected by the issuer for its sustainability-linked bond; and

- (ii) the reasons why the SPTs are aligned with the issuer’s sustainability strategy and targets.
- (c) bond characteristics, a description of the environmentally or socially sustainable features of underlying assets.
- (d) reporting –
 - (i) a description of the reporting that the issuer is committed to, from a content and timing and accessibility perspective;
 - (ii) a description of the issuer’s systems, policies and processes that will be used to inform the reporting committed to, including its alignment with the relevant ICMA bond principles or guidelines; and
 - (ii) any additional commitments regarding adjustments to baseline, reassessment of KPI, or restatement of the SPTs.
- (e) Verification–
 - (i) The measures that have been put in place to allow for annual post-issuance verification by an external reviewer of the –
 - (aa) KPI performance figures;
 - (bb) KPI performance level against the selected SPTs for each KPI;
 - on the dates or periods relevant for assessing the SPT performance leading to a potential adjustment of the sustainability-linked bonds’ financial and structural characteristics, until after the last SPT trigger event of the bond has been reached; and
 - (ii) a commitment to making the annual verification report publicly available.

Article 6: Disclosure and interim reporting obligations

- 6.1. In addition to the reporting requirements outlined in the relevant section of the Exchange rule Book in case of listed GSS+ bonds, an issuer of a GSS+ Bond shall provide an allocation and impact report regularly, and not less than once per annum, to relevant market stakeholders including investors and the Authority until maturity of the GSS+ Bond.
- 6.2. The allocation and impact Report shall be reviewed by an external reviewer.
- 6.3. In the case of a use of proceeds bond, the issuer shall provide –
 - (a) a list and description of projects to which proceeds have been allocated, the amounts allocated, and the expected or achieved impact;
 - (b) the amounts disbursed, including the percentage of proceeds that have been allocated to different project types and to financing and refinancing of such projects: Provided that where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, information may

be presented in generic terms or on an aggregated portfolio basis, with the Authority reserving the right to request detailed information for regulatory purposes; and

- (c) the use of qualitative performance indicators and, where relevant, qualitative performance measures, including the disclosure of the underlying methodology and assumptions for qualitative reporting.

6.4. In the case of a sustainability-linked bond, the issuer shall provide –

- (a) the information that should be published for any date or period relevant for assessing SPT performance leading to a potential adjustment of the sustainability-linked bond’s financial and structural characteristics, but at least annually;
- (b) information on the performance of the selected KPIs, including baselines where relevant;
- (c) a verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond’s financial and structural characteristics; and
- (d) as soon as possible any information that affects the level of ambition of the SPTs, including any fundamental and/or material change to the sustainability-linked bond in relation:
 - (i) to the issuer’s sustainability strategy or targets; and
 - (ii) to the issuer’s KPI and any governance related to the issuer’s GSS objectives; and
 - (iii) affecting the analysis of the issuer’s KPIs and SPTs.

Article 7: Maturity and buy-back

The issuers may have the option for buy-back arrangements of the face value of the bonds from any investor after a lock-in period of three years.

CHAPTER 3: DETAILS OF THE GSS+ BONDS

Article 8: Use and management of proceeds for a use of proceeds bond

- 8.1. At least 75% of the proceeds from a use of proceeds bond may only be used in the funding of eligible projects.
- 8.2. Certain eligible projects may have environmental, social, or sustainability co-benefits, in which case the use of proceeds shall be determined by the issuer based on its primary objectives for the underlying projects prior to the issuance.
- 8.3. The net proceeds of a use of proceed bond must be tracked by the issuer in an appropriate manner at least annually or within any other period as the issuer may provide and verified through a formal internal process linked to the issuer’s lending and investment operations for eligible projects.
- 8.4. At all times prior to a use of proceed bond maturing, the balance of the tracked proceeds shall be periodically adjusted to match allocations to relevant eligible projects made during that period.

- 8.5. An issuer shall disclose to investors in the prospectus the intended types of temporary placement for the balance of the unallocated net proceeds of the use of proceed bond.
- 8.6. The issuer's management of proceeds shall be confirmed by an external reviewer, by verifying the issuer's internal tracking method and the allocation of funds from the proceeds of a use of proceed bond.
- 8.7. Where an issuer appoints an external reviewer to verify a GSS+ Bond Report, such an issuer must make the report produced by the external reviewer publicly available on a website designated by the issuer at the time of the issuance of the GSS+ bond.
- 8.8. An issuer of a GSS+ bond shall, where applicable, endeavour to comply with Rwanda's sustainable Taxonomy requirements for the portion of the proceeds designated for eligible projects.

Article 9: Selection of KPIs and calibration of SPTs for general-purpose bonds

- 9.1. An issuer shall select credible internal or external KPIs that address relevant sustainability challenges under the control of the management of the issuer and, where applicable comply with Rwanda's sustainable Taxonomy requirements as established and maintained by relevant regulatory authorities.
- 9.2. For the KPIs to be considered credible
 - (a) they should be –
 - (i) relevant, core, and material to the issuer's overall business, and of high strategic significance to the issuer's current or future operations;
 - (ii) measurable or quantifiable on a consistent methodological basis;
 - (iii) externally verifiable; and
 - (iv) able to be benchmarked;
 - (b) the issuer should clearly –
 - (i) communicate to investors the rationale and process according to which the KPIs have been selected and how they fit into the issuer's sustainability strategy; and
 - (ii) define the KPIs, including stating the applicable scope or perimeters and details of the calculation methodology.
- 9.3. Since the issuer shall set the calibration of one or more SPTs per KPI with the intention to signal its ambition to investors, the issuer shall set the SPTs in good faith, and must disclose any strategic information that may decisively impact the achievement of the SPTs.
- 9.4. In order for SPTs to be considered ambitious
 - (a) they must –
 - (i) represent a material improvement in the respective KPIs beyond the normal trajectory for the issuer's business;

- (ii) be relevant, core, and material to the issuer’s overall business, and be of high strategic significance to the issuer’s current or future operations;
 - (iii) be measurable or quantifiable on a consistent methodological basis;
 - (iv) be externally verifiable; and
 - (v) be able to be benchmarked, using an external reference or definitions to facilitate the assessment of the SPT’s level of ambition.
- (b) the issuer should clearly –
- (i) demonstrate how the target setting had been based on a combination of benchmarking approaches; and
 - (ii) state details on how disclosures on target setting would be informed and managed.

Article 10: Characteristics of the general-purpose instrument

- 10.1. For general-purpose bonds, the issuer shall provide details on how the financial and structural characteristics of the bond can vary depending on whether selected KPIs reach or fail to reach predefined SPTs.
- 10.2. The variation of the bond’s financial and structural characteristics shall be commensurate and meaningful relative to the issuer’s original bond financial characteristics.
- 10.3. The issuer shall handle and treat any information pertaining to sustainability-linked bonds that may be considered market sensitive, appropriately.

CHAPTER 4: PROCEDURES AND OBLIGATIONS OF THE AUTHORITY

Article 11: Procedure for issuance of a GSS+ Bond

- 11.1. The Authority, after receipt of the prospectus and its supporting documents, the GSS+ Bond Framework and the initial verification report from the issuer, shall undertake a review of the submitted documents with a view to satisfying itself that the issuer has complied with all laws and requirements relating to the issuance of a GSS+ Bond.
- 11.2. The Authority shall give feedback, in writing, to the issuer on the submitted documents by either approving or rejecting the application for approval of the issuance of the GSS+ Bond.
- 11.3. The approval shall be subject to:
- (a) the issuer having adhered to all other applicable legal and administrative requirements as issued by the Authority;
 - (b) the payment of the relevant fees

Article 12: Breach of GSS+ Bond requirements by an issuer

- 12.1. In the case of a listed GSS+ Bond, the consequences for any breach of the relevant GSS+ requirements under the GSS+ Bond Guidelines by an issuer, shall be in accordance with the provisions of Law Regulating Capital Business and its implementing regulations, read with relevant section of the RSE Rule Book or of another securities exchange approved by the Authority.
- 12.2. In the case of an unlisted GSS+ Bond, should the issuer breach the relevant GSS+ requirements under the GSS+ Bond Guidelines, the Authority shall communicate to the issuer concerning the breach and shall authorise the issuer to take remedial steps to rectify the breach, subject to an agreed timeframe between the issuer and the Authority, in addition to any other action that the Authority may take: Provided that where the issuer fails to take the remedial steps to rectify the breach, the Authority shall direct the issuer to remove the GSS+ label on the GSS+ Bond.
- 12.3. Notwithstanding Article 12.2., the Authority shall have the power to take any other enforcement action against the issuer for the breach, including an enforcement action based upon any other act of non-compliance with relevant laws and regulations the Authority may deem fit and in the interest of the current and future investors in the GSS+ Bond.

Article 13: Suspension of trading of a GSS+ Bond

- 13.1. Any action by the Authority to suspend the trading of a GSS+ Bond shall be subject to the regulations issued by the Authority and the exchange rules for listed GSS+ bonds.
- 13.2. The Authority may require the removal of the GSS+ label from an approved GSS+ Bond where it is noted by the Authority or through the external reviewer's report that there has been sustainability washing or the GSS+ Bond has ceased to meet the prescribed eligibility requirements: Provided that in instances where sustainability washing has occurred, the action may constitute fraud, or misrepresentation to investors and therefore may be punishable under the Laws of Rwanda.

CHAPTER 5: EXTERNAL REVIEWER

Article 14: Eligibility as an External Reviewer

- 14.1. An External Reviewer appointed by the issuer shall be an entity –
 - a) Specialising in assessing the framework of the GSS+ bond's environmental and/or social objectives, with sufficient environmental and/or social, financial and market-specific expertise to perform a comprehensive assessment of the use of proceeds or general-purpose KPIs and SPTs;
 - b) independent of the issuer, its directors, senior management and advisors;
 - c) has not provided technical advisory or supported in either the development of the GSS+ bond framework in question or the GSS+ bond report
 - d) compliant with the International Capital Markets Association's Guidelines for External Reviewers, or approved under the Climate Bond Standards and Certification Scheme, or any industry body acceptable to the Authority, and to a Securities Exchange, in the case of a listed bond; and

- e) with significant and appropriate expertise needed for providing independent reviews on the relevant GSS+ bond.
- 14.2. Should the Authority become aware that the external reviewer that was appointed by an issuer has ceased to meet the requirements under Article 14.1., or has or might have, during the course of its appointment, breached any of the commitments made regarding the subject matter being reviewed or verified, the Authority may, after investigation:
- (a) allow the external reviewer to take measures to mitigate the impact of, or remedy the breach; or
 - (b) require the issuer to appoint a different External Reviewer.

CHAPTER 6: ADMINISTRATIVE PROVISIONS

Article 15: Commencement

The Capital Market Guidelines on Issuance of Green, Social, Sustainability and other Labels (GSS+) Bonds Guidelines shall come into force on the date of their signature.

Done at Kigali, on 9th December 2024

(Sé)

Marc HOLTZMAN

Chairperson, Board of Director

(Sé)

Thapelo TSHEOLE

Chief Executive Officer