

Support for the development of a legal framework and a practical basis for issuing sustainable debt

Deliverable 2.

Best practice report (comparative study) of other EU regions issuing sustainable debt

Technical Support Instrument

Supporting reforms in 27 Member States



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Support for the development of a legal framework and a practical basis for issuing sustainable debt. Deliverable 2. Best practice report (comparative study) of other EU regions issuing sustainable debt

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Contents

- Key terms 1
- 1 Introduction 2
 - 1.1 Context of regional issuers of sustainable debt 2
 - 1.2 Objectives and content of this report 5
 - 1.3 Overview of selected regional issuers 6
- 2 Comparative analysis of selected EU regions 9
 - 2.1 Sustainable finance strategy and strategic use of thematic bonds 9
 - 2.2 Characteristics of the thematic bond framework and issuances to date15
 - 2.3 Preparatory work required to ensure a successful sustainability bond issuance.....18
 - 2.4 Allocation process, management of proceeds and data management22
 - 2.5 Reporting, external review and relationship with investors24
- 3 Conclusions31
- 4 Key references for each region33
- Annex 1 Detailed Fiche – Flanders34
- Annex 2 Detailed Fiche – Hessen42
- Annex 3 Detailed Fiche – Île-de-France50
- Annex 4 Detailed Fiche – North Rhine-Westphalia64
- Annex 5 Detailed Fiche – Occitanie75
- Annex 6 Detailed Fiche – Stockholm84
- Annex 7 Detailed Fiche – Wallonia91

Key terms

Benchmark-size bond issuance	Market participants widely consider EUR 500 million to be the minimum offering size for a bond to achieve wide distribution, acceptable liquidity and reference status for pricing.
Bond issue	A sale of bonds to investors.
Eligibility criteria	Eligibility criteria are the conditions that must be met by assets and or activities to benefit from the use of proceeds of a specific thematic bond. These criteria are defined in the bond framework and most of the time aligned with existing standards or frameworks (e.g. the EU Taxonomy Regulation).
EU Taxonomy Regulation	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.
Green bond	Green bonds are bonds which enable capital-raising and investment for new and existing projects with a positive impact on the climate or the environment.
Green, social or sustainability bond framework	Document created by the issuer that clearly articulates the issuer's proposed use of proceeds from the bond. The framework clearly defines the eligibility criteria that will have to be met by the assets benefiting from the use of proceeds. It also provides transparency on (1) the processes to select eligible assets, (2) the management of the bond's proceeds, and (3) the reporting associated with the issuance.
Issue size	The total value of a bond issue.
Liquidity	The ease with which an asset, or security, can be converted into ready cash without affecting its market price.
Maturity	The period until a bond's principal is repaid.
Second party opinion	An assessment of an issuer's green bond framework by an external reviewer.
Social bond	Social bonds are issued to raise funds for new and existing projects with positive social outcomes.
Sustainability bond	Sustainability bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both green and social projects.
Thematic bond	Thematic bonds are debt-raising instruments which allow investors to finance specific investment themes (e.g., sustainability bonds, social bonds, blue bonds).

1 Introduction

This report is the second Deliverable of the project entitled “*Support for the development of a legal framework and a practical basis for issuing sustainable debt*” commissioned by the Directorate-General for Structural Reform Support (DG REFORM) of the European Commission for the benefit of the Region of Andalusia (RA). The project aims to provide the authorities of the RA with improved institutional capacity to design, develop and implement sustainable finance reforms. The key objectives of these reforms are to more effectively align future regional expenditures with environmental and social objectives and associated UN Sustainable Development Goals (SDGs) and to contribute to the mobilisation of private financing towards these objectives. The RA is an active player in sustainable finance and has already implemented different policies and tools to align its activities and expenditures with environmental and social objectives. Building on this work, the region issued its Sustainable Finance Framework¹ in March 2021. This document defines the criteria and process that the RA will follow to issue sustainable finance instruments, including green, social and sustainability bonds or loans.

In this context the specific objectives of this project are to:

1. Identify best practices among European sub-national issuers of green and sustainability bonds and use these to inform the refinement of the RA’s Sustainable Finance Framework;
2. Support the assessment of the RA budget against existing frameworks, such as the EU Taxonomy for sustainable activities² and the UN SDGs;
3. Identify which economic activities can be considered as sustainable based on the EU Taxonomy and the SDGs and identify investment opportunities to further support the sustainable transition of the RA; and,
4. Support the revision of the RA’s Sustainable Finance Framework and support stakeholder outreach and capacity building.

This report focusses on the first objective listed above. It is structured as follows:

- The remainder of Section 1 provides more background about sub-sovereign green and sustainability bond issuers in Europe and the methodology deployed to inform this report;
- Section 2 presents the results of the comparative analysis of selected European sub-sovereign issuers;
- Section 3 presents the key conclusions stemming from this report; and,
- Annexes 1 to 7 provide the detailed analysis of each of the seven selected EU region’s green and/or sustainability bond frameworks.

1.1 Context of regional issuers of sustainable debt

Regional actors play a critical role in the transition to a sustainable economy, notably by setting policy frameworks and deploying public finance. Although the mandate of sub-sovereign actors varies considerably across countries, it is often associated with the welfare state and covers activities linked to education, health or social services; it also encompasses regional infrastructure and economic development. Around the world, regions are therefore setting climate, environmental and sustainability strategies to play their part in

¹ https://www.juntadeandalucia.es/export/drupaljda/Andalucia_Sustainability_Framework_March_2021.pdf

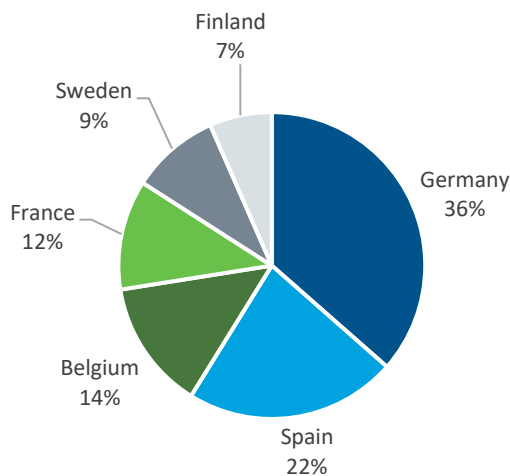
² https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

the fight against climate change, biodiversity loss and social inequalities. Many public services and infrastructure projects that can contribute to environmental and social ambitions are indeed funded and/ or implemented by regions. Regions therefore have a strong mandate to channel their investments into sustainable activities to meet their political commitments and achieve environmental and social progress.

In this context, sustainable finance is regarded as a key tool to achieve environmental and social objectives. By integrating environmental, social and governance (ESG) considerations into investment decisions, private and public finance can be mobilised and channelled into the transition to a climate neutral, nature positive and socially fair economy. Public actors, including sub-sovereign ones, often need funding to complement their own resources and finance public services and infrastructure. Given the nature of these services, sustainable finance instruments represent innovative tools for regions to access private capital and raise green or sustainable debt.

Investors are increasingly interested in social responsibility, and are starting to incorporate ESG factors into their assessments of sub-sovereign bonds.³ Investors are also recognising the role that regions can play in sustainable investment. Moreover, the consideration of ESG factors by investors is set to increase, which will likely place new demands on issuers. At the same time, sustainable debt issuance can offer several benefits to regional issuers, including helping them attract new investors, creating domestic green markets and mobilising private capital. Done well, with strict adherence to standards, such issuance can also help regions to showcase their sustainable investment and act as leaders and influencers on the international stage.

Figure 1.1 Between 2012 and 2021 sub-sovereign actors across six different EU Member States had issued a total of EUR 51.8 billion in thematic bond



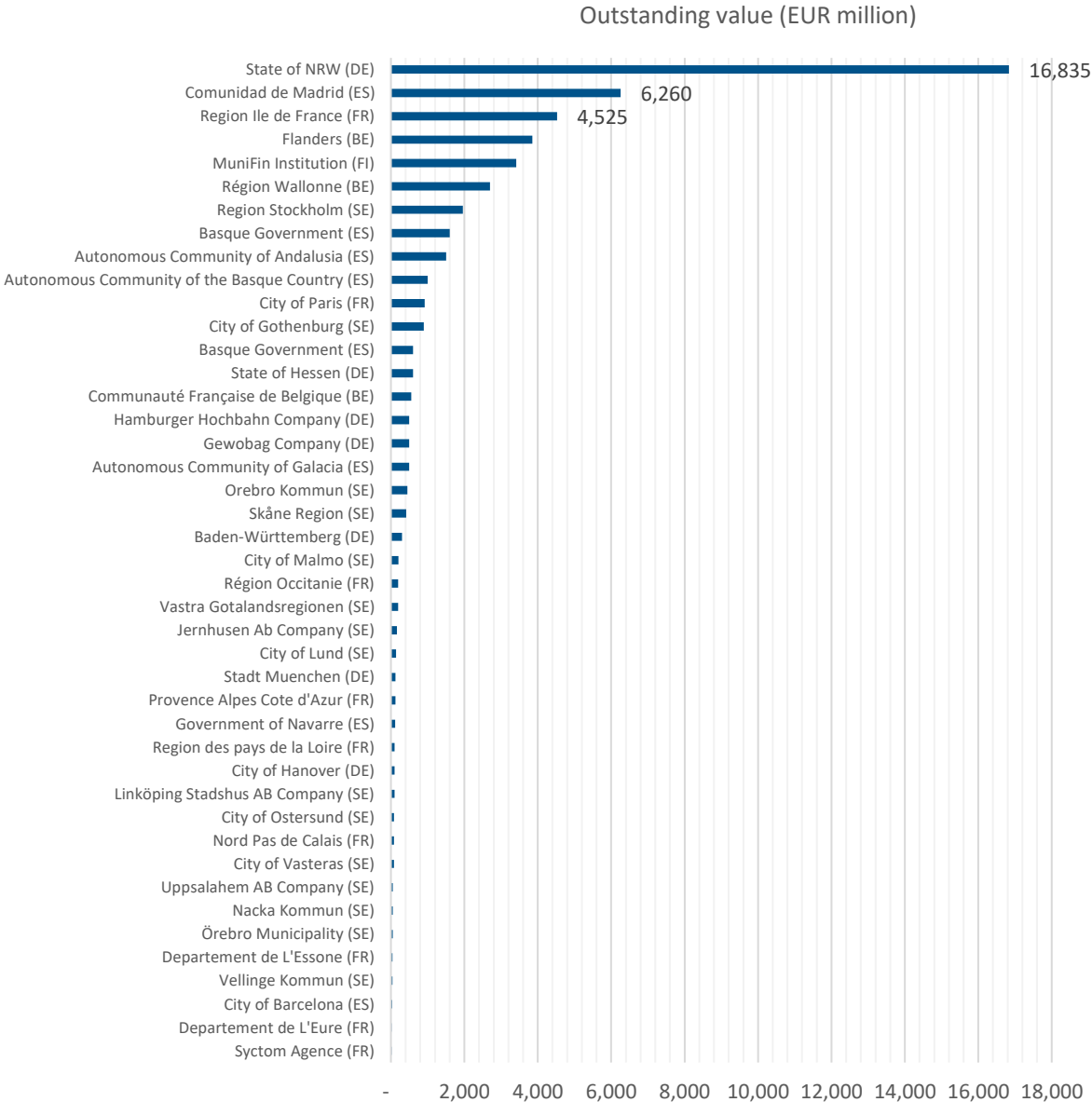
Source: *Bonddata.org*

The Region Ile-de-France was the first sub-national green bond issuer globally in 2012. Since then, other European regions have entered the sustainability bond market, issuing a total volume of EUR 51.8 billion between 2012 and 2021. These sub-sovereign issuers are concentrated in a few EU Member States, namely: Germany, Spain, Belgium, France, Sweden and Finland,⁴ with the split per Member State shown in Figure 1.1. Figure 1.2 shows the total thematic bond volume issued per sub-sovereign issuer in the EU.

³ <https://www.unpri.org/investment-tools/fixed-income/sub-sovereign-debt>

⁴ Calculated from <https://www.bonddata.org/>

Figure 1.2 Thematic bond volume issued per sub-sovereign issuer



Source: Bonddata.org

The European Commission’s Renewed Sustainable Finance Strategy, published in July 2021, sets out multiple initiatives aimed at improving the financing of sustainable economic activities.⁵ Some of these are relevant to public authorities, such as the EU Taxonomy, the establishment of a framework for sustainability labels for financial instruments, and the support of public authorities in directing their budgets towards green priorities. These initiatives will directly or indirectly impact the investment framework of sub-national authorities.

⁵ <https://www.regulationtomorrow.com/eu/european-commission-publishes-its-renewed-sustainable-finance-strategy/>; https://eur-lex.europa.eu/resource.html?uri=cellar:9f5e7e95-df06-11eb-895a-01aa75ed71a1.0001.02/DOC_1&format=PDF

1.2 Objectives and content of this report

Considering the importance of a clear and succinct green, social or sustainability bond framework to not only support issuers in channelling investment towards sustainable activities, but also provide clarity to investors, this report presents best practices among EU sub-national green and sustainability bond issuers. Given the relatively limited literature on this topic to date, the objective of this report is both to inform the sustainable finance framework and agenda of the RA, as well as to more generally inform other EU regions that are considering the opportunity to use sustainable finance instruments to support their activities.

The best practices presented in this report are the result of a comparative analysis of the green, social and sustainability bond frameworks and issuance processes of selected EU sub-sovereign issuers. Section 1.3 presents the seven regions that were selected for this comparative analysis together with the rationale for their selection.

The comparative analysis is structured around the elements underpinning the issuance of green, social and sustainability bonds, grouped in five areas:

1. Sustainable finance strategy and strategic use of thematic bonds
2. Characteristics of the thematic bond framework and issuances to date
3. Preparatory work required to ensure a successful sustainability bond issuance
4. Allocation process, management of proceeds and data management
5. Reporting, external review and relationship with investors

The results of this report were derived from a detailed analysis for each selected region, developed through desk-based research, semi-structured interviews organised with the issuers and the discussions undertaken during a hybrid workshop (i.e., combining in-person and virtual attendance) organised in Seville on 3 December 2021, with the participation of experts from the selected EU regions. Box 1.1 below provides more details about this workshop. The research and discussions were structured around the aforementioned areas. Detailed fiches are presented for each selected issuer in Annexes 1-7. The fiches were used as the basis for the comparative analysis between the regions and for the identification of best practices of relevance to the RA.

Box 1.1 Sub-Sovereign sustainable debt: the role of EU regions in financing the sustainable transition

On 3 December 2021 a workshop with leading EU regional green, social and sustainability bonds issuers was organised in Seville with the support of the TAIEX tool⁶ as part of the project. The aim of the workshop was to create momentum around the role of sub-sovereign entities in the sustainable finance transition and the ambition of the RA in this context. It was entitled “**European best practices on sustainability bond issuance**” and provided a forum for discussions between the RA and the selected EU regions issuing sustainable debt.

The specific objectives of the workshop were to:

- Explore examples of good practices among sub-sovereign issuers through a series of round table discussions focused on particular elements of the sustainability bond issuance process;
- Discuss challenges and opportunities ahead for the EU regions issuing sustainable debt; and,
- Increase collaboration and knowledge transfer between EU regions issuing sustainable debt.

The workshop was divided into three round tables focusing on:

⁶ TAIEX TSI events are organised by DG NEAR in agreement with DG REFORM for the benefit of Member States that are receiving technical support through the Technical Support Instrument (TSI). In the TSI context, the TAIEX tool aims to facilitate exchanges between Member States’ administrations.

> **Round table #1.** How to best integrate the sustainability bond issuance process with the (green) budgeting process?

> **Round table #2.** How to identify eligible activities and deal with potential conflicting objectives and what role can the EU Taxonomy play in this context?

> **Round table #3.** How to identify an appropriate and manageable number of impact indicators and ensure efficient data management?

The workshop was facilitated by the project team and representatives from DG REFORM, RA, Hessen, NRW, Occitanie, Stockholm and Region Ile-de-France participated in the event. The key outcomes of the workshop are presented throughout this report.

1.3 Overview of selected regional issuers

The selection of the sub-sovereign issuers included in the comparative analysis was based on the following criteria:

- the need to select issuers demonstrating a certain level of experience in thematic bond issuance (e.g., in terms of volume and number of issuances);
- the need to select issuers demonstrating good practices recognised by peers (e.g., through awards);
- the need to select issuers with similar characteristics as the RA, (e.g. in terms of budget size, level of economic development, competencies and priorities, and approach to green budgeting).

Table 1.1 presents the list of the EU regions selected, based on the above criteria and in cooperation with the RA authorities. The table also provides the rationale behind their selection.

Table 1.1 Regional issuers selected for detailed analysis

Issuer	Key characteristics	Rationale for selection
Region of Andalusia (Spain)	<ul style="list-style-type: none"> ■ First issuance: 2021 ■ Number of issuances: 2 ■ Volume issued: EUR 1.5 billion ■ Type of bonds: Sustainability ■ Regional eligibility status⁷ for EU funds (2021-2027): Less developed ■ Amount of EU funding (2014-2020): EUR 7.72 billion ■ EU funding / GDP ratio: 4.68% 	N/A

⁷ https://ec.europa.eu/regional_policy/sources/policy/communication/regional_offices/eric_vonbreska.pdf

Issuer	Key characteristics	Rationale for selection
Region of Wallonia (Belgium)	<ul style="list-style-type: none"> ■ First issuance: 2019 ■ Number of issuances: 4 ■ Volume issued: EUR 2.7 billion ■ Type of bonds: Green, social & sustainability ■ Regional eligibility status for EU funds (2021-2027): In transition ■ Amount of EU funding (2014 – 2020): EUR 3.82 billion ■ EU funding / GDP ratio: 3.47% 	<p>The Region of Wallonia issued its inaugural EUR 1 billion sustainability bond in April 2019. This issuance attracted more than EUR 3.5 billion of demand from more than 200 investors and was awarded the “Sustainability bond of the year” by Environmental Finance.⁸ Similarly to the RA, Wallonia benefits from considerable EU funding (EUR 3.8 billion over the last Multi-annual Financial Framework (MFF), representing 26% of the 2020 annual budget of the region⁹). The region’s eligibility status for the next MFF is “in transition” while the status of the RA is “less developed”. The Region of Wallonia is therefore facing similar challenges as the RA in terms of management of proceeds and potential double counting between different sources of funds (EU, federal, etc.); it is also likely to have good lessons learned in terms of engagement with investors.</p>
Region Ile-de-France (France)	<ul style="list-style-type: none"> ■ First issuance: 2012 ■ Number of issuances: 10 ■ Volume issued: EUR 4.5 billion ■ Type of bonds: Green & sustainability ■ Regional eligibility for EU funds (2021-2027): More developed ■ Amount of EU funding (2014 – 2020): EUR 1.05 billion ■ EU funding / GDP ratio: 0.14% 	<p>The Region Ile-de-France was the first sub-national green bond issuer globally in 2012. Since then, the region has been a leading player in the field of green and sustainability bonds and this role was recognised by multiple awards: the latest being the award for the “Sustainability bond of the year” in 2019¹⁰. The region published its latest bond framework in March 2021 and is one of the first issuers to disclose alignment to the EU Taxonomy. The region’s reporting framework is also recognised as a good practice model among its peers. Although the region shows different characteristics than the RA, in terms of socio-economic development and level of EU funding, it provides multiple good practices to learn from.</p>
Region Occitanie (France)	<ul style="list-style-type: none"> ■ First issuance: 2018 ■ Number of issuances: 1 ■ Volume issued: EUR 0.2 billion ■ Type of bonds: Sustainability ■ Regional eligibility status for EU funds (2021-2027): In transition ■ Amount of EU funding (2014 – 2020): EUR 5.99 billion ■ EU funding / GDP ratio: 3.33% 	<p>The Region Occitanie shows several common characteristics with the RA in terms of GDP (EUR 180bn vs. EUR 165bn for RA), level of EU funding during the last MFF (EUR 6bn vs EUR 7.7bn) and structure of the territory (important agri-food sector, coastal region and several important cities). Occitanie has only completed one issuance to date (of EUR 200m in 2018) and the competencies of the regional authorities are very different to those of the RA since France is a more centralised state than Spain. However, in 2021 the Region adopted a green budgeting approach and thus the RA could gain insights from their experience.¹¹</p>

⁸ <https://www.environmental-finance.com/content/awards/green-social-and-sustainability-bond-awards-2020/winners/sustainability-bond-of-the-year-local-authority/municipality-walloon-region.html>

⁹ The RA benefited from EUR 7.7 billion during the last MFF representing 19% of the 2021 annual budget.

¹⁰ <https://www.environmental-finance.com/content/awards/green-social-and-sustainability-bond-awards-2019/winners/sustainability-bond-of-the-year-local-authority/-municipal-region-ile-de-france.html>

¹¹ <https://www.laregion.fr/Un-budget-2021-solidaire-et-volontariste#L-Occitanie-premiere-Region-de-France-a-adopter-un-budget-vert>

Issuer	Key characteristics	Rationale for selection
State of North Rhine-Westphalia (NRW) (Germany)	<ul style="list-style-type: none"> ■ First issuance: 2015 ■ Number of issuances: 10 ■ Volume issued: EUR 16.8 billion ■ Type of bonds: Sustainability ■ Regional eligibility status for EU funds (2021-2027): More developed ■ Amount of EU funding (2014 – 2020): EUR 5.47 billion ■ EU funding / GDP ratio: 0.76% 	<p>NRW is by far the largest sub-national sustainability bond issuer in Europe. Since its entry on the market in 2015, NRW returned to the market every year, each time with a larger issuance. In 2019, they won the “Sustainability bond of the year” in the category ‘sub-sovereigns, supranational and agencies’ by the journal “Environmental Finance” and they were praised for their continuous improvement and transparency on the underlying projects, even before issuance. In addition, NRW has received the following awards for its sustainability bond programme: “Most Impressive Municipal/Local Authority Green/SRI Bond Issuer” in 2017, and “Most Impressive Local Government Green / SRI Bond Issuer” in 2019 and 2021, by the Global Capital journal. Despite operating in a very different socio-economic context (i.e., an industrial region with a very large budget and different level of EU funding), NRW has good practices that can be insightful to the RA.</p>
State of Hessen (Germany)	<ul style="list-style-type: none"> ■ First issuance: 2021 ■ Number of issuances: 1 ■ Volume issued: EUR 0.6 billion ■ Type of bonds: Green ■ Regional eligibility for EU funds (2021-2027): More developed ■ Amount of EU funding (2014 – 2020): EUR 1.3 billion ■ EU funding / GDP ratio: 0.45% 	<p>Hessen issued its first inaugural green bond in 2021 and is a frontrunner on sustainable finance. It invests exclusively in a sustainable stock index and was the first German Federal State to join the UN Principles for Responsible Investments (UN PRI) with regards to their pension reserve. Hessen is also engaged in the Green and Sustainable Finance Cluster Germany, the central financial market initiative in sustainable finance. Its inaugural bond covered a number of sectors of relevance to the RA, such as public transport, water management and biodiversity. Hessen has also started to allocate the project categories to EU environmental objectives as a first step towards the EU Taxonomy, and implemented an internal system to manage the data collection on expenditure and impacts.</p>
Region Stockholm (Sweden)	<ul style="list-style-type: none"> ■ First issuance: 2014 ■ Number of issuances: 19 ■ Volume issued: EUR 1.9 billion ■ Type of bonds: Green ■ Regional eligibility status for EU funds (2021-2027): More developed ■ Amount of EU funding (2014 – 2020): N/A ■ EU funding / GDP ratio: 0.05% 	<p>Stockholm has had an Environmental Programme in place since 1990. It issued its first green bond in 2014 and has issued bonds annually since then. Its approach towards sustainable finance is to increase the share of green financing in its portfolio, with green bonds making up 30% of its portfolio. Its bond issuances have focused on the issuance of few large projects in the public transport and healthcare sectors, which are also priorities for the RA. Stockholm also contributed to a Nordic public sector issuers position paper on green bonds impact reporting, which identifies general reporting principles and an environmental impact methodology for use by public issuers of green bonds.</p>
Flanders (Belgium)	<ul style="list-style-type: none"> ■ First issuance: 2018 ■ Number of issuances: 5 ■ Volume issued: EUR 3.8 billion ■ Type of bonds: Sustainability ■ Regional eligibility status for EU funds (2021-2027): More developed ■ Amount of EU funding (2014 – 2020): EUR 1.11 billion ■ EU funding / GDP ratio: 0.40% 	<p>Flanders is the leading economic region in Belgium and among the richest regions in Europe. It therefore operates in a different socio-economic context to the RA. Flanders’ sustainability bonds are intended to channel investments towards the pillars of its Vision 2050 priority sectors: energy, housing, education, and circular economy. Its framework differs from some of the other regions in that it is much more focused on these specific priorities.</p>

2 Comparative analysis of selected EU regions

2.1 Sustainable finance strategy and strategic use of thematic bonds

General trends and practices:

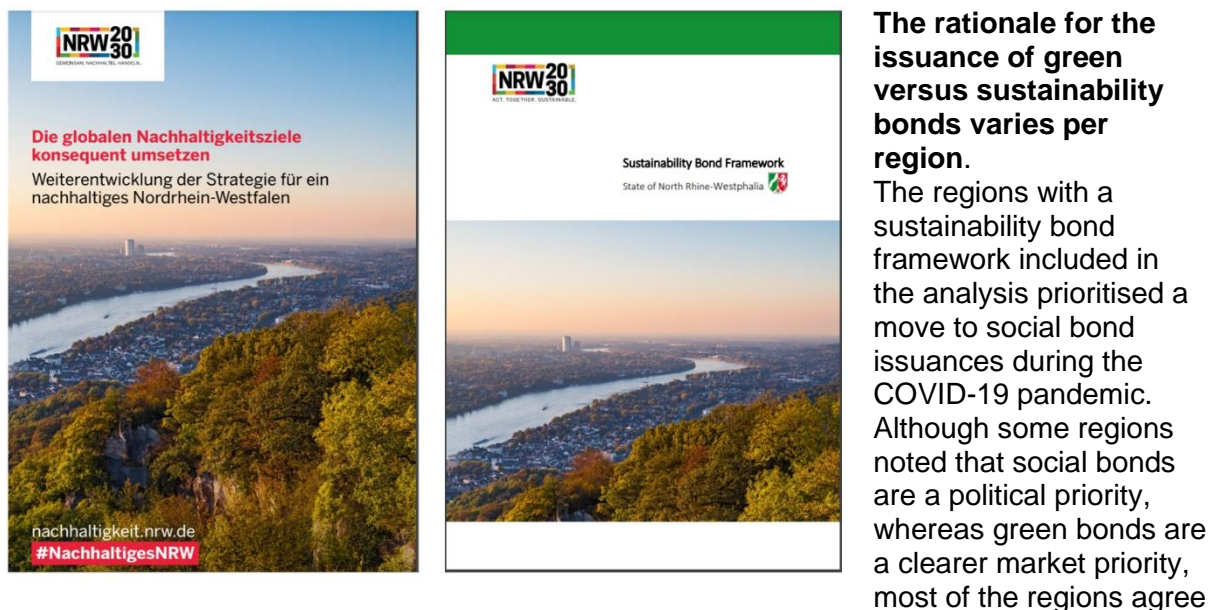
- ◆ **Thematic bonds are used to finance projects in line with regional sustainability strategies and the UN SDGs.** All regions have aligned their eligible categories with the pillars of their regional sustainability strategy and have created a mapping which demonstrates the contribution of the eligible categories to the UN SDGs.
- ◆ **Thematic bonds are part of the regional sustainable finance strategy.** They are part of a wider set of financial instruments to channel investments towards sustainable assets and to provide transparency to investors. Sustainability bonds provide the ability to address broader priorities compared to green bonds and can help smaller regions to issue benchmark-size bonds¹².
- ◆ **Regions are moving towards an increasing amount of green and sustainable financing,** with the aim of reaching 100% in the case of the French Region Ile-de-France and Region Occitanie. The German State of Hessen also participates in national and supranational financial market initiatives to build their capacity and influence international standards and financial norms.
- ◆ **In most cases there is an absence of a green budgeting approach, as well as a lack of political priority in this area.** Only Region Occitanie has adopted a green budgeting approach, but it is not directly linked to their green and social bond issuances.
- ◆ **Ile-de-France and Hessen have aligned their sustainability bond frameworks with the environmental objectives of the EU Taxonomy, and most of the other regions are also implementing or planning to implement initiatives related to the EU Taxonomy** into their processes as they see this as the most important future change to their framework. Some regions also plan to add more eligible categories and to expand the sectoral coverage to align with latest political priorities.

2.1.1 Motivations for issuing thematic bonds

The regions have several commitments to promote their transition to a sustainable economy. All the regions included in the comparative analysis have adopted comprehensive or sectoral strategies to achieve their climate, environmental and social ambitions. These serve as the political reference for sustainability bonds. For example, the State of NRW published a Strategy Paper on the cornerstones and ingredients for a new sustainability strategy in June 2014 which led to the adoption of its first Sustainability Strategy in 2016. An updated version of the Strategy was then issued in 2020, with specific goals and indicators thematically assigned to the UN SDGs. In parallel to the design of its sustainability strategy the State of NRW launched its sustainability bond programme in 2015 to finance its sustainability related projects.

¹² A benchmark size issuance is typically above EUR 500 million.

Figure 2.1 State of NRW’s Sustainability Strategy and Bond Framework



that sustainability bonds appeal to investors interested in both environmental and social impact and can help smaller regions to have an issuance volume which meets a benchmark-size offering of around EUR 500 million. Moreover, some projects can combine green and social aspects, and thus benefit from a sustainability bond framework. For example, schools and social housing projects can potentially combine expenditures in energy efficient buildings (green benefits) and access to education and affordable homes (social benefits).

While most of the analysed regions have a sustainability bond framework, the Region of Stockholm and the State of Hessen have a green bond framework. The focus on green bonds has enabled them to address the environmental priorities of the region. The two regions do not plan to issue social bonds in the near future. Figure 2.2 provides an overview of the key differences between green, social and sustainability bonds. While the choice of opting for a green, social or sustainability bond framework largely depends on the strategic objectives of each region, Box 2.1 provides some arguments in favour of sustainability bond frameworks, as identified by regional issuers.

Figure 2.2 Difference between Green, Social, and Sustainability Bonds

Green Bonds	Sustainability Bonds	Social Bonds
Proceeds must be used to fund projects that create positive environmental impacts.	Proceeds must be exclusively applied to finance a combination of both green and social projects.	Proceeds must be used to fund projects that create positive social impacts.

Source: ICF, 2022.

Box 2.1 The benefits of opting for Sustainability Bond issuance

Opting for Sustainability Bond issuance, instead of Green or Social Bonds can create various benefits. Sustainability Bond issuance can:

- Break the silos between finance directorates and other thematic directorates which help to create synergies and ensure coherence in regional governance;
- Support a culture of ex ante / ex post policy evaluation due to the focus on impact indicators;

- Contribute to a regions' understanding of how different activities can support a sustainable transition;
- Provide flexibility around using proceeds to fund both green and social priorities;
- Generate financial benefits (e.g., through allowing for larger issuances); and,
- Enable investor diversification.

2.1.2 Fit within the regional sustainable finance strategy

Thematic bonds tend to be part of a wider financing strategy for channelling finance for expenditures related to areas of action set out under the regional sustainability strategy. The Region of Flanders mentioned that thematic bonds create a tighter link with socially responsible investors by giving them the opportunity to flag their investments for sustainable projects. The region further noted that the issuance of sub-sovereign thematic bonds can also support the development of a liquid and efficient sustainability bond market at regional and national levels through showcasing government support to such initiatives, reassuring investors and ultimately encouraging issuance by local institutions.

Region Ile-de-France has a long-term financing strategy, mainly based on bond issuances, which from now on will exclusively consist of green and social bonds and loans. Its proportion of green and sustainability bonds within the region's outstanding debt has grown year-on-year to 75% in 2020. In 2019, the region committed to 100% green and sustainable financing. Similarly, the Region of Stockholm is focused on increasing its share of green financing, with green bonds and green loans making up to 59% of its portfolio.

Another region with an ambitious finance strategy is the State of Hessen, which has implemented a sustainable investment strategy for the State's pension reserve in 2012. It invests exclusively in a sustainable stock index and was the first Federal State to join the United Nations Principles for Responsible Investment (UN PRI) with respect to its pension reserve. Hessen is also engaged in the Green and Sustainable Finance Cluster Germany, the central financial market initiative in sustainable finance.

2.1.3 Link between the green budgeting approach and the thematic bond issuance

Despite their progressive sustainable finance strategy, the majority of the regions analysed in this study have not implemented a green budgeting approach, noting that this is not yet a political priority. The single exception is Region Occitanie.

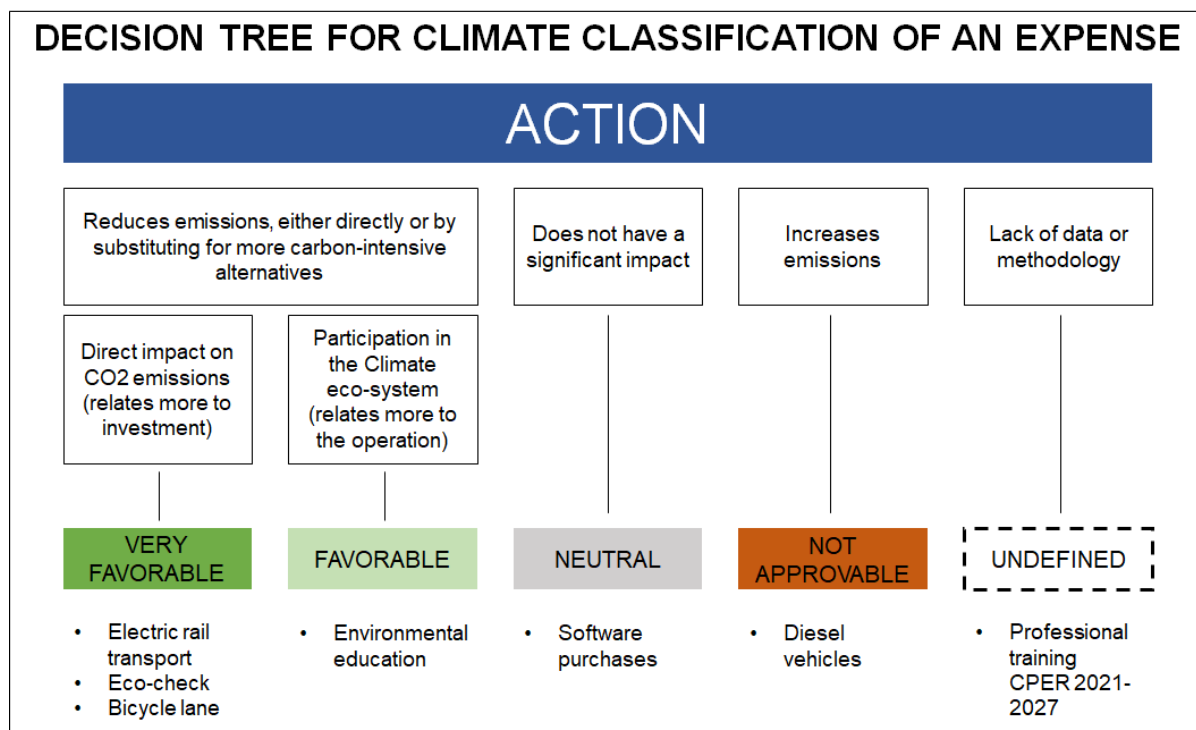
Region Occitanie was the first region in France to adopt a green budget. The approach, developed in collaboration with the Institute for Climate Economics (I4CE), provides a classification of projected expenditure based on climate impact, with regards to the Paris Agreement, France's National Low Carbon Strategy and the Positive Energy Region strategy.¹³ Based on this approach, 26% of the expenditures in the region's 2021 Budget were assessed as 'very favourable' or 'favourable' to the low-carbon transition (see Figure 2.3 for an illustration).

Region Occitanie's Green Budget was developed through the identification of the share of projects voted in the past two years that fall within the scope of the climate strategy for each budgetary operation. The approach relies on a climate assessment method for local authority budgets, which had previously only been implemented with large cities, and thus Region Occitanie piloted the approach for regions. Because of this lack of previous work to draw on, objective benchmarks for certain areas specific to regional action, such as vocational training

¹³ Region Occitanie, 2020. [Primary Budget 2021](#).

and agriculture, have yet to be developed. Region Occitanie’s 2021 Green Budget will be followed by the implementation of an administrative account which will make it possible to trace the expenditures voted in 2021.

Figure 2.3 The I4CE method adapted by Region Occitanie



Source: Presentation from the Region Occitanie.

Region Occitanie mentioned that while the Green Budget and the Sustainability Bond Framework are complementary, they remain distinct. Indeed, the Green Budget process starts with the classification of all regional policy actions according to their climate impact. By contrast, the issuance of green and social bonds entails selecting projects or schemes contributing to the ecological transition or the reduction of social and territorial inequalities. While the Green Budget exercise is very strategic, it is limited and not as broad in scope as the bond framework. For example, not all activities under the green bond framework are tagged as “very favourable” in the Green Budget exercise. While Occitanie sees an opportunity to expand the Green Budget exercise, the updated Sustainability Bond Framework will be the reference for future green and social bonds.

Another distinction is that the green budgeting exercise is conducted annually and enables an assessment of the evolution of the budget over time, in terms of contributing towards regional, national and EU climate ambitions. To ensure the credibility of the process, an expense is not classified when there is insufficient information to allow for a robust classification. Box 2.2 provides more details about green budgeting practices in the EU.

Box 2.2 Green Budgeting Practices at a National Level in EU Member States

While this report is focused on the practices of EU regions, some EU Member States have been implementing some form of green budgeting and their approach might provide relevant insights to

EU regions. Further information on this topic is available on the “Green Budgeting Practices in the EU: A First Review” discussion paper published in May 2021.¹⁴ Key conclusions of the paper are:

“Only few Member States appear to currently implement some form of green budgeting. These are Finland, France, Ireland, Italy and Sweden and to a certain extent also Denmark and the Netherlands. In addition, a green budgeting exercise for climate and biodiversity objectives is conducted for the EU budget.

The degree at which the environmental impacts of the budget are identified differs substantially across countries. France, Italy and the EU budget apply a form of green tagging covering the entirety or a large set of budgetary allocations and screening them with respect to specific objectives. The same exercise is being developed and applied in Ireland. For Finland and Sweden, the budget explicitly outlines budgetary allocations with environmental objectives, in a sort of light tagging exercise.

The practices also diverge with respect to the coverage, governance and transparency and accountability settings. Only in France and Italy, the entirety of the environmental objectives is covered, while only some selected objectives, particularly climate-related, are covered in the other budgetary practices.

In most cases, only planned expenditure figures are reported, particularly those with green impacts, whereas presentations of brown impacts or on the revenue side, including tax expenditure, are quite limited. Furthermore, the exercise encompasses the central budgetary authorities with no information on spending or revenue raising activities from local governments or state-owned enterprises.

The governance of the process can be more centralised (France) or decentralised, hence in this case considering more involvement of line ministries (Italy and Ireland). Little use is made of independent experts and reports are not subject to systematic and independent assessments or reviews.

The evidence reported highlights some key elements and institutional features that tend to frame green budgeting practices. In reviewing specific cases, four key elements emerge as distinguishing features necessary to define and implement green budgeting: (i) the coverage of environmental objectives, budgetary items and general government; (ii) the methodology for identifying the contributions to green objectives; (iii) the governance (who does what?); and (iv) transparency and accountability tools.”

While Region Occitanie is the only analysed region with a dedicated Green Budget approach, other regions are currently exploring this topic. This is for example the case of the State of NRW which is implementing an accrual accounting system that could include green and/ or sustainable budget elements as set out in Box 2.3.

Box 2.3 North Rhine Westphalia’s Accrual Accounting

The State of North Rhine-Westphalia does not currently apply a green or sustainable accounting system. However, such concepts might gain more attention in the course of the State’s ongoing implementation of accrual accounting.

By its inherent nature, accrual accounting is more output-oriented than the cash accounting procedure currently used. This exercise could result in a meaningful platform to include more comprehensive information about green and social projects in the budget, in particular with regard to goals and impacts of specific projects in these areas.

While the decision to implement accrual accounting is firm, no decision has yet been taken about green or sustainable budgeting. NRW mentioned that the discussions with other regions in the context of this project will contribute to their consideration on the topic.

¹⁴ https://ec.europa.eu/info/sites/default/files/economy-finance/dp140_en.pdf

2.1.4 Important changes in approach to thematic bond issuance in the future at the regional level

Most regions foresee that the most important changes to their framework will relate to aligning their frameworks with the EU Taxonomy. Region Ile-de-France, which recently updated its framework, has aligned it with the EU Taxonomy. Hessen also mapped the contribution of the project categories identified in its framework to the EU Taxonomy environmental objectives. The Stockholm Region has started the work to update their framework to align it as soon as possible and the results of this work will be released in the spring of 2022.

In terms of challenges associated with seeking this alignment, the consulted regions anticipate that fulfilling the Do No Significant Harm (DNSH) principle will be demanding. Box 2.4 explores some of the other challenges associated with the EU Taxonomy discussed with the regions during the workshop.

Box 2.4 Applying the EU Taxonomy on Green Bond Issuance

Région Île-de-France has started preliminary work on alignment of its Framework categories with the Do No Significant Harm (DNSH) principle described in the EU Taxonomy. Regarding the most important category, “clean transportation” (representing nearly 50% of the funds raised each year), Appendix 2 of its Framework demonstrates full alignment. This work started through a French legal environment analysis, to assess the alignment of French laws with the EU Taxonomy. It was assumed that given the Région Île-de-France is compliant with the law, if the EU Taxonomy DNSH principles do not go beyond legal requirements, then the sustainable bonds of the region can be considered as aligned. However, since the EU Taxonomy may establish new thresholds or criteria that are not transcribed yet in national legislation, the Région Île-de-France chose to also conduct an assessment per project financed.

Aligning Green Bond issuance with the EU Taxonomy might be challenging for sub-sovereign issuers, especially in an inaugural green bond, as the EU Taxonomy is more tailored to companies, and not regions. **Hessen** noted that for a region to consider the EU Taxonomy in its Green Bond Framework, it could initially simply match projects to the EU environmental objectives. As a second step, regions should confirm if the EU implementing regulation for the relevant environmental objectives has already been released. If not, it would be difficult to ensure that its projects really comply with the concrete environmental objectives. Finally, in seeking alignment with the EU Taxonomy, regions have to consider the DNSH principles.

The workshop revealed that for the regions, it is not fully clear how strict this principle should be applied. It could mean that the project has to fulfil with EU, national and regional legislation on environmental law, which would imply that regions de facto respect the DNSH principles as they follow and execute such laws. Alternatively, a stricter interpretation could mean that regions have to check whether there are absolutely no conflicts with any other environmental objectives – which can be challenging.

For example, in a bus fleet electrification project, small particles of the vehicles' tyre will be released and could thus pollute surface waters. In this case an electric bus project would be in conflict with the objective of water protection and ultimately not meet strict DNSH principles. Regions generally do not have enough data about the projects to ensure, for example that such particles would not pollute the water.

Some regions are considering expanding the sectoral coverage of their frameworks to better align with their latest strategic priorities. For example, the Region of Flanders has a framework covering four eligible green and social categories and is now looking to expand its framework to cover more categories linked with their political and budgetary priorities.

The State of NRW updated its previous framework and currently has one of the broadest frameworks among the regions analysed in terms of sector coverage, as it comprises eight eligible green categories and six eligible social categories. This approach has provided greater flexibility and inclusiveness for new projects, after changes in

government and the COVID-19 pandemic led to new priorities, such as digitalisation and health. The framework also allowed to include some of the green elements of the State's economic stimulus package during the pandemic, such as solar panels and reforestation.

Region Occitanie noted that as regional competencies have not changed since 2018, and the political majority is the same, there is no reason to change its eligible categories. The region mentioned that their projects will evolve to consider new priorities adapted to the needs of the territories.

2.2 Characteristics of the thematic bond framework and issuances to date

General trends and practices:

- ◆ **All the analysed green and sustainability bond frameworks are aligned with the International Capital Market Association (ICMA) categories and the UN SDGs.** All regions have mapped the contribution of their eligible categories to the achievement of the UN SDGs. Region Ile-de-France and Hessen have also mapped the contribution of the categories to the EU Taxonomy environmental objectives.
- ◆ **The details provided on the use of proceeds vary between the regions** and include: the nature of eligible expenditures; the context and regional objectives pursued; the eligibility criteria; examples of eligible projects; the expected environmental and social benefits; and, the target populations for social eligible categories. While Flanders provides a significant amount of qualitative information on the use of proceeds, most have kept the level of detail quite succinct in table format.
- ◆ **The sectoral coverage differs according to the competencies of the regions.** Most of the regions analysed have included climate mitigation-related categories covering transport, energy and buildings, whereas climate adaptation and other environmental categories, such as circular economy and biodiversity and ecosystems are not consistently included as part of region's frameworks. The social categories also differ by region.
- ◆ **The regions have defined eligibility criteria to evaluate potential projects.** The projects need to comply with the eligible expenditure, but also with laws and regulations, policies and guidelines, including sectoral exclusions and social safeguards. The Region of Wallonia and Region Ile-de-France also conduct a qualitative assessment of the management of the project.
- ◆ **The impact indicators included in the frameworks differ by region and range from 3 to 25 impact indicators.** Most regions have provided illustrative impact indicators for each of the eligible categories in the framework, although they have not committed to reporting on all the indicators. Most regions have omitted social indicators from the environmental categories and vice versa. Most regions have included output, outcome and impact indicators, although this again differs among the regions and the distinction between these different categories of indicators is not always clear.
- ◆ **Most regions' bond issuances are usually above EUR 500 million.** Most also use the proceeds to fund between 20 and 50 projects, while Region Stockholm mentioned funding only a handful of projects at a time and has a lower issuance volume per bond.

2.2.1 Characteristics of thematic bond framework

The analysed green and sustainability bond frameworks comply with the principles defined by the International Capital Market Association (ICMA) and, more particularly,

the Green Bond Principles (GBP), the Social Bond Principles and the Sustainability Bond Guidelines (SBG). All regions have mapped the contribution of their eligible categories to the achievement of the UN SDGs. The Region of Wallonia has mapped both the core and secondary UN SDGs and targets.

The sectoral coverage differs according to the competencies of the regions. Most regions have included climate mitigation categories related to energy, transport and buildings, whereas climate adaptation and environmental categories such as land use, ecosystems and the circular economy only appear in some of the frameworks. Across the social categories, the regions have included a range of sectors such as education, health, employment, social housing, social inclusion, and access to services.

The details provided on the use of proceeds differ by region, as summarised in Table 2.1. While some frameworks have included a significant amount of qualitative information, others simply refer to other documents and keep the information on the use of proceeds relatively succinct.¹⁵

Table 2.1 Details provided on the use of proceeds from selected regions

Use of proceeds details	Examples of regions	Examples of information provided in the detail
Eligible expenditures	State of Hessen Region Stockholm	<ul style="list-style-type: none"> ■ Construction of energy saving new buildings ■ Accessibility to public buildings and infrastructure
Context and regional objectives pursued	Region of Flanders Region Ile-de-France	<ul style="list-style-type: none"> ■ Context on sector and related regional programmes ■ Mapping of regional objectives pursued and regional eligibility criteria
Eligibility criteria	Region of Flanders Region Ile-de-France	<ul style="list-style-type: none"> ■ Eco-conditionality principles related to a reduction of the environmental footprint ■ Technical screening criteria for the corresponding activity in the nomenclature of the EU Taxonomy
Examples of eligible projects	Region of Wallonia Region Occitanie	<ul style="list-style-type: none"> ■ “Eco-cheques” programme for the energy renovation of housing ■ “Halls Relais” local shops for Direct sales from farmers to customers
Mapping against ICMA categories, UN SDGs and EU Taxonomy environmental objectives	Region Ile-de-France State of Hessen	<ul style="list-style-type: none"> ■ Main contribution to the UN SDGs ■ Evaluation of the alignment with the technical screening criteria of the EU Taxonomy environmental objectives
Environmental and social benefits	Region of Wallonia Region Ile-de-France	<ul style="list-style-type: none"> ■ Climate change mitigation ■ Access to housing ■ Access to healthcare and social welfare
Target populations for social eligible categories	Region Occitanie Region of Wallonia	<ul style="list-style-type: none"> ■ Low-income people ■ Elderly people ■ Young people

Source: ICF, 2022.

The regions evaluate the projects to ensure compliance with eligibility criteria. Most regions have specific criteria related to each eligible category, and general criteria related to the DNSH principle of the EU Taxonomy, social safeguards, exclusions (e.g. financial,

¹⁵ References to the thematic bond frameworks, SPO and issuance documents for each region are provided in Section 4.

sectoral) and controversies relating to particular eligible expenditure. Table 2.2 describes the various eligibility criteria used by the regions, accompanied by an explanatory description.

Table 2.2 Description of eligibility criteria from selected regions

Eligibility criteria	Examples of regions	Description of eligibility criteria
Compliance with eligible expenditure	Region of Flanders State of Hessen	Projects are evaluated according to their compliance with the scope and definition for each of the green and/or social expenditure defined in the Use of Proceeds section of the framework.
Alignment with the EU Taxonomy	Region Ile-de-France	The region evaluates the contribution to the EU Taxonomy Climate Change Mitigation objective. This is done according to the codification of the Statistical Classification of Economic Activities in the European Communities (NACE).
Financial exclusions	State of NRW Region of Flanders	Only projects with own discretionary spending are taken into account (net of EU grants, federal grants or other revenues earmarked for specific purposes).
Alignment with sustainability strategy	State of NRW Region Stockholm	NRW selects projects aligned with its Sustainability Strategy and maps each project to the UN SDGs. Region Stockholm selects projects aligned with its Environmental Programme and from 2022, the projects will be aligned with the region's new Sustainability Policy and Strategy.
DNSH principle	Region Ile-de-France State of NRW	Ile-de-France conducts an assessment of compliance with the relevant DNSH criteria. The State of NRW maps the projects to specific UN SDGs and ensures that the projects will not harm other objectives, as defined by the UN SDGs.
Compliance with social safeguards	Region Ile-de-France State of NRW	Compliance with national legislation related to the OECD's and the UN's Guidelines regarding human and social rights is evaluated, as well as against the EU's Minimum Social Safeguards.
Qualitative project management criteria	Region Ile-de-France Region of Wallonia	Compliance with nine qualitative criteria relating to the management of the project in its environmental, social, economic and governance responsibility dimensions is evaluated.
Controversies	Region of Wallonia State of NRW	The regions describe the process related to controversy on eligible expenditures, including the reallocation process and disclosure of the reallocation. This usually includes reallocating the net proceeds to other eligible projects within 12 months following the decision of reallocation.
Sectoral exclusions	Region of Wallonia State of NRW	The regions have defined a sectoral exclusion list, for example excluding nuclear energy production, fossil fuel production and electricity generation from fossil fuels, fossil fuel motorised vehicles, the production or trade of arms, tobacco products, alcoholic beverages and products or activities deemed illegal.

Source: ICF, 2022.

Most regions provide illustrative impact indicators for each of the eligible categories in their framework, although they have not committed to reporting on all the indicators provided in their framework, indicating that reporting is done on a best-efforts basis. The

regions also note that work on impact indicators is a continuous process, and that additional indicators could be added during the issuance process.

Most regions have identified social indicators in the social categories and environmental indicators in the environmental categories, whereas Flanders identified both environmental and social indicators across all eligible social and environmental categories. Flanders noted that it chose this approach because some projects may have both environmental and social benefits, such as social housing, schools and metro and tram projects.

Most regions have included different types of indicators (e.g., based on outputs, outcomes or impacts), although these differ amongst the regions. Most regions have included output or outcome indicators and some impact indicators for environmental categories, but only output or outcome indicators for social categories. Most regions do not differentiate between these types of indicators in their framework, with the exception of the Region of Wallonia. Region Ile-de-France only provides three impact indicators in its framework, whereas the State of NRW provides 35 impact indicators in its impact report.

2.2.2 Characteristics of issuances to date

Most regions issue benchmark-size bonds. While the volume issued per bond is typically larger than EUR 500 million, it varies by region, from EUR 115 million for the Stockholm Region's smallest issuance to over EUR 2 billion for the State of NRW's largest issuance. While most regions have issued green or sustainability bonds on an annual basis, the State of Hessen issued EUR 600 million in its last issuance and plans to issue new bonds only every three years, in order to have enough projects to fund under each bond, while meeting a benchmark-size offering and to meet the strict requirements of green eligibility.

There are fixed costs associated with each issuance, which means issuing many bonds of small volume can be more costly than issuing fewer bonds of a larger size. However, other aspects, such as the liquidity of the market, investor preference and the plans for use of proceeds (e.g., number of projects to be funded) can influence the optimal volume of issuance.

Most regions fund a significant number of projects per bond, although the number of projects funded varies between the regions. For example, Region Occitanie issued its first bond in 2018 to fund 50 projects focused on energy and the environment and social issues. The State of Hessen funded 20 projects with proceeds from its inaugural bond. On the other hand, Region Stockholm favours a more focused approach, and usually funds 2-3 large projects per issuance, such as the Roslagsbanan light railway system and the Sodertalje hospital.

2.3 Preparatory work required to ensure a successful sustainability bond issuance

General trends and practices:

- ◆ **The financial department engages internally with technical departments during the development of the framework.** The technical departments provide support in defining the eligibility criteria and identifying illustrative projects and impact indicators, which also helps to establish their buy-in and support for future bond issuances. Several regions were supported by banks or external consultants to develop their framework. All regions received a Second Party Opinion on their thematic bond framework.

- ◆ **The regions have built a dedicated team with a clear organisational structure** from the relevant financial and technical departments. The project team in charge of coordinating the selection and evaluation process usually sits within the finance department, while a separate technical committee is responsible for selecting, evaluating and reporting on the projects. All regions have established clear roles and responsibilities for relevant parties, including for selecting expenditures and preparing the impact report. In all regions, the project team and technical committee meet on a regular basis.
- ◆ **The regions have established a governance mechanism to validate the selection of projects presented in the allocation and impact report to investors**, and to propose changes to the framework. The steering committee meets a few times a year, when a decision needs to be taken, and the minutes are recorded and made publicly available.
- ◆ **The regions established an engagement strategy with relevant internal and external parties.** A lot of dialogue is needed with project partners, such as real estate and transportation companies. One region has supported project partners to create an internal system to manage the bond issuance process and indicator collection.
- ◆ **The regions have selected sizable projects with a clear impact to ensure that the impact can be reported to investors.** All regions evaluate the projects according to their compliance with the eligibility criteria defined in their framework. The selection starts with screening the budget plan for potential projects. The State of NRW and Hessen also screen the websites of the regional ministries and parliament and their press releases before organising meetings with the departments for identifying projects.
- ◆ **The State of NRW and Hessen have published a document with the description of all projects before the issuance of each bond**, as well as a Second Party Opinion analysing the sustainability quality of the projects.

2.3.1 Concrete steps undertaken to prepare the issuance

The preparatory work for regions starts with developing their bond framework. Several regions received technical support from one or several banks or external consultants to develop their framework. The regions have also received assistance from their technical departments to define the eligibility criteria for projects, to identify relevant projects and impact indicators, as well as to promote them in the context of preparing the investor roadshows.

All regions received a Second Party Opinion on their thematic bond framework. Region Occitanie mentioned that preparation of a second opinion report required significant efforts to be undertaken by the region, from selection of the specialised company by public tender, through the provision of a large documentary base, to answering the many questions aimed at defining the Environment, Social and Governance (ESG) profile of the region and the relevance of the framework and the projects identified. This represents about two to three weeks of work divided between the finance department, some representatives of the technical departments and the service provider.

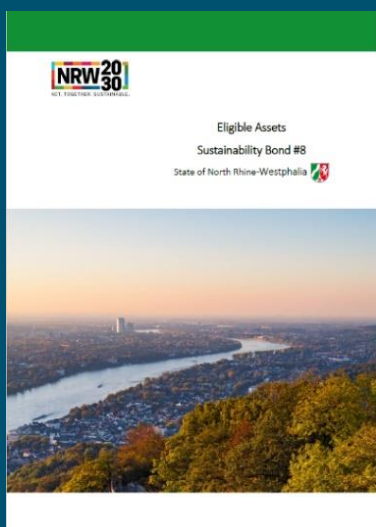
2.3.2 Process followed to identify eligible expenditures, evaluate and select them

Once the framework is defined, the issuance preparation process continues with the identification of eligible expenditures. There is no fixed process to complete this step and

different regions have tested different approaches. None of the analysed regions have developed an automated IT system allowing them to easily identify eligible expenditures based on their budget. Most of the regions start this process with the screening of the budget plan to identify potentially eligible projects or schemes. All regions have opted to select sizable projects with a clearly identified impact to facilitate the impact reporting process. For example, the State of Hessen only selects projects over EUR 1 million.

All regions evaluate the preliminary identified projects and schemes according to their compliance with the eligibility criteria defined in their framework. In addition to screening the budget, the finance department from the State of NRW screened the websites of the regional ministries and parliament, as well as their press releases, before going through their budgets with the objective of identifying projects. Once identified the State of NRW actually issues an Eligible Assets report before its issuance to reinforce the transparency of its process and inform investors. This is a unique feature among the analysed issuers which is described in more details in Box 2.5.

Box 2.5 NRW's efforts for ensuring transparency



The State of NRW has put significant effort into ensuring transparency in the selection process.

A description of all identified eligible assets is published pre-issuance¹⁶ for each sustainable bond, as well as a Second Party Opinion¹⁷ which analyses the sustainability quality of the projects.

The documentation contains a detailed description of each project, as well as the budget item number for each eligible asset, which is linked to the state's budget plan. This allows the traceability of each eligible asset back to the budget. In 2019 NRW received the award "Sustainability bond of the year" in the category "Sub-sovereigns, Supranationals and Agencies" from Environmental Finance rewarding among other its efforts towards transparency.¹⁸ Each project is also mapped against the SDGs.

The Eligible Assets report, published prior to NRW's 8th sustainability bond issuance in 2021, contains 75 projects.

Although some regions first screen the projects within the finance department, other regions outsource the screening to the relevant technical departments before doing a final review. Several regions noted that some departments resist shortlisting as they fear the reporting requirements, whereas others are more enthusiastic as they see this as an opportunity to showcase their projects. Their involvement during the development of the framework can increase their sense of ownership and willingness to participate.

The Region Hessen tested different processes to identify eligible expenditures and is combining a top-down and bottom-up approach as explained in Box 2.6 below.

¹⁶

https://www.nachhaltigkeit.nrw.de/fileadmin/Dokumente/8_Nachhaltigkeitsanleihe/NRW_State_Eligible_Assets_Sus_Bond_8.pdf

¹⁷

https://www.nachhaltigkeit.nrw.de/fileadmin/Dokumente/8_Nachhaltigkeitsanleihe/NRW_SPO_eligible_assets.pdf

¹⁸ <https://www.environmental-finance.com/content/awards/green-social-and-sustainability-bond-awards-2019/winners/sustainability-bond-of-the-year-sub-sovereigns-supranationals-and-agencies-nrw-state.html>

Box 2.6 Hessen's combination of top down and bottom-up approaches

Hessen combines two approaches to inform the selection of eligible activities and projects.

Top down: Consists of a proactive search for environment related expenditures focused on large projects. This encompasses engagement with ministries, website and press statement search, and looking for ICMA green categories in budget plans.

Bottom up: Consists of marking every relevant bookkeeping entry with green markers when inputting in the budget system.

The steps for selecting the projects financed using proceeds from Hessen's last bond issuance were:

- Step 1. Develop a longlist of 200 projects with relevant impact indicators (including carbon emissions) covering current and future planned expenditures. This longlist was the result of implementing the top-down and bottom-up approaches.
- Step 2. Downsize the longlist to 44 projects based on initial criteria (e.g., larger than EUR 1 million).
- Step 3. Further reduce the list to 20 projects accounting for EUR 655 million.
- Step 4. Classify the projects into the main 5-7 relevant topics.
- Step 5. Breakdown projects per ICMA GBP, UN SDGs and EU Taxonomy environmental objectives categories.
- Step 6. Prepare impact report ahead of issuance.

In Region Occitanie, the project team, which steers the identification and selection process, asks the Technical Monitoring Committee, composed of representatives of the Department of Budget and Financial Affairs, representatives of the Direction of Strategic Valuation of Information (in charge of the evaluation of public policies) and representatives of the Technical Departments, to select a certain number of investment projects or schemes. The project team is then responsible for reviewing and preparing a final list of projects or schemes including information on the amount of proceeds. The technical departments that are part of the Technical Monitoring Committee then assess this final list against the framework. The list is then sent to the Steering Committee, composed of the Region's president, the relevant Presidents of Commissions, and the General Direction of the Regional Administration, for final decision. Once this process has been completed, each Technical Department prepares the elements relating to the selected projects or schemes for producing allocation and impact reports. The information obtained is then centralised within the project team, who are responsible for consolidating the report.

2.3.3 Governance in place to support sustainability bond issuance

The regions have established clear governance mechanisms to validate the selection of projects presented in the allocation and impact reports to investors and to propose changes to their framework. The governance team is typically composed of relevant staff from their financial and technical departments and generally meets a few times a year, when new information is received, and decisions need to be made. Most regions have also established a project team in charge of coordinating the selection and evaluation process. Clear roles and responsibilities are established for relevant parties from the financial and technical departments responsible for selecting expenditures and preparing the impact report. Across all regions this project team meets on a regular basis throughout the year.

In Region Occitanie, the Steering Committee was created with a view to validate the selection of projects presented in the allocation and impact report to investors and to propose changes to the framework for regional issuances so that it continuously reflects the regional strategy, legislative and technological developments and market practices. The Committee focuses on changes to the categories of eligible green and social projects and the eligibility criteria relating to these categories, and on impact indicators and their calculation methodologies.

Most regions stressed the need to establish an engagement strategy with relevant internal and external parties during the project selection and reporting process.

Region Stockholm noted that a lot of dialogue is required with project partners, such as real estate and transportation departments. The region has supported project partners to create an internal system to manage the allocation and indicator data collection process. The State of Hessen noted that to avoid delays in receiving project data and approvals from departments, they have established a process where a focal point at similar seniority level actively reaches out to the target stakeholder to request information or approval. Box 2.7 below explains the process put in place by the Region Ile-de-France to ensure close cooperation between the departments involved in the issuance process.

Box 2.7 The importance of formalising processes ahead of issuance in Ile-de-France

Ile-de-France has established a close cooperation between the operational, technical, and financial departments ahead of publishing the framework and issuing the bonds. The goals of this cooperation include: (i) ensuring a common understanding about the goals of the evaluation of the social and environmental impacts of projects, (ii) assess indicators that are already available and select those that match current regulations and processes, (iii) securing data availability, and (iii) enabling communication across the departments.

The formalisation of a process ahead of issuance strengthens the traceability and verification of the selection of the projects. Furthermore, a well-structured process for the management and allocation of proceeds, including a high level of details (e.g., allocation period, publication, procedure applied in case of project/asset divestment or postponement), is important for investors.

2.4 Allocation process, management of proceeds and data management

General trends and practices:

- ◆ **The regions have a process for allocation of proceeds in a defined period of time.** The common practice is to allocate the net proceeds of the bonds within 12 months of the issuance.
- ◆ While the Region of Stockholm has a dedicated account for thematic bond proceeds, **the majority of regions use an account which is shared with other expenditures.**
- ◆ **Some regions have established a register to monitor and track the use of proceeds**, while the State of Hessen has also linked this to its budget to ensure traceability. The regions also use this register to ensure that the allocation of proceeds is **not listed within the same budget of other sources of funding**, such as any EU programmes, federal grants or other revenues earmarked for specific purposes.
- ◆ **Most regions have defined measures in case the net issue proceeds exceed the region's expenditures for eligible projects in the year of issuance.** The common practice is that in the event of divestment in an eligible project or if an expenditure becomes ineligible, the funds will be reallocated within 12 or 24 months.

- ◆ **Most regions have a process to monitor and respond to potential ESG controversies and ineligible projects.**

2.4.1 Processes in place to allocate the proceeds

The regions have a clear process for allocation of proceeds in a defined period of time. For example, in Region Ile-de-France, the net proceeds of the bonds are recorded as investment income and cover the investment expenditure of the year of the issuance. Proceeds are only allocated to eligible projects for which funds have been disbursed at the end of the year, meaning that the net proceeds of the bonds will be allocated within 12 months or less of the issuance.

Similarly, in the Region of Wallonia the net proceeds of the bonds are exclusively allocated for the recent expenditures financed and/or refinanced in the year preceding the issuance date, and current expenditures financed and/or refinanced in the same year as the issuance date. The allocation period has been defined as 12 months. As long as the proceeds are outstanding, the unallocated proceeds will be held in money market products and placed, when possible, in temporary placement mechanisms that include ESG criteria.

Most regions have systems which ensure that the allocation of proceeds will not allow for listing of the same budget allocation twice. In the State of Hessen, every project needs to declare the sources of funding in the tagging, even for co-funded projects, which enables the State to only use the bond to finance the amount funded by the State. In the Region of Wallonia, a register was set up to ensure that the allocation of proceeds is not listed within the same budget of other funding sources, such as any EU institutions or programmes (e.g., ECB, EIB, ERDF), the Belgian Federal State grants, or other revenues earmarked for specific purposes (i.e., dedicated regional funds). The Region of Wallonia intends to implement dedicated green and social budgetary categories for funds allocation linked to the framework.

Similarly, in the case of the State of NRW, eligible projects have been determined by only considering the State of NRW's own discretionary spending (net of EU grants, federal grants or other revenues earmarked for specific purposes) to avoid double counting. To maximise the additionality of the sustainable bonds, the State of NRW's personnel costs as well as projects prescribed by federal law are excluded. All eligible projects are part of the State of NRW's discretionary spending of the current fiscal year and can thus be traced to the publicly-available NRW Budget Plan 2021. Only the expenditures of the ongoing fiscal year are considered. Therefore, if a project runs for more than one year, it might be part covered by subsequent issuances.

2.4.2 Processes to respond to divestment or ineligibility

The regions have defined coherent back-up options in case the net issue proceeds exceed the region's expenditures for eligible projects in the year of issuance. For example, the State of Hessen mentioned that in its inaugural bond, it had selected EUR 640 million of projects, but decided to issue a bond of EUR 600 million for contingency in case some expenditures had to be reallocated to activities not eligible under the green bond framework.

Similarly, in the Region of Wallonia, until proceeds are allocated in full to eligible projects, the region maintains an aggregate amount of assets within its portfolio of eligible projects that is at least equal to the aggregate net proceeds of the bonds. In the event of project divestment or if an expenditure becomes ineligible for any reason, the funds will be reallocated within 12 months, following the decision of reallocation.

In the Region Ile-de-France, if the region faces a major controversy on an eligible expenditure, or an eligible project becomes ineligible, is postponed or divested, then the region reallocates the net proceeds to other eligible projects that meet the eligibility criteria of the framework within 24 months of the reallocation decision.

The regions have also set up processes to monitor and respond to controversies and ineligible projects. Controversies may come to attention through NGO reports and dialogues, or through media exposure, which will then be subject to further inquiry and debates. For example, the State of NRW has an internal procedure related to monitoring and responding to potential ESG controversies and Ile-de-France is in the process of formalising internal procedures to monitor and respond to controversies.

2.4.3 Processes in place to manage proceeds and ensure traceability

The regions also have clear processes for monitoring and tracking the use of proceeds and ensuring traceability. For example, the State of NRW monitors and tracks the expenditures for selected projects through its internal accounting system and seeks to allocate an amount at least equal to the net proceeds of the thematic bond. A list of eligible projects is kept by the treasury team to ensure that the proceeds are sufficiently allocated to eligible projects. All projects are part of the state's discretionary spending of the current fiscal year and can be traced to the NRW Budget Plan of the current year.

In the majority of the analysed regions, the bond proceeds are credited in the regional account system, which is shared with other expenditures. By contrast, in the Region of Stockholm, the net proceeds of any green bond issued under the Stockholm County Council Green Bond Framework are credited to a dedicated account (“the Green Account”). A transfer from the Green Account is only allowed in an amount corresponding to the financing of eligible projects, or to repay a green bond. If a project no longer qualifies, the funds will be reallocated to other eligible projects. The Green Account ensures strong monitoring and tracking of the green bond's use of proceeds.

2.5 Reporting, external review and relationship with investors

General trends and practices:

- ◆ **The regions have selected their impact indicators through consultations with technical departments and consultants.** Some of the regions added further indicators to those provided in the framework at project level after issuance, depending on the specificities of each selected project.
- ◆ **The regions have published their own methodology document which provides the reasoning for their reporting approach and the underlying methods, data used, and assumptions made.** In addition to designing its own methodology, the Region of Stockholm has contributed to a position paper¹⁹ on green bond impact reporting developed by a group of Nordic public sector green bond issuers, with the objective to share experience, foster harmonisation and inform potential new issuers.
- ◆ **In general, the consulted issuers found that defining impact indicators and identifying the data required to inform them were challenging tasks.** Data collection is mainly carried out by the operational departments concerned, and service providers where relevant, with the support, when necessary, of certain beneficiaries or

¹⁹ https://www.kuntarahoitus.fi/app/uploads/sites/2/2020/02/NPSI_Position_paper_2020_final.pdf

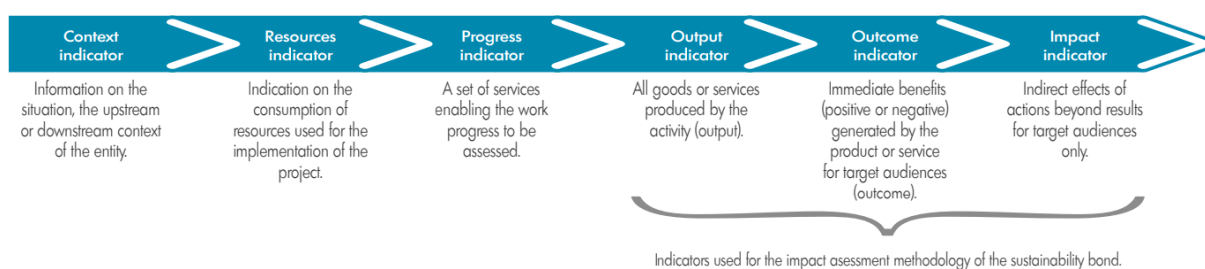
project partners. The process consists of defining: (1) the data collection methods; (2) the nature and volume of the data to guarantee objectivity and relevance; (3) the format and unit of measurement; and, (4) traceability.

- ◆ **Most regions did not report on all the indicators identified in their framework.** The State of NRW specified that they were able to collect impact indicators for 50% to 70% of the financed projects due to a lack of data. Most regions faced challenges during the data collection process.
- ◆ **Most regions carry out the impact reporting internally through their technical departments.** However, the State of NRW and Region Occitanie have outsourced the process to independent third-party organisations. The organisation supporting the State of NRW manages the impact indicator selection and impact reporting entirely, while the organisation supporting Region Occitanie only managed the impact reporting.
- ◆ **The Region of Stockholm underscored the importance of identifying the impact of the eligible projects before the issuance of the bond.** This will ensure that the selected projects have an impact that can be reported to investors.
- ◆ **The details provided on the impact report vary between the regions** but include some of the following: evaluation against the eligibility criteria; evaluation of the impacts; and, contribution to the UN SDGs and the EU Taxonomy environmental objectives. In addition, some regions also report on quantitative information.
- ◆ **No region, other than those which have outsourced their impact reporting, is using post-issuance verification by an external auditor** on the processes and reporting indicators related to the allocation and the environmental and social benefits, since this is not a mandatory requirement.
- ◆ **The regions have done a significant amount of engagement with investors.** This activity includes roadshows, calls, presentations, site visits to the projects, participation in relevant events organised by banks, and liaison through existing bank partners.

2.5.1 Process for selection of impact indicators

As already mentioned under section 2.2, the number of ‘impact’ indicators included in sustainability bond frameworks differ greatly from one region to the other. Typically, the number of impact indicators ranges from 3 to 25. Most regions have provided illustrative impact indicators for each of the eligible categories in their framework, although they have not committed to reporting on all indicators. These impact indicators are also sometimes accompanied by ‘output’ and ‘outcome’ indicators. However, the distinction between these different indicator categories is not always clear. This is not the case of the region of Wallonia which clearly defines these three types of quantitative indicators in its sustainability bond framework and the associated Budget allocation and impact report as illustrated in Figure 2.4 below.

Figure 2.4 The Region of Wallonia decided to use output, outcome and impact indicators to report on the monitoring of the financed projects



Source: Service Public Wallonie, 2020. [Budget Allocation Report & Impact Report](#).

Table 2.3 below provides some examples of environmental and social indicators identified by the analysed issuers. It illustrates that, except for the reporting on CO₂ emissions avoided (which is done by all issuers), the nature of the indicators varies greatly.

Table 2.3 Example of environmental and social indicators identified by issuers in their green, social and sustainability frameworks

Region	Environmental indicators	Social indicators
Ile-de-France	<ul style="list-style-type: none"> ■ CO₂ emissions avoided by the Project (in teq/year) 	<ul style="list-style-type: none"> ■ Number of job creation supported by the project in the construction phase and in the operational phase, including “social inclusion jobs” (in Full Time Equivalent). ■ Number of beneficiaries of the project.
Flanders	<ul style="list-style-type: none"> ■ CO₂ emissions avoided by the Project (in teq/year) ■ Energy savings (MWh/year) ■ Avoided food waste / year ■ Tonnage of recycled material 	<ul style="list-style-type: none"> ■ Number of beneficiary households ■ Number of education centres supported ■ Number of students supported
State of NRW	<ul style="list-style-type: none"> ■ CO₂ emissions avoided by the Project (in teq/year) ■ Area of “responsible agriculture” ■ Number of biological stations 	<ul style="list-style-type: none"> ■ Number of family centres ■ Number of persons prevented from homelessness ■ Number of first year students
Hessen	<ul style="list-style-type: none"> ■ CO₂ reductions ■ Amount allocated per hectare of area of state-owned forest or national park ■ Number of refurbishments of housing units 	<ul style="list-style-type: none"> ■ N/A

Source: ICF, 2022.

The regions have developed the indicators in collaboration with their technical departments and in some cases, with the support of external consultants. The Wuppertal Institute has, for example, been commissioned by the State of NRW to define appropriate impact indicators and assess the impacts of its sustainability bonds on a regular basis. The methodology is publicly-available and contains a body of indicators across climate, ecological and social dimensions.²⁰ The report contains the following indicators:

- A GHG accounting methodology with assumptions on the potential for avoided GHG emissions, together with five indicators for mobility and transportation and eight indicators on the modernisation of educational and public health facilities;
- Nine potential ecological indicators identified based on the fields of actions in the NRW Sustainability Strategy, as well as recommendations for its further development from which three were selected for implementation for NRW’s thematic bond issuance in 2020; and,
- Seven social impact indicators on education and sustainability research, five social impact indicators on inclusion and social coherence, and one covering sustainable urban development.

Region Occitanie noted that the definition of its impact indicators was a challenging task. It was carried out by the service provider in direct contact with the technical departments in

²⁰ State of NRW, 2021. [Method Description Impact Report NRW Sustainability Bond 7](#)

charge of regional policies, as well as some beneficiaries. The indicators were consolidated by the team in charge of evaluating public policies and writing the region's sustainable development report. The indicators (e.g., environmental footprint, CO₂ avoided, production of renewable energy, etc.) were then presented to and validated by the Steering Committee.

The question “How to identify an appropriate and manageable number of impact indicators and ensure efficient data management?” was at the core of the workshop organised in Seville in December 2021. Box 2.8 below identifies some of the good practices and pitfalls and challenges identified by the participants.

Box 2.8 Best practices in selecting and monitoring indicators

Best practices:

- The selection of indicators needs to be linked with a region's sustainability goals and ambitions, and tailored to the priorities of their stakeholders, including investors.
- Stakeholders pointed out the importance of the quality of indicators, indicating that it is better to select fewer robust indicators and ensure their proper monitoring than having a large set of indicators.
- CO₂ emissions reductions or avoidance is an important indicator but should not be the only one.
- Occitanie makes a distinction between impact indicators (based on counterfactual ex-post analysis) and performance/outcome indicators (based on outcomes)
- Using existing methodologies and standards for estimating impacts contributes to robustness, comparability and cost-efficiency.
- The regions of Stockholm and Hessen assess data availability and access to information on impact indicators as a criterion for selecting projects. If the impacts of a project cannot be measured and monitored, they simply exclude the project from their selection.

Pitfalls and challenges:

- Defining the baseline scenario against which impacts will be monitored against is a challenging task.
- The data collection process to inform indicators can be very challenging, communication and alignment between different departments and with project owners is key for adequate indicator monitoring.

Recognising the challenges associated with the definition of impact indicators, some issuers have decided to work with each other to develop a common approach and foster standardisation. This is the case of the Region of Stockholm which engaged with other public issuers in Northern Europe, as explained in Box 2.9 below.

Box 2.9 Region of Stockholm's contributions to a common approach on impact reporting



In 2016, the Stockholm County Council began an effort to formulate a common approach to reporting with other Nordic public issuers. This resulted in the issuance of a first version of the “Position Paper on Green Bonds Impact Reporting”²¹ In 2017. This was followed by a second and third edition in 2019 and 2020. The last version is supported by a large group of signatories²².

The report provides general reporting principles and an environmental impact methodology for use by public issuers of green bonds. The document is focused on environmental benefits, notwithstanding the potential social co-benefits that investment projects financed through green bonds may bring.

The report presents project category recommendations aligned with the EU Green Bond Standard and recommends suggested indicators and mapped EU environmental objectives and UN SDGs.

2.5.2 Approach to reporting on the use of proceeds and impacts

Reporting is normally done within approximately one year from the date of the bond issuance, and annually thereafter until full allocation of the net proceeds. A distinction must be made between the allocation report and impact report.

2.5.2.1 Allocation report

Reporting concerns the allocation of proceeds and compliance with the eligibility criteria for each project/scheme financed. In terms of allocation reporting, the Region of Wallonia reports on a consolidated basis and on aggregated results for each eligible category on the total net amount being allocated or reallocated, as well as the breakdown between financing and refinancing amount, and illustrative examples of eligible projects being financed. It also reports on the total net amount being unallocated on a consolidated basis when relevant.

In Region Ile-de-France, the updated framework published in 2021 proposes that the allocation report presents:

- the allocation of the funds raised for the selected projects or schemes, broken down by the categories of green and social projects;
- a breakdown of the funds raised, in accordance with the UN SDGs and the relevant UN SDG targets; and,

²¹ Nordic Public Sector Issuers, 2020. [Position Paper on Green Bonds Impact Reporting](#)

²² Participants (DK=Denmark, FI=Finland, NO=Norway, SE=Sweden): City of Gothenburg (SE), Kommunalbanken (NO), Kommuninvest (SE), Municipality Finance (FI), Municipality of Lund (SE), Municipality of Norrköping (SE), Municipality of Örebro (SE), Region Skåne (SE), Region Stockholm (SE), Swedish Export Credit Corporation, SEK (SE). Kommunekredit (DK) and Municipality of Västerås (SE) participates in the group observers, with the intention to comply with the positions of this paper at a later stage. In addition, Municipality of Borås and Swedish Association of Local Authorities and Regions (SALAR) have participated in the development work, as representatives of the Kommuninvest Green Bonds Environmental Committee.

- the distribution of the allocation of funds to green projects according to their contribution to the environmental objectives of the EU Taxonomy.

2.5.2.2 Impact report

Impact reports provide a detailed presentation of the allocation of the funds raised and an assessment of their environmental and social benefits. Several regions noted the importance of identifying the impact of the eligible projects before the issuance of the bond.

Most of the analysed regions report on the expected impact (i.e. ex-ante), with only a few exceptions providing ex-post impact assessment. Additionally, the majority of the reviewed regions did not report on all the indicators identified in their framework. Several regions could not identify the impact across each category, and instead only reported on output indicators. The Region of Wallonia, for example, has identified specific output, outcome and impact indicators for each project in its impact report, but could not report on all of them due to a lack of data. An exception is Region Occitanie, which reported its bond issuance on an ex-post basis with the preparation of: (i) an allocation report in the issuance year, (ii) an intermediary report with information on allocation and general impact indicators in the year following an issuance, and (iii) a complementary report covering ex-post evaluation 2 years after issuance.

In terms of impact reporting, Region Occitanie reports annually on the bond until the full allocation of proceeds has been achieved. The reporting is based on green and social impact indicators, and qualitative reporting on certain project subcategories, drawing on specific more in-depth studies conducted in the context of internal evaluations. Reporting is done at project level or partially aggregated for certain subcategories, for confidentiality reasons or in case of multiple underlying projects.

Region Occitanie mentioned that data collection was carried out by the service provider and the operational departments concerned, with the support, when necessary, of certain beneficiaries or project partners. The cross-referencing of data aimed to ensure the reliability and relevance of the data collected. The process consisted of defining:

- the data collection methods
- the nature and volume of the data to guarantee objectivity and relevance, and
- the format and unit of measurement.

To manage the data required to inform the impact indicator, the State of Hessen recorded its mapping in a MS Excel file managed by the State in which reference is made to the State budget. The spreadsheet goes into detail on each project, including each expenditure under it. The impact indicators are monitored, and a mapping is also included to ICMA categories, the EU Taxonomy environmental objectives and the UN SDGs. The projects are grouped into top level names related to key programmes. The impact report graphics are then designed through this spreadsheet. One person is responsible for going through the spreadsheet ahead of the reporting to ensure consistency.

In Region Ile-de-France, the updated framework published in 2021 proposes an impact report with a project sheet detailing each project or scheme presented with:

- a description of the purpose of the project;
- the essential information on the project;
- a summary table with evidence of how the project meets the eligibility criteria and project management criteria;
- an evaluation of the impact of the project according to the impact indicators selected;
- the SDGs related to each project;
- details of the relevant SDG targets; and,
- alignment with the environmental objectives of the EU Taxonomy.

North Rhine Westphalia's approach for reporting on the use of proceeds and impacts is fully externalised to a scientific body, Furthermore, the region updates their impact reporting whenever there are significant changes or improvements to their methodologies.

2.5.3 Organisational structure and external review and verification processes

Some of the issuers have committed to conduct an external review performed by an independent third-party, covering the allocation of the net proceeds to eligible projects, as well as the environmental metrics reported through the reports. Other regions have noted that they do not conduct an external review since this is not a mandatory requirement. In Region Ile-de-France, an external auditor will verify the tracking and allocation of funds to eligible categories, whereas indicators used to report on environmental and social benefits are verified internally by the Region.

Region Stockholm has an internal compliance officer, who undertakes an internal audit. From reporting year 2022, Region Stockholm's impact report will be externally verified on an annual basis.

To guarantee the relevance and quality of the ex-post reporting for the benefit of investors, Region Occitanie has chosen to select a consultant specialising in the evaluation of public policies on sustainable development. Thus, the reporting is not conceived as a communication document, but rather as an analytical study. This work was subsequently expanded within the community and extended to other regional projects to contribute to the evaluation of public policies.

2.5.4 Activities to maintain high investor demand and management of the relationship with investors

All the regions have made efforts towards providing transparency for investors, by making relevant documents available online in English. All regions have placed their sustainability bond framework and the annual reporting on allocation and impact on their websites; and they have communicated these to their investors. In addition, the State of NRW and Hessen publishes a document with its eligible assets before issuance, which is carefully examined by investors.

In Region Occitanie, the work to maintain high investor demand is carried out by partner banks who canvass potential investors on a national and international scale. Their mission is precisely to ensure this link to investors, to prospect and to connect the actors concerned with this type of financing. This action necessarily leads to an evaluation of the needs and expectations of the market.

The regions have also done a significant amount of direct engagement with investors to maintain high investor demand. These include:

- roadshows in Belgium, France, Germany, the Netherlands, Scandinavia and others;
- investor calls;
- investor presentations;
- participation in events organised by banks, and,
- using existing relationships with banks to provide information to potential investors.

By way of example, Region Stockholm holds investor meetings, as well as site visits, on a regular basis. The projects, the Region has financed, have been of interest to investors and the meetings have been well attended.

3 Conclusions

The objective of this report was to identify best practices among EU sub-sovereign regional issuers of green, social and sustainability bonds and use these to: (1) inform the refinement of the RA's Sustainable Finance Framework; and, (2) more generally inform other EU regions that are considering the opportunity to use sustainable finance instruments to support their activities. The report has demonstrated that, despite the existing standards and principles on green, social and sustainability bonds issuance, there is no single procedure that regional authorities follow for the issuance of thematic bonds at sub-sovereign level.

Each region opting for the issuance of sustainable debt must find its own answers to the same set of questions. This includes both strategic (e.g., should a region opt for a green, social or sustainability bond?) and operational questions (e.g., how to identify eligible assets and collect relevant data to inform the impact report?). This is, of course, hardly surprising as each issuer must design a sustainable debt framework fully tailored to its specific needs and objectives. However, it demonstrates the complexity of this task and the need to mobilise and build the right set of skills. By identifying good practices around the elements underpinning the issuance of green, social and sustainability bonds, this report has contributed to this capacity-building exercise.

Beyond the identification of good practices, the report has also identified several common characteristics among the analysed regional issuers, which should be considered as a must by new regional issuers. Some of these include the need to:

- Refer to the UN SDGs as an overall framework for the categorisation of eligible assets;
- Issue a certain volume of green, social or sustainability bond - often referred to as benchmark-size bonds and equivalent to EUR 500 million - to ensure the cost-efficiency of the issuance process;
- Build dedicated teams and governance structure involving the relevant financial and technical departments to steer the issuance and associated reporting processes;
- Engage with both internal (i.e. technical departments) and external stakeholders (i.e. supporting banks, advisors and investors) to ensure the success of the issuance;
- Design reporting processes aligned with market standards and requirements; and,
- Report on the GHG emissions avoided and/or mitigated by the activities financed benefiting from the bond's proceeds.

This report has also revealed the absence of common practices among sub-sovereign issuers for two key components of the thematic bond issuance process.

The first component concerns the process to identify eligible assets. The review of existing practices, coupled with the discussions held in Seville in December 2021, demonstrated that issuers are all testing different approaches. These range from top-down budget analysis to bottom-up review of press releases. The processes designed by each region largely depend on the structure of their budget and the type of information available on their budgetary programmes within their central budget. This report also found that linking green budgeting and green bond issuance processes is not as easy as it sounds, since both processes have distinct goals. In this regard, one of the key next steps of this project is to work with the RA on the design of an analytical framework which allows the RA to more systematically analyse their budget with respect to their green, social and sustainability objectives. The results of this work will further contribute to the much needed debate amongst regions in this space.

The second component for which issuers have developed very different processes concerns the identification of impact indicators and the design of the associated impact frameworks. The analysed processes differ notably in terms of: (1) the number of

impact indicators (between 3 and 25); (2) the nature of these indicators (some issuers make a distinction between output, outcome and impact indicators, while others do not go to that level of detail); (3) the use of ex-ante or ex-post evaluation to report on these indicators; (4) the type of skills mobilised to complete this process (some issuers have outsourced that process, while other have kept it internally); and, (5) the type of data used to inform these indicators. While there does not appear to be a right or wrong process, sub-sovereign actors investigating the use of sustainable debt should analyse this question carefully as it is perceived as one of the most complicated by issuers; it is also one to which investors are now paying a lot of attention.

This report has also highlighted important spillovers associated with the issuance of green, social and sustainability bonds for sub-sovereign issuers. These include:

- The positive impact it has on the level of attention and resources put on the evaluation and impact assessment of public policies;
- The educational role it plays within regional governments and administration, in terms of policy evaluation and budget analysis;
- The positive impact it has on the mainstreaming of climate, environmental and social objectives across policies and thematic areas, strongly contributing to breaking the silos which often exist between ministries; and,
- The positive communication to stakeholders that is generated with successful green, social and sustainability bond issuance.

Building on these good practices and this growing market segment, the hybrid workshop “*European best practices on sustainability bond issuance*”, organised in December 2021 in Seville, revealed the high level of interest of regional issuers in engaging with each other to not only exchange good practices, but also build a community to further standardise and foster the growth of their market segment.

Indeed, all these actors are addressing the same questions and challenges at the same time. There are therefore numerous opportunities for peer-to-peer learning on emerging trends, such as the impact of the EU Taxonomy and the emerging EU Green Bond Standards on sub-sovereign issuers, as well as the ambition for some regional issuers to move towards 100% sustainable debt issuance in the near future.

4 Key references for each region

Issuer	Key references
Region of Wallonia (Belgium)	<p>La Region wallonne (2019) Sustainability Bond Framework</p> <p>Vigeo Eiris (2019) Second Party Opinion</p> <p>Vigeo Eiris (2020) Second Party Opinion</p> <p>Service Public Wallonie (2020) Budget Allocation Report & Impact Report</p> <p>Service Public Wallonie (2020) Investor Presentation</p>
Region Ile-de-France (France)	<p>Region Ile-de-France (2019) Projects Financed by the 2018 Green and Sustainability Bond</p> <p>Region Ile-de-France (2020) Investor Presentation</p> <p>Region Ile-de-France (2020) Green and Sustainability Bond Framework of Region Ile-de-France</p> <p>Region Ile-de-France (2021) Investor Presentation</p> <p>Region Ile-de-France (2021) Ile-de-France Regional Finances</p> <p>Vigeo Eiris (2021) Second Party Opinion</p> <p>Region Ile-de-France (2021) Green, Social and Sustainability bond Framework</p>
Region Occitanie (France)	<p>Region Occitanie (2018) Green and Social Bond</p> <p>Vigeo Eiris (2018) Second Party Opinion</p> <p>Region Occitanie (2020) Green Bond Emission 2020</p> <p>Region Occitanie (2020) Investor Presentation</p> <p>Region Occitanie (2020) Primary Budget 2021</p>
State of North Rhine-Westphalia (NRW) (Germany)	<p>State of NRW (2021) NRW State Sustainability Bond Framework</p> <p>ISS ESG (2021) SPO NRW State Sustainability Bond Framework</p> <p>State of NRW (2021) Sustainability Bond 8 Investor Presentation</p> <p>State of NRW (2021) Impact Report Sustainability Bond 7 Investor Briefing</p> <p>State of NRW (2021) Method Description Impact Report NRW Sustainability Bond 7</p> <p>State of NRW (2021) NRW State Eligible Assets Sustainability Bond 8</p> <p>State of NRW (2021) SPO NRW State Eligible Assets Sustainability Bond 8</p> <p>State of NRW (2020) Sustainability Bond 7 Investor Presentation</p>
State of Hessen (Germany)	<p>State of Hessen (2021) Green Bond Framework</p> <p>ISS ESG (2021) Sustainability Quality of the Issues and Green Bond Framework</p> <p>ISS ESG (2021) Sustainability Quality of the Issuer and Green</p> <p>State of Hessen (2021) Investor Presentation</p> <p>State of Hessen (2021) Allocation and Impact Report</p>
Region Stockholm (Sweden)	<p>Region Stockholm (2018) Green Bond Framework</p> <p>Cicero (2018) Green Bond Second Opinion</p> <p>Region Stockholm (2018) Green Bond Impact Report</p> <p>Region Stockholm (2019) Green Bond Impact Report</p> <p>Region Stockholm (2020) Green Bond Impact Report</p> <p>Region Stockholm (2021) Environmental Programme</p> <p>Region Stockholm (2021) Investor Presentation</p> <p>Nordic Public Sector Issuers (2020) Position Paper on Green Bonds Impact Reporting</p>
Flanders (Belgium)	<p>Flanders (2018) Sustainability Bond Framework</p> <p>Flanders (2018) Second Party Opinion</p> <p>Flanders (2018) Impact Reporting Indicators</p> <p>Flanders (2018) Allocation and Impact Report</p> <p>Flanders (2019) Allocation and Impact Report</p> <p>Flanders (2021) Investor Presentation</p>

Annex 1 Detailed Fiche – Flanders

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2018
Number of issuances to date	5
Volume issued per year	2018 = 500m 2019 = 750m 2020 = 100m 2020 = 1250m 2021 = 1250m
Volume of issuance compared to overall borrowing (if possible, by year)	2018 = 500 / 24,186.56 (2%) 2019 = 750 / 24,176.22 (3%) 2020 = 250 / 30,448.98 (1%)
Maturity profile of issuances	2018 = 15 years 2019 = 25 years 2020 = 25 years 2020 = 10 years 2021 = 25 years
Currencies of issuances	EUR
Pricing (coupon)	2018 = 1.375% 2019 = 1.5% 2020 = 1.5% 2020 = 0.38% 2021 = 0.88%

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
What are the motivations for issuing thematic bonds?	<p>Flanders has actively integrated sustainability into all its development plans. In March 2016, the Flemish Government presented its new strategic outlook for the future: "Vision 2050: a long-term strategy for Flanders", which constitutes the third Flemish strategy for Sustainable Development. This forward-looking policy document is the first step of the SDG implementation agenda and sets out a vision for an inclusive, open, resilient and internationally connected region that creates prosperity and well-being for its citizens in a smart, innovative and sustainable manner.</p> <p>The following key areas of action ('transition priorities') have been initiated by the Flemish Government within Vision 2050:</p> <ul style="list-style-type: none"> - Circular economy - Smart living - Industry 4.0 - Lifelong learning and a dynamic professional career - Healthcare and welfare - Transport and mobility - Energy <p>Most recently, Flanders has developed a roadmap to support the Flemish SDG implementation agenda: "Vizier 2030 – Flemish 2030 target framework". This roadmap, finalized on March 29th 2018, comprises objectives for 2030 that are concrete intermediate steps for achieving the Vision 2050 and 49 targets aligned with the UN SDGs. Vizier 2030 will be accompanied by the measures of implementation of the 2030 objectives and the development of an adapted monitoring and reporting system.</p> <p>In this context, Flanders believes that issuing Sustainability Bonds will be a key tool to support the achievement of its sustainable development targets. The Region will use this</p>

Question	Data
	Sustainability Bond Framework for programmatic issuances and plans to become a frequent issuer on the Sustainability Bond Market. ²³ Flanders plans to employ Sustainability Bonds as a substantial part of its toolbox for funding sustainable investments. ²⁴
How does it fit within the region sustainable finance strategy?	<p>By the issuance of a Sustainability Bond, Flanders intends to support its sustainability strategy and channel financing for Flanders expenditures directly related to the following pillars that have priority in terms of investments in the coming years: circular economy, smart living, lifelong learning, and energy.</p> <p>Investors respect green bonds, but some are also interested in social bonds or the combination as sustainability bonds. In addition, some projects encompass both green and social projects: social housing, school construction, energy and circular economy, so Flanders decided to have a Sustainability Bond Framework. It noted that a Green Bond Framework would make it more difficult to issue benchmark-size bonds. Flanders noted that it has not seen much price difference between green, social and sustainability bonds and normal bonds.²⁵</p> <p>Flanders intends to create a tighter link with Socially Responsible Investment (SRI) actors on a global basis, by giving such investors the possibility to flag their investments for Green and Social Projects. SRI assets under management are growing and large portfolios are now managed with considerations for Environmental, Social and Governance (ESG) aspects. Flanders therefore intends to diversify its investor base. Flanders also aims to contribute to the development of a liquid and efficient Sustainability Bond market in Belgium, which should facilitate the financing of sustainable development.²⁶</p> <p>Flanders noted that it is important to emphasise the difference between a sustainability policy strategy and a sustainable finance strategy. Flanders has a sustainability policy strategy, but its measures do not necessarily have budgetary and financing effects. The finance team looks at projects with financing effects and selects projects of interest to the Sustainability Bond Framework. Issuing a sustainability bond is not a goal in itself, just a financing instrument to finance the budgetary needs of Flanders, in addition to other sources such as taxes and normal bonds.</p>
Did you use the thematic bond framework for financing COVID-19 measures?	<p>The Flemish Government implemented a number of one-off measures in 2020-2021 as a response to the COVID-19 pandemic. A plan of EUR 4.3 billion was also put in place to reinforce the recovery and to sustainably increase the productivity and competitiveness of the Flemish economy.²⁷ However, since the categories were very specific, Flanders did not end up using the Sustainability Bond Framework for its COVID-related expenditures.</p> <p>Flanders noted that it created its Framework over a short timeframe and thus added categories which it needed to finance, i.e. expenditures which were not in the budget. This was at a time of a balanced budget. Had it foreseen the pandemic, it would have chosen some extra green categories.</p>
Is your green budgeting approach directly linked to your thematic bond issuance?	Flanders is not currently planning to implement a green budgeting approach. It noted that green budgeting and sustainability bonds are separate processes. ²⁸
Do you foresee any important changes in your approach to thematic bond issuance in the	Flanders can issue sustainability bonds only in the presence of a budgetary deficit. Before COVID-19, Flanders tended to have a balanced budget or surpluses. In the past, it could only finance European System of National and Regional Accounts rules (ESA) 8 and 9 expenditures. Other expenditures were already financed with taxes. Flanders currently

²³ Flanders (2018) [Sustainability Bond Framework](#)

²⁴ Flanders (2018) [Sustainability Bond Framework](#)

²⁵ <https://financeflanders.be/4-why-flanders-decided-to-issue-a-sustainability-bond-instead-of-a-green-or-social-bond>; Interview with the Flanders conducted on 16 November 2021

²⁶ <https://financeflanders.be/3-why-is-flanders-issuing-a-sustainability-bond>

²⁷ Flanders (2021) [Investor Presentation](#)

²⁸ Interview with the Flanders conducted on 16 November 2021

Question	Data
near future? (new sectoral coverage, new indicators, etc.)	has more expenditures and a higher budget deficit. The budget deficit will remain over the coming years. Sustainability bonds can be used to finance some of these since they are not expenditures in ESA terms. Flanders therefore plans to add new categories and will bring the Framework in line with the EU Taxonomy. ²⁹

Key characteristics of the thematic bond framework

Characteristics	Data
Standards referred to in the bond framework	Flanders' Sustainability Bond Framework is aligned with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. ³⁰
Awards received, any special features mentioned by media or analysts or experts	Flanders has not received any awards for its sustainability bond issuances. These issuances have not received more attention than normal bond issuances. ³¹
SDGs covered by the framework	The Sustainability Bond Framework covers SDGs 4, 7, 11 and 12
Eligible activities for the use of proceeds and associated SDGs	<p>An amount equal to the net proceeds of the Sustainability Bond will be used to finance and/or refinance Eligible Expenditures that fall within the following Eligible Categories that have both environmental and social benefits:</p> <ol style="list-style-type: none"> 1. Energy Efficiency in Buildings 2. Affordable Housing 3. Access to Education 4. Pollution prevention and control (including circular economy) <p>These activities have the following associated SDGs:</p> <ol style="list-style-type: none"> 1. Energy Efficiency in Buildings = SDG 7 with targets 7.1 and 7.3 2. Affordable Housing = SDG 11 with target 11.1 3. Access to Education = SDG 4 with 4.1, 4.2 and 4.A 4. Pollution prevention and control (including circular economy) = SDG 11 with 12.2, 12.3, 12.4, 12.5 and 12.6³² <p>Eligible Expenditures consist of expenditures made in the current calendar year of the issuance of a Sustainability Bond and of expenditures made in the previous year.</p> <p>Since 2014, following the update of the European System of National and Regional Accounts rules (ESA 2010), the accounts, the budget and the debt of various institutions (e.g. social housing institutions) have been consolidated within the Flemish Community accounts. Since then, the Flemish Community has centralised the borrowing for these institutions (which in the past issued their own debt with the guarantee of the Flemish Community).</p> <p>Eligible Expenditures could include budgetary expenditures that are not included in the Flemish Community's financial balance related to public debt consolidation, including:</p> <ol style="list-style-type: none"> 1) financing of public agencies (direct debt), such as social housing operators, investments in private public partnerships (direct debt), such as DBFM investment programme 'Schools of Tomorrow', and other expenditures for lending and holdings, such as the energy loans (see 4.1.1.1); and,

²⁹ Interview with the Flanders conducted on 16 November 2021

³⁰ Flanders (2018) [Second Party Opinion](#)

³¹ Interview with the Flanders conducted on 16 November 2021

³² Flanders (2018) [Sustainability Bond Framework](#)

Characteristics	Data															
	<p>2) budgetary expenditures that are included in the Flemish Community's financial balance, such as expenditures related to pollution prevention and control (including circular)</p> <p>Eligible Expenditures dedicated to other Belgian agencies that could refinance themselves by issuing their own Social, Green or Sustainability Bonds or that benefit from federal or European Union financing are excluded.³³</p>															
Level of details provided on the eligible activities	<p>For each eligible category, the Framework defines the eligible expenditures, the context and the eligibility criteria.³⁴ A substantial amount of qualitative information is provided on each category and its specific selection process.</p> <p>The eligible criteria for social housing and access to education include well defined target populations: for social housing, the target population is defined by annual income of tenants and lenders; for access to education, Flanders prioritises areas with a shortage of schools. Sustainalytics (a provider of ESG risk ratings) also positively viewed the inclusion of innovation and scalability as criteria for project selection for the circular economy-related projects.³⁵</p>															
Impact indicators selected for the different activities	<p>The Framework has identified the following environmental and social indicators for each eligible category:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #76b82a; color: white;"> <th>Category</th> <th>Environmental indicator</th> <th>Social indicator</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9ead3;">Energy Efficiency in Buildings</td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Number of loans • Overview of the investment types • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) </td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Number of households </td> </tr> <tr> <td style="background-color: #d9ead3;">Affordable Housing</td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Buildings with E-level ≤ 60 • Number of rent houses with high efficiency glazing, roof insulation of energy-efficient heating systems • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) </td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Number of low-income households • Spread of the rent subsidy according to the household income • Spread of the rent subsidy according to the number of family members </td> </tr> <tr> <td style="background-color: #d9ead3;">Access to Education</td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Building data per passive school (E-value, K-level, airtightness, energy demand cooling & heating and compactness) • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) </td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Number of education centers supported • Numbers of students supported </td> </tr> <tr> <td style="background-color: #d9ead3;">Pollution prevention and control (including circular economy)</td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) • Avoided food waste / year • Tonnage of recycled materials that are ready to be reused </td> <td style="background-color: #d9ead3;"> <ul style="list-style-type: none"> • Number of companies </td> </tr> </tbody> </table>	Category	Environmental indicator	Social indicator	Energy Efficiency in Buildings	<ul style="list-style-type: none"> • Number of loans • Overview of the investment types • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) 	<ul style="list-style-type: none"> • Number of households 	Affordable Housing	<ul style="list-style-type: none"> • Buildings with E-level ≤ 60 • Number of rent houses with high efficiency glazing, roof insulation of energy-efficient heating systems • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) 	<ul style="list-style-type: none"> • Number of low-income households • Spread of the rent subsidy according to the household income • Spread of the rent subsidy according to the number of family members 	Access to Education	<ul style="list-style-type: none"> • Building data per passive school (E-value, K-level, airtightness, energy demand cooling & heating and compactness) • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) 	<ul style="list-style-type: none"> • Number of education centers supported • Numbers of students supported 	Pollution prevention and control (including circular economy)	<ul style="list-style-type: none"> • Energy saving (MWh/year) • Avoided CO₂ emissions (tCO₂/year) • Avoided food waste / year • Tonnage of recycled materials that are ready to be reused 	<ul style="list-style-type: none"> • Number of companies
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Effective distribution of the proceeds by activity or sector	<p>2018</p> <p>Flanders identified EUR 1.379 million of eligible expenditures in 2017, so the inaugural issuance was allocated in full immediately.</p> <p>Flanders financed ESA expenditures of 2017 in 3 categories:</p> <ul style="list-style-type: none"> - Energy Efficiency in Buildings (5%) - Access to Education (60%) - Affordable Housing (35%) 															

³³ Flanders (2018) [Sustainability Bond Framework](#)

³⁴ Flanders (2018) [Sustainability Bond Framework](#)

³⁵ Flanders (2018) [Second Party Opinion](#)

Characteristics	Data
	<p>Future transactions can also include ESA expenditures in the category pollution prevention and control. This depends on Flanders' budgetary situation as explained in the allocation methodology.</p> <p>2019 Flanders identified EUR 1.037,3 million of eligible ESA expenditures in 2018 and expects the issuance to be allocated in full immediately.</p> <p>Flanders financed ESA expenditures of 2018 in 3 categories:</p> <ul style="list-style-type: none"> - Affordable Housing (89%) - Access to Education (6%) - Energy Efficiency in Buildings (5%)³⁶

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
Process for project identification, evaluation and selection	<p>The Sustainability Bond committee identifies and selects the Eligible Expenditures in Flanders' budget, at the beginning of each fiscal year. It then validates the effective disbursed amounts of Eligible Expenditures, at the end of each fiscal year.³⁷</p> <p>Flanders funds projects within budgetary programmes. Flanders knew which programmes it wanted to finance under each category, so it was easy to identify relevant projects. The project team receives information from projects from their colleagues in an Excel sheet. The Excel sheet has the intended impact. Projects are selected from the budget of Year X – 1, so that all projects are already realised, and hence the impact is known.³⁸</p> <p>Products are allocated to the different categories in order of priority, the first one being energy efficiency in buildings, followed by pollution prevention and control, access to education and affordable housing. The reporting reports provide a detailed ranking methodology for each eligible category.³⁹</p> <p>As mentioned in the Framework the proceeds of the sustainability bond are allocated in priority to Flanders' expenditures of the previous year and thereafter to Flanders' expenditures of the current year.</p> <p>The eligible expenditures are selected depending on Flanders' budgetary situation. If there is a balanced budget in ESA terms in Year X – 1, only ESA expenditures excluded from the financial balance related to the consolidated public debt are eligible, since projects cannot be financed twice. If Flanders has an unbalanced budget in ESA terms, ESA expenditures excluded from the financial balance related to the consolidated public debt are selected, but also ESA expenditures included in the financial balance.</p> <p>Eligible expenditures are all budgetary expenditures, but most of them are not included in the Flemish Community's financial balance because it concerns expenditures for the</p>

³⁶ Flanders (2018) [Allocation and Impact Report](#); Flanders (2019) [Allocation and Impact Report](#)

³⁷ Flanders (2018) [Sustainability Bond Framework](#)

³⁸ Interview with the Flanders conducted on 16 November 2021

³⁹ Flanders (2018) [Allocation and Impact Report](#); Flanders (2019) [Allocation and Impact Report](#)

Question	Data
	<p>financing of public agencies and PPP-projects and other expenditures for lendings and holdings. These expenditures are also voted by the Parliament.</p> <p>Priority will be given to the greenest projects. In Year X, the same methodology will be applied as in Year X – 1 until all proceeds have been fully allocated. Flanders attempts to allocate the revenues of the bond as optimally as possible.</p> <p>Partially funding a project or transferring small residual amounts to the next year is not desirable. Therefore, the final projects are possibly chosen based on their amount of funding versus the amount still to be allocated. In future, under the Flemish Resilience and Recovery Plan, which will receive money from the EU, these projects will be excluded from the sustainability bond.⁴⁰</p>
<p>Which concrete steps were undertaken to prepare the issuance?</p>	<p>The project team followed the following steps:</p> <ul style="list-style-type: none"> • Analysed the budget and identified which expenditures can be taken into account. • Communicated with departments and public companies and made contact with them, once the eligible categories were selected, to ask what kind of information is available about social and green aspects. • Contacted the banks on the EMTN programme, more specifically the green experts within the bank to assess the information about the categories. • Implemented the Framework and sent it for a SPO and had some exchanges with the SPO provider to meet the criteria. • Promoted the Framework and went on a roadshow. Engaged with investors.⁴¹
<p>What governance is in place to support sustainability bond issuance? And how the region's organisational structure supports this?</p>	<p>A dedicated Sustainability Bond Committee is in charge of selecting the Eligible Expenditures as per the eligibility criteria defined in the Framework.</p> <p>This committee comprises of members of the department of Finance and Budget, VMSW (social housing), Agion (Agency for School Infrastructure), Vlaio (Agency for Innovation and Entrepreneurship), VEA (Flemish Energy Agency), Circular Flanders and the Department of Environment.</p> <p>The Committee meets minimum twice a year to:</p> <ul style="list-style-type: none"> • Identify and select the Eligible Expenditures in Flanders' budget (at the beginning of each fiscal year); • Validate the effective disbursed amounts of eligible expenditures (at the end of each fiscal year); and, • To discuss and evaluate the allocation reporting and impact reporting.⁴² <p>The Committee is not involved in designing the Framework, rather it is in place to select the projects and the reporting indicators.</p>

Allocation process, management of proceeds and data management

Question	Data
<p>Describe the approach to manage proceeds and ensure traceability</p>	<p>The tracking of Eligible Expenditures is done by the Sustainability Bond Committee.</p> <p>A register is established to monitor the allocation of proceeds to the Eligible Expenditures on a notional basis. An amount equal to the net proceeds of the Sustainability Bond is allocated in priority to Flanders' expenditures of the previous year and thereafter to Flanders' expenditures of the current year.</p>

⁴⁰ Interview with the Flanders conducted on 16 November 2021

⁴¹ Interview with the Flanders conducted on 16 November 2021

⁴² <https://financeflanders.be/9-who-is-in-charge-of-the-evaluation-and-selection-of-the-expenditures>

Question	Data
	Pending full allocation, the net proceeds of the Sustainability Bond issuances is managed within the division of Financial Operations of the Flemish department of Finance and Budget treasury liquidity account in accordance with the region's regulatory framework. In case of budgetary adjustment during the current year or delayed disbursements, Flanders uses the net proceeds to finance other eligible expenditures which are compliant with the current Use of Proceeds. ⁴³
How is information on the proceeds managed internally? Is it integrated into the budget system or is a parallel system used?	A register is established to monitor the allocation of proceeds to the Eligible Expenditures on a notional basis. Flanders does not have any tagging in the budget. This type of information is not included in the budget system. ⁴⁴

Reporting and external review

Question	Data
Describe the approach to report on the use of proceeds and impact	<p>Flanders publishes an annual report on its website that details the allocation and impact of Sustainability Bond net proceeds.</p> <p>Allocation reporting is available to investors within approximately one year from the date of the bond issuance, and annually thereafter until full allocation of the net proceeds. The reporting is produced on a portfolio basis. It provides:</p> <ul style="list-style-type: none"> • the total amount of expenditures per eligible categories, • the share of allocated amount vs. total amount (in %), • the amount of unallocated proceeds, • depending on confidentiality constraints, examples of projects subsidised by Flanders. <p>The impact reporting provides information on the environmental and social impacts of its eligible expenditures. The framework contains environmental and social indicators for each eligible category. The impact report reports on some, but not all, of these indicators.⁴⁵</p>
How were the impact indicators selected and why?	<p>Flanders made contact with the different departments and public companies to see what type of information they had under each eligible category.</p> <p>The social indicators were easier to select because these are in the law and do not have to report on some indicators such as income by law.</p> <p>The environmental indicators more difficult to collect. There is a lack of good data collection across all categories on CO2 emissions e.g. for school buildings. Most entities are looking to improve this in the future.⁴⁶</p>
Which processes were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?	The data was collected by the relevant departments and public companies.
Which organisational structure and external review and verification processes were	For the moment there no independent verification. It was not mandatory to have this when the framework was created. ⁴⁷

⁴³ Flanders (2018) [Sustainability Bond Framework](#)

⁴⁴ Interview with the Flanders conducted on 16 November 2021

⁴⁵ Flanders (2018) [Allocation and Impact Report](#); Flanders (2019) [Allocation and Impact Report](#)

⁴⁶ Interview with the Flanders conducted on 16 November 2021

⁴⁷ Interview with the Flanders conducted on 16 November 2021

Question	Data
established? How often does an independent verification occur? What type of assurance is provided?	
Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?	The Flanders Sustainability Bond Framework has received a positive SPO from Sustainalytics (an ESG ratings company) which confirms its alignment with the Sustainability Bonds Guidelines (2018) and its four core components, as well alignment to best market practices. ⁴⁸
Does the issuer obtain any (green bond) rating?	All of Flanders' sustainability bonds received a rating of Aa2 (Moody's). ⁴⁹
How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?	<p>Flanders did a large roadshow in Europe, including in Germany, France, the Netherlands, Belgium and Scandinavia.</p> <p>It received positive feedback from green and sustainability investors. It mentioned that the investors are different between normal and sustainability bond issuances. Investors in Scandinavia and France invest larger amounts in sustainability bonds than other countries.</p> <p>Flanders held its first investor roadshow in 2018. It also did investor calls, particularly last year when it did not conduct any roadshow. It also gave investor presentations and used banks to give information to investors. Flanders also attended events organised by banks on sustainability, e.g. Societe Generale and Credit Agricole in Paris.</p> <p>Regarding the investor presentations, Flanders emphasised the sustainability framework and the Second Party Opinion, and also placed these on its website. It also put the annual reporting on allocation and impact of the bond on the website and communicates this to the investors.⁵⁰</p>

List of documents reviewed

Flanders (2018) [Sustainability Bond Framework](#)

Flanders (2018) [Second Party Opinion](#)

Flanders (2018) [Impact Reporting Indicators](#)

Flanders (2018) [Allocation and Impact Report](#)

Flanders (2019) [Allocation and Impact Report](#)

Flanders (2021) [Investor Presentation](#)

⁴⁸ <https://financeflanders.be/11-do-you-have-a-second-opinion-provider-and-auditor>

⁴⁹ Flanders (2018) [Allocation and Impact Report](#); Flanders (2019) [Allocation and Impact Report](#)

⁵⁰ Interview with the Flanders conducted on 16 November 2021

Annex 2 Detailed Fiche – Hessen

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2021
Number of issuances to date	1
Volume issued per year	EUR 600m
Volume of issuance compared to overall borrowing (if possible, by year)	EUR 3500m in 2021
Maturity profile of issuances	10 years
Currencies of issuances	EUR
Pricing (coupon)	0,01% (reoffer yield 0,024%)

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
What are the motivations for issuing thematic bonds?	<p>The Hessian state government has been pursuing a sustainability strategy since 2008 and in 2009, it adopted a climate neutrality target by 2030. Following this, it implemented a carbon balance sheet which is audited by an external company and changed some of its administrative processes, such as switching to green electricity contracts and starting a large renovation programme in 2009 which exceeded the national energy standard. In 2015, the State of Hessen decided to adopt a climate neutral target by 2050, covering in total the State, industry and private consumption. In March 2017, it adopted a climate protection plan which included 140 measures.</p> <p>The principle of sustainability as a State objective was embedded in the constitution in 2018. In 2019, the State of Hessen realigned its strategy with selected focus areas, e.g. economic initiatives, municipalities, education for sustainable development. In 2019, the State of Hessen also introduced the European Environmental Management System EMAS (Eco-Management and Audit Scheme). In 2019, Hessen committed to reduce greenhouse gas emissions by 55 percent by 2030 compared to 1990 levels, and by at least 90 percent by 2050.⁵¹</p>
Did you use the thematic bond framework for financing Covid-19 measures?	<p>No, the framework is only on green related expenditures. The Hessen State parliament established a special fund on 4th July 2020. The fund matures at the end of 2023. All COVID-19-related revenues and expenses were pooled and shown transparently in this fund. To remedy the pandemic-related emergency, the special fund has its own credit authorization of up to €12 billion. Loans will be repaid until 2050, whereas the repayment is scheduled during the borrowing process in accordance with the repayment structure of the respective bonds. Repayments start from 2021 – at the amount of €200 million p.a. and will gradually increase to €400 million p.a. Hessen State's special fund ensures planning security to implement measures to quickly combat the COVID-19 pandemic and its consequences until 2023.⁵² By the ruling of the regional constitutional court, the Fund will have to end and the State has to fund the measures in the annual budget plan itself.</p>
How does it fit within the region sustainable finance strategy?	<p>Since 2012, Hessen follows a sustainable investment approach for the State's civil servants' pension reserve. A sustainable equity index implemented in 2012 is an essential</p>

⁵¹ State of Hessen (2021) [Green Bond Framework](#)

⁵² State of Hessen (2021) [Investor Presentation](#)

Question	Data
	<p>part of the investment strategy. In 2019, the equity index was further tightened to reflect Hesse's responsibility in reducing CO₂, resulting in exclusion criteria for the extraction of fossil fuels, among others. In the process, the proportionate CO₂ footprint of the equity investments was reduced by 75 percent. In 2019, Hessen was the first German state to join the UN Principles for Responsible Investment (UN PRI) with regard to the investments of civil servants' pension reserve.⁵³</p> <p>Hessen considers sustainable and green finance as a key driver in the transition towards a more sustainable economy. Hessen is engaged in the Green and Sustainable Finance Cluster Germany, the central financial market initiative in the field of Green and Sustainable Finance, which Hessen launched in 2017 together with actors from academia and the financial industry and is supported by leading financial market participants. Hessen is also the headquarters of ISSB (International Sustainability Standards Board), which will develop future standards for global sustainability disclosures for financial markets.</p> <p>The Green Bond Framework provides the basis for issuing Green Bonds in compliance with international climate standards. The Green Bond Framework is intended to provide investors with the desired and necessary transparency for this type of product.⁵⁴ Hessen started issuing green bonds as opposed to sustainability bonds at the request of the coalition government.</p>
<p>Is your green budgeting approach directly linked to your thematic bond issuance?</p>	<p>Currently the State has no intention to start a green budgeting approach with green spending targets and impact indicators. It has started to flag all green expenditures in the rolling budget, but not in the budget plan. For its first green bond, Hessen used a top-down approach for identifying projects, i.e., after publishing the budget it looked back to the budget to find green projects. For the 2021 bond, it will also use the top-down approach. Ministries were asked only to name large numbers. Named topics were assessed in press statements, as well as the sustainability strategy of all the ministries and the State itself. The ICMA green bond categories were looked up in the budget plans, and most of the eligible expenditures were found under the topics of transportation, buildings, forest, agriculture, water management, climate and action measures.</p> <p>For the next bond issuance, Hessen plans to add up a bottom-up approach as well⁵⁵. This means they will have to search for ecological-related expenditures. Hence, from 2021, Hessen implemented in their running budget system markers. Therefore, in every bookkeeping entry, they have to mark if these expenditures are ecological-related.</p> <p>Afterwards they will see which way should be better: the top down approach with large numbers to find expenditures or the bottom-up approach from all single expenditures at a very small level up to the topic itself.</p>
<p>Do you foresee any important changes in your approach to thematic bond issuance in the near future? (new sectoral coverage, new indicators, etc.)</p>	<p>When setting up the framework two years ago, it was phrased like the Bund framework. The framework refers to the EU environmental objectives but did not intend to fully align with the EU Taxonomy.</p> <p>In 2024, a new framework will be in place. The next step for this framework will be to align with the EU Taxonomy. It took the State two years to set up its initial bond, and it expects that it will take the same for the new framework. Hessen noted that the EU Taxonomy is complex to comply with. Fulfilling the DNSH principle will be very difficult – for example, for</p>

⁵³ See Hessian coalition agreement for the 20. legislative period, page 167

⁵⁴ State of Hessen (2021) [Green Bond Framework](#)

⁵⁵ Interview conducted with the State of Hessen on 8 November 2021

Question	Data
	<p>electric buses one should prove that the tyres losing small particles do not significantly harm the environment.</p> <p>Hessen noted that social bonds are not a market and political priority. There was a move to social bond issuances in markets during the COVID-19 pandemic. However, the Bund itself does not prioritise social bonds. Green is a clearer market approach.⁵⁶ Though the State of Hessen has 8 billion euros of social expenditure a year, e.g. for welfare and education investments, Hessen indicated that a social bond is easier to fulfil compared to a green bond and that there is no new information that comes with it, it is just a label and would not attract a premium.⁵⁷</p>

Key characteristics of the thematic bond framework

Characteristics	Data
Standards referred to in the bond framework	The Hessian Green Bond focuses on the standards of the ICMA Green Bond Principles and the UN SDGs. ⁵⁸ Allocation of the project categories to the EU environmental objectives as a first step towards the EU Taxonomy has already started, but the Hessian Green Bond is not an instrument aligned with the EU Green Bond Standard. ⁵⁹
SDGs covered by the framework	The use of proceeds categories have a positive contribution to SDG 3 'Good health and well-being', SDG 6 'Clean water and sanitation', SDG 7 'Affordable and clean energy', SDG 10 'Reduced Inequalities', SDG 11 'Sustainable Cities and Communities', SDG 13 'Climate action' and SDG 15 'Life on land'. The SPO indicated that the environmental and social risks associated with those use of proceeds categories have been well managed. ⁶⁰
Eligible activities for the use of proceeds and associated SDGs	<p>Eco-friendly Public Transport: SDG 11, 13</p> <p>Measures for the forest: SDG 15</p> <p>CO₂-neutral state administration / energy efficiency of public buildings: SDG 11</p> <p>Climate protection plan: SDG 7, 13</p> <p>Sustainable water management: SDG 13, 14</p> <p>Organic farming and nature conservation: SDG 13, 15</p> <p>Further climate and environmental protection measures: SDG 11</p>
Level of details provided on the eligible activities	<p>Eligible Green Expenditures are expenditures of Hessen that are defined as ecologically sustainable ("green") due to their environmental or climate relevance in seven fields of action. Spending on armaments, oil and coal as fossil resources, shale gas / fracking, nuclear energy (e.g. production, transport, storage and power generation) or tobacco were not and are not considered appropriate.</p> <p>ISS ESG finds that the Use of Proceeds aligns with the requirements outlined in the ICMA principles regarding use of proceeds. The project categories are aligned with the GBP categories and the environmental benefits expected are clearly defined. The framework has mapped each category with the ICMA GBP categories and the UN SDGs. Furthermore, harmful categories are explicitly excluded from financing/refinancing. Hessen also discloses the eligible expenditures per project category, in line with best market practices.⁶¹</p>

⁵⁶ Interview conducted with the State of Hessen on 8 November 2021

⁵⁷ Interview conducted with the State of Hessen on 8 November 2021

⁵⁸ State of Hessen (2021) [Green Bond Framework](#)

⁵⁹ State of Hessen (2021) [Green Bond Framework](#)

⁶⁰ SPO (2021) [Sustainability Quality of the Issues and Green Bond Framework](#)

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Impact indicators selected for the different activities	<p>Hessen did not define a comprehensive list of indicative impact indicators in its bond framework, but it notes that the impact report may include the following information: quantitative information on environmental impacts or relevant performance indicators (e.g. km², funding amount, number of projects), analytical reports on the environmental performance of the selected expenditure and the presentation of expenditures. However, Hessen presents an indicative impact report in the investor presentation, which is also part of the impact report.⁶²</p> <p>Indicative impact report</p> <table border="1"> <tr> <td>Eco-friendly Public Transport</td> <td> <ul style="list-style-type: none"> Number of (funded) measures Tickets sold CO₂ reduction </td> </tr> <tr> <td>Measures concerning forests</td> <td> <ul style="list-style-type: none"> Amount allocated per hectare of area of state-owned forest / national park </td> </tr> <tr> <td>CO₂-neutral state administration / energy efficiency of public buildings</td> <td> <ul style="list-style-type: none"> Number of funded measures CO₂ reduction </td> </tr> <tr> <td>Climate protection plan</td> <td> <ul style="list-style-type: none"> Number of consultations/measures Number of funded projects </td> </tr> <tr> <td>Sustainable (waste) water management</td> <td> <ul style="list-style-type: none"> Number of financed projects Development of natural waters, (river) banks and floodplain </td> </tr> <tr> <td>Organic farming and nature conservation</td> <td> <ul style="list-style-type: none"> Number of client engagements Hectares of extensive grassland cultivation Hectares of multiple cropping </td> </tr> <tr> <td>Further climate and environmental protection measures</td> <td> <ul style="list-style-type: none"> Number of refurbishments of housing units subsidized </td> </tr> </table> <p>Green Bond No. 1 Impact report ISIN DE000A1RQD43 Face value: €600m Maturity: 18/06/2031 (10 years)</p> <table border="1"> <thead> <tr> <th>Strategic priorities of focus areas</th> <th>Impact indicator</th> <th>Impact indicator 2018</th> <th>Impact indicator 2019</th> <th>Impact indicator 2020</th> <th>mEUR 2018</th> <th>mEUR 2019</th> <th>mEUR 2020</th> <th>Eligible Green Bond Expenditures - 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Effective distribution of the proceeds by activity or sector	<p>Hessen has presented the final allocation and breakdown of its inaugural green bond in its impact report.⁶³ Its inaugural bond had an Eligible Asset volume of EUR 680 million over 3 years to issue a benchmark-size bond of at least EUR 500 million.⁶⁴</p> <p>Final allocation and breakdown by ICMA GBP⁽¹⁾, UN SDGs as well as EU Taxonomy Environment Objective</p> <table border="1"> <thead> <tr> <th colspan="5">Overview of final allocation table</th> </tr> <tr> <th rowspan="2">Description</th> <th colspan="4">in €m</th> </tr> <tr> <th>2018</th> <th>2019</th> <th>2020</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Eco-friendly public transport</td> <td>75.01</td> <td>79.50</td> <td>120.72</td> <td>275.23</td> </tr> <tr> <td>Measures concerning forests</td> <td>35.77</td> <td>47.99</td> <td>53.11</td> <td>136.87</td> </tr> <tr> <td>CO₂-neutral state administration / energy efficiency of public buildings</td> <td>33.83</td> <td>22.35</td> <td>21.25</td> <td>77.43</td> </tr> <tr> <td>Climate protection plan</td> <td>3.11</td> <td>2.65</td> <td>13.09</td> <td>18.84</td> </tr> <tr> <td>Sustainable (waste) water management</td> <td>20.80</td> <td>11.47</td> <td>12.84</td> <td>45.11</td> </tr> <tr> <td>Organic farming and nature conservation</td> <td>7.47</td> <td>15.05</td> <td>14.78</td> <td>37.31</td> </tr> <tr> <td>Further climate and environmental protection measures</td> <td>4.57</td> <td>2.74</td> <td>0.46</td> <td>7.76</td> </tr> <tr> <td>Eligible green expenditures</td> <td>180.55</td> <td>181.75</td> <td>236.26</td> <td>598.56</td> </tr> <tr> <td>Net proceeds raised with inaugural green bond issuance</td> <td></td> <td></td> <td></td> <td>598.56</td> </tr> </tbody> </table> <div style="display: flex; justify-content: space-around;"> <div style="width: 30%;"> <p>Breakdown by ICMA GBP⁽¹⁾</p> <ul style="list-style-type: none"> Clean Transportation Environmentally sustainable management of living natural resources and land use Energy efficiency Sustainable water management Green buildings Climate change adaptation </div> <div style="width: 30%;"> <p>Breakdown by UN SDGs⁽¹⁾</p> <ul style="list-style-type: none"> 13 - Climate action 15 - Life on land 11 - Sustainable cities and municipalities 14 - Life below water 7 - Clean energy </div> <div style="width: 30%;"> <p>Breakdown by EU Taxonomy Environmental Objective⁽¹⁾</p> <ul style="list-style-type: none"> Climate change mitigation Protection and restoration of biodiversity and ecosystems Sustainable use and protection of water and marine resources Climate change adaptation </div> </div> <p>(1) Mapping based on primary category</p>	Overview of final allocation table					Description	in €m				2018	2019	2020	Total	Eco-friendly public transport	75.01	79.50	120.72	275.23	Measures concerning forests	35.77	47.99	53.11	136.87	CO ₂ -neutral state administration / energy efficiency of public buildings	33.83	22.35	21.25	77.43	Climate protection plan	3.11	2.65	13.09	18.84	Sustainable (waste) water management	20.80	11.47	12.84	45.11	Organic farming and nature conservation	7.47	15.05	14.78	37.31	Further climate and environmental protection measures	4.57	2.74	0.46	7.76	Eligible green expenditures	180.55	181.75	236.26	598.56	Net proceeds raised with inaugural green bond issuance				598.56
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Measures concerning forests	35.77	47.99	53.11	136.87																																																								
CO ₂ -neutral state administration / energy efficiency of public buildings	33.83	22.35	21.25	77.43																																																								
Climate protection plan	3.11	2.65	13.09	18.84																																																								
Sustainable (waste) water management	20.80	11.47	12.84	45.11																																																								
Organic farming and nature conservation	7.47	15.05	14.78	37.31																																																								
Further climate and environmental protection measures	4.57	2.74	0.46	7.76																																																								
Eligible green expenditures	180.55	181.75	236.26	598.56																																																								
Net proceeds raised with inaugural green bond issuance				598.56																																																								

⁶² State of Hessen (2021) [Investor Presentation](#)

⁶³ State of Hessen (2021) [Allocation and Impact Report](#)

⁶⁴ Interview conducted with the State of Hessen on 8 November 2021

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
<p>Process for project identification, evaluation and selection</p>	<p>The debt management office and the IMWG are tasked with the establishment of a list of potential Eligible Projects. A top-down approach is used to select projects from the budget. Employees of debt management office record all necessary input received from the respective ministries and pre-screen past expenditures to determine their eligibility for the portfolio of eligible green expenditures in coordination with the Interministerial Working Group (IMWG). On that basis, the employees of the debt management office establish an initial list of potential eligible green expenditures. This list of potential eligible green expenditures is reviewed by IMWG and eligible green expenditures are selected based on certain eligibility criteria.</p> <p>Eligible green expenditures are expenditures made by the State of Hessen which are considered as ecologically sustainable ("green") for the environment and climate and from selected programmes above EUR 1m. Hessen is also bound by the legal obligation of the administration to comply with national legislation as well as international standards and conventions, which require a minimum standard of environmental protection and social norms. These principles are taken into account. Expenditures for armaments, fossil fuel, shale gas / fracking, nuclear energy or tobacco are excluded from being eligible. In addition, expenditures financed by EU funds, COVID-19 special funds or federal funds from potential eligible expenditures are excluded.⁶⁵</p>
<p>Which concrete steps were undertaken to prepare the issuance?</p>	<p>The issuance and related marketing were planned for June 2021.</p> <p>Projects were identified using the selection and evaluation process defined in the Framework to meet a benchmark-size bond (at least EUR 500m). In total, 48 projects were identified from which 20 projects ended up being selected for the inaugural bond. The bond had a refinancing period of three budget years preceding the issue, between 2018 and 2020 to meet a bond of at least EUR 500m. The total suitable amount of green investments of the budget amounted to EUR 655.09m. The bond volume was an amount of up to EUR 600m, hence an allocation of 91.59%. This is a contingency measure in case some expenditures have to be corrected in the future. Applying a buffer shield is a normal process for the Bund.⁶⁶</p>
<p>What governance is in place to support sustainability bond issuance? And how does the region's organisational structure support this?</p>	<p>An Interministerial Working Group (IMWG) was established to be responsible for the eligibility assessment and the selection of eligible green expenditures. The IMWG, chaired by the Hessian Ministry of Finance (HMoF), consists of representatives from the debt management office as well as appointed ministerial representatives from the departments responsible for the respective relevant budget titles (economics, energy, transport, housing, environment, climate protection, agriculture, consumer protection, interior, sports, higher education, research, art, construction and finance). The IMWG makes relevant decisions, including the validation of the Green Bond Framework, the assessment of the eligibility criteria as well as the selection of eligible green expenditures and the validation of the corresponding allocation and impact reports. The IMWG reviews eligible green expenditures in principle on an annual basis.⁶⁷</p> <p>Hessen noted that the best practice is to have such a working group, since it is recommended by the ICMA issuance process for green bonds. At first Hessen did not see the need for this group but the banks which supported the State in developing its framework emphasised that this is best market practice. Hessen noted that there is always one ministry which is behind in sending data, and hence it is important to have a focal point of contact at the same level as the contact in each ministry. The IMWG meets only when new information is available and new decisions need to be done.⁶⁸</p>

⁶⁵ State of Hessen (2021) [Green Bond Framework](#)

⁶⁶ State of Hessen (2021) [Investor Presentation](#) and interview conducted on 8 November 2021

⁶⁷ State of Hessen (2021) [Green Bond Framework](#)

⁶⁸ Interview conducted with the State of Hessen on 8 November 2021

Allocation process, management of proceeds and data management

Question	Data
<p>Describe the approach to manage proceeds and ensure traceability</p>	<p>The Hessian Ministry of Finance is responsible for issuance of the green bond. The management of proceeds (including allocation and monitoring) is based on the State budget planning adhering to the principle of non-committed total coverage. This means that by virtue of the statutory principles all State income is used to cover all State expenditures and that all cash inflow is used to cover all cash outflow.</p> <p>The virtual allocation of the proceeds from the green state treasury bills to the eligible green expenditure is carried out by IMWG. An equivalent of proceeds raised should be mapped to eligible green expenditures made in the three preceding budget years. Hessen intends to fully allocate the proceeds within one year after the issuance of the respective green bond.</p> <p>Unallocated proceeds are managed according to the general liquidity guideline until full allocation. Eligible green expenditures can be added, revised, or replaced to the extent necessary as part of the allocation process.</p>
<p>How is information on the proceeds managed internally? Is it integrated into the budget system or is a parallel system used?</p>	<p>The mapping is recorded in a MS Excel file managed by the State and reference is made to the State budget. The spreadsheet goes into detail on each project and asks for every expenditure of a project over the three preceding budget years and over upcoming years. Impact indicators for all these years were collected from the ministries as well as a mapping to the ICMA GBP, the EU Taxonomy and the UN SDGs. The spreadsheet had a drop down with the UN SDGs and EU environmental objectives for the ministries to select from, after which one person had to look through to ensure consistency. The projects are grouped under seven top level names. All presentation graphics come from this spreadsheet.⁶⁹</p> <p>By issuing the green bond, Hessen refinances itself retrospectively; the funds raised contribute to the financing of three budget years immediately preceding the respective issuance of (green) state treasury bills (currently expenditures from 2018 to 2020). The proceeds from the issuance of the State treasury bills are used within the framework of the State's central debt management system, and the proceeds from the issue of the State treasury bills contribute to the financing of the State budget as a whole. The funds are on an account which is mixed with the State budget by law.</p> <p>There is a non-material assignment to eligible green expenditures corresponding to the amount of proceeds. This is in line with recognised market standards. There are no funds for the special fund "Hessens gute Zukunft sichern" in the green bond, but only funds for the general State budget. All State treasury bills issued as green bonds rank on an equal footing with any other conventional instrument of the respective asset class; in addition to an issuance in benchmark format, these can also be smaller volumes or private placements. These issued liabilities correspond to a sufficient volume of eligible green expenditures. Refinancing through a green bond may only take place to the extent that the State has made eligible green expenditures.⁷⁰</p>

⁶⁹ Interview conducted with the State of Hessen on 8 November 2021

⁷⁰ State of Hessen (2021) [Green Bond Framework](#)

Reporting and external review

Question	Data
Describe the approach to report on the use of proceeds and impact	<p>Hessen provides a green bond report on its website (https://finanzen.hessen.de), which is published annually from the year following the issue until the bond proceeds have been fully allocated (as the bond proceeds have been fully allocated within issuance date, there is only one report to be published). The Hessian Ministry of Finance is responsible for the reporting provided to investors.</p> <p>The allocation report includes details regarding the allocation of the green bond proceeds to the eligible green expenditures. The reporting also contains an independent impact report which provides quantified environmental impact metrics. The impact report contains the allocation of the expenditures and impact metrics (CO₂ savings or other climate-related performance indicators) on an aggregated basis for each expenditure category.</p> <p>The impact report also contains, for each project, a project description, a mapping to the ICMA GBP Category, the UN SDGs and the EU Taxonomy Environmental Objective. It also contains the expenditures in each year and a reference to the budget, as well as the expected impact.</p>
How were the impact indicators selected and why?	<p>Hessen used two sorts of indicators, including impact indicator CO₂ avoidance and output or outcome indicators related to the projects e.g. km of rehabilitated rivers and km² of certified forest. Hessen defined certain impact indicators and asked the projects to report against these. Hessen noted that a large CO₂ avoidance impact was shown in the bond. This is not easy to show, since some other regions only show this for building renovation programmes. Public transportation CO₂ avoidance, for example, is more difficult to determine.⁷¹</p>
Which process were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?	<p>The data were collected within the Excel spreadsheet from the budget departments of the related ministries. The ministries are responsible for the correct expenditures and figures in the impact data. The debt management department went through the data in a validation process.</p>
Which organisational structure and external review and verification processes were established? How often does an independent verification occur? What type of assurance is provided?	<p>The Hessian Ministry of Finance is responsible for the reporting provided to investors. There was an independent verification for CO₂ emissions.</p>
Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?	<p>The framework was submitted for an SPO by ISS ESG. For the purpose of assessing Hessen's ESG performance, ISS ESG used Germany Country Rating as a basis for this assessment, which was Prime status with a B rating.</p>
Does the issuer obtain any (green bond) rating?	<p>Hessen obtained a rating on its green bond framework but not on its green bond issuance. However, the green bond got a normal bond rating, as with every bond of the State, by Standard & Poor's (AA+).</p>
How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?	<p>Hessen mentioned it did not know the investor demand before the green bond issuance. On capital markets there is a need to create a product in the right way at the right price. Hessen ended up with a 2 basis points greenium, creating a book of above 3.2 billion euros.</p> <p>Hessen noted that the banks provided a lot of support and it also obtained an ISS ESG grade. It held investor presentations, did an online road show and individual investor calls.</p>

⁷¹ Interview conducted with the State of Hessen on 8 November 2021

Support for the development of a legal framework and a practical basis for issuing sustainable debt – D2 Best practice report

Question	Data
	The main feedback from many investors was that the framework and investor presentation were clear. ⁷²

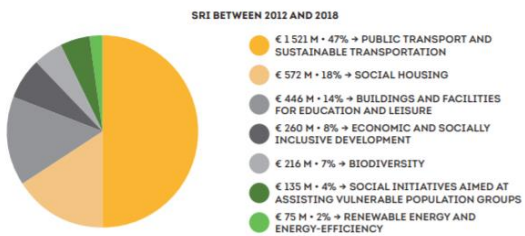
List of documents reviewed

- State of Hessen (2021) [Green Bond Framework](#)
- SPO (2021) [Sustainability Quality of the Issues and Green Bond Framework](#)
- ISS ESG SPO (2021) [Sustainability Quality of the Issuer and Green](#)
- State of Hessen (2021) [Investor Presentation](#)
- State of Hessen (2021) [Allocation and Impact Report](#)

⁷² Interview conducted with the State of Hessen on 8 November 2021

Annex 3 Detailed Fiche – Île-de-France

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2012
Number of issuances to date	10
Volume issued per year	2012 – 350m 2014 – 600m 2015 – 625m (3 bonds) 2016 – 650m 2017 – 500m 2018 – 500m 2020 – 800m ⁷³ 2021 – 1bn ⁷⁴
	 <p>SRI BETWEEN 2012 AND 2018</p> <ul style="list-style-type: none"> € 1 521 M • 47% → PUBLIC TRANSPORT AND SUSTAINABLE TRANSPORTATION € 572 M • 18% → SOCIAL HOUSING € 446 M • 14% → BUILDINGS AND FACILITIES FOR EDUCATION AND LEISURE € 260 M • 8% → ECONOMIC AND SOCIALLY INCLUSIVE DEVELOPMENT € 216 M • 7% → BIODIVERSITY € 135 M • 4% → SOCIAL INITIATIVES AIMED AT ASSISTING VULNERABLE POPULATION GROUPS € 75 M • 2% → RENEWABLE ENERGY AND ENERGY-EFFICIENCY
Volume of issuance compared to overall borrowing (if possible, by year)	2012 – 650m borrowing (54% ratio) 2014 – 730m borrowing (82% ratio) 2015 – 710m borrowing (88% ratio) 2016 – 650m borrowing (100% ratio) 2017 – 530m borrowing (94% ratio) 2018 – 600m borrowing (83% ratio) 2020 – 800m borrowing (100% ratio)
Maturity profile of issuances	2021 – 10-year and 20-year
Currencies of issuances	EUR
Pricing (coupon)	2021 – 0.405% and 0.952%

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
<p>What are the motivations for issuing thematic bonds?</p> <p><i>Role in developing definitions and standards – participation in expert groups, HLEG, TEG etc</i> <i>Contributions made to development of standards and definitions</i></p>	<p>The Region is committed to integrate sustainable development and social responsibility considerations in all its activities across the different fields with 5 objectives:</p> <ul style="list-style-type: none"> - Fight against climate change and preserve the quality of the air - Support biodiversity conservation and protection of resources and environment - Contribute to personal development of all human beings - Ensure social cohesion and solidarity between territories and generations - Create growth dynamics integrating responsible production and consumption patterns
How does it fit within the region sustainable finance strategy?	Medium/long term financing strategy mainly based on bond issuances which will exclusively consist of G & S bonds going forward:

⁷³ Région Île-de-France (2021) [Île-de-France Regional Finances – Key Figures](#)

⁷⁴ Région Île-de-France (2021) [Île-de-France Mobilités' new 10-year and 20-year EUR 1 billion Inaugural Green Bond Dual-tranche](#)

Question	Data
	<ul style="list-style-type: none"> • Bond issuances made under its EUR 7 Bn EMTN programme (1st French local authority EMTN programme in 2001): EUR 5.1 Bn outstanding in total, issued between 2012 and 2020 (Green and Sustainability bonds issued approximately 60% of the outstanding debt), • Partnership with the EIB to finance sustainable projects, with EUR 400 million drawn as of March 2021. • Loans from CDC to finance High School Projects that can be used as a short-term or a long-term resource <p>Diversified access to short-term liquidity with EUR 1 Bn NEU-CP⁷⁵ programme in French law (French commercial paper) and a revolving facility of €587 million that can be used for cash management and to mobilise credit resources.</p> <p>Outstanding debt at the end of 2020: EUR 5,751 Bn Average lifetime: 6.5 years Average rate: 1.85%. Includes 88.6% of bonds (Public issues and private placements) and 11.4% of banks & institutional loans financing and Schuldschein.</p> <p>Proportion of green and sustainability bonds in the outstanding regional debt has grown year on year to 75% in 2020.</p> <p>In 2019, the Region committed to 100% green and sustainable financing.⁷⁶</p>
<p>Is your green budgeting approach directly linked to your thematic bond issuance?</p>	<p>The medium/long term financing strategy is mainly based on bond issuances which will exclusively consist of green social bonds going forward.</p> <p>Région Île-de-France tends to consider a green budget approach, as 1 euro out of 2 has now “a positive impact on the environment” (representing 10 billion euros from 2020 to 2024). A spending has “a positive impact on the environment” if it contributes to the Plan for ecological transformation of the Region by 2024 (see Framework pages 6 and 7). DP_environnement_web.pdf (iledefrance.fr)</p> <p>A document (“Jaune budgétaire”) is also established (available here: RAPCR2020-062RAP.pdf (iledefrance.fr)) to present the investments made by the Region towards the environment. The next step for the Region will be to screen all the capital expenditures of the Region according to the Green Projects Categories defined in their Framework (in France, for local authorities, loans can only finance capital expenditures). Additionally, the Region launched in 2020 a participative budget in order to finance projects that preserve biodiversity and that are proposed by Ile-de-France inhabitants.⁷⁷</p>
<p>Did you use the thematic bond framework for financing COVID-19 measures?</p>	<p>The Region created an action plan in 3 Acts:</p> <p><i>Act 1: A strong and immediate response to the crisis</i> 1.3 billion euros dedicated and 90% spent by the end of 2020 The largest stimulus plan in France after the State 1. Economy, 2. Training and return to employment, 3. Solidarity, purchasing power, health and research, 4. Environment and participatory budget for a territories-scaled recovery</p> <p><i>Act 2: A regional COP for a greener Ile-de-France</i> 192 proposals to make Île-de-France a Region with zero net artificialization, zero net emissions, and zero net resources Proposals implemented as of January 2021: retrofitting, collection and recycling of disposable masks, strengthened brownfields plan, structuring of the Ile-de-France biobased materials industry</p> <p><i>Act 3: An unprecedented multi-year investment plan</i> EUR 20 billion between 2021 and 2027, EUR 5.5 billion of which in the 2021-2022 period A recovery plan, which covers all areas of intervention of the Region: transport, with a record of EUR 1 billion of investment from 2021; high schools with the review of the multi-year investment plan; but also economic development and innovation, health and research, environmental transition, culture, sport... while relying on the European Recovery Plan, including the crisis funds REACT-EU⁷⁸.</p>

⁷⁵ A Negotiable European Commercial Paper (NEU CP) – which is a short-term debt instrument

⁷⁶ Région Île-de-France (2021) [Ile-de-France Regional Finances](#); Région Île-de-France (2021) [Investor Presentation](#)

⁷⁷ Interview with Région Île-de-France conducted on 19 November 2021

⁷⁸ Région Île-de-France (2021) [Investor Presentation](#).

Question	Data
Do you foresee any important changes in your approach to thematic bond issuance in the near future? (new sectoral coverage, new indicators, etc.)	<p>The Framework is an update of the first regional issuance framework and integrates the most recent evolutions of the standards in this field.</p> <p>The Framework has been defined in accordance with the publication requirements set out in the Report of the European Union Technical Expert Group for a draft European Green Bond Standard and its User's Guide published in March 2020.</p> <p>The Region also commits to regularly update this Issuance Framework in order to be in line as much as possible with best market practices, changes in international standards and European regulations.</p>

Key characteristics of the thematic bond framework

Characteristics	Data
Standards referred to in the bond framework	<p>The Framework is in line with the International Capital Market Association (ICMA) Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020 and Sustainability Bond Guidelines (SBG) 2018. It is designed on the basis of ICMA's key principles: Use of proceeds, Process for project evaluation and selection, Management of proceeds, Reporting and external review.</p> <p>The Framework has also been defined, where relevant and possible, in accordance with the publication requirements set out in the Report of the European Union Technical Expert Group for a draft European Green Bond Standard and its User's Guide published in March 2020.</p> <p>In particular, the categories of regional green projects are classified according to the environmental objectives as defined by the European Union in the Taxonomy Regulation (EU Regulation (EU) 2020/852, Article 9).</p> <p>Where possible, with respect to the main objective of Climate Change Mitigation, the categories of regional green projects are classified according to the relevant economic activity, as defined in the draft Delegated Regulation and its Annex (Commission Delegated Regulation supplementing Regulation (EU) 2020/852 & Annex, version published in November 2020), as well as according to the codification of the Statistical Classification of Economic Activities in the European Communities (NACE).</p> <p>Finally, when possible, regional green project categories are assessed according to:</p> <ul style="list-style-type: none"> • their substantial contribution to the main objective of Climate Change Mitigation (Annex 1 of the Framework); and, • if the activity does not cause significant harm to other EU environmental objectives (See Annex 2 for an illustration on the clean transportation category).⁷⁹
Awards received, any special features mentioned by media or analysts or experts	<p>The Région Île-de-France has received multiple awards, including:</p> <ul style="list-style-type: none"> • On 1 July 2021, the Île-de-France Region's Finance Division was awarded the gold trophy in the « ESG Finance Division » category during the Finance Leaders Summit;⁸⁰ • GlobalCapital "Most Impressive Local Government Green/SRI Bond Issuer" award for 2021⁸¹ and "Public Sector Green Bond Deal of the Year" award for 2016;⁸² • Gold Finance Leader Trophy, Public Sector (April 2019, Paris); • Worldwide Prize in 2019, Sustainability bond of the year for local authorities, by Environmental Finance (spring 2019);⁸³ • Most impressive local government Green/SRI bond issuer, at the Sustainable and Responsible Capital Markets Forum (Euromoney/ GlobalCapital in September 2018, Amsterdam); • Best sustainability bond issuer - France 2021 (Capital Finance International); and,

⁷⁹ Région Île-de-France (2021) [Green, Social and Sustainable Bond Framework for the Ile-de-France Region](#).

⁸⁰ Région Île-de-France (2021) [Region funding](#)

⁸¹ GlobalCapital (2021) [Welcome to the GlobalCapital Bond Awards 2021](#)

⁸² GlobalCapital (2016) [Sustainable and Responsible Capital Markets Awards 2016: the Winners](#)

⁸³ Environmental Finance (2019) [Sustainability bond of the year – Local authority/ municipal: Region Ile de France](#)

Characteristics	Data
	<ul style="list-style-type: none"> • Climate Bond Initiative prize for “First Municipal Green Bond” for 2016.
SDGs covered by the framework	<p>The Framework identifies that the eligible categories are likely to contribute to 12 of the 17 United Nations’ Sustainable Development Goals (SDGs).⁸⁴</p> <p>SDG 1 - No poverty (targets not specified) SDG 3 - Good health and well-being (targets 3.B) SDG 4 - Quality education (targets 4.1, 4.3, 4.4, 4.5, 4.A) SDG 6 - Clean water and sanitation (target 6.6) SDG 7 - Clean and affordable energy (targets 7.1, 7.3) SDG 8 - Decent work and economic growth (target 8.1, 8.3, 8.4, 8.6) SDG 9 - Industry, innovation and infrastructure (target 9.1) SDG 10 - Reduced inequalities (target 10.2) SDG 11 - Sustainable cities & communities (targets 11.1, 11.2, 11.3, 11.5, 11.7, 11.A) SDG 12 - Sustainable consumption and production (target 12.2) SDG 13 - Measures relating to the fight against climate change (target 13.1) SDG 15 - Life on land (targets 15.1, 15.2)</p>
Eligible activities for the use of proceeds and associated SDGs	<p>Eligible green project categories:</p> <p>GREEN BUILDINGS SDG 11: SUSTAINABLE CITIES AND COMMUNITIES (11.3) SDG 7: AFFORDABLE AND CLEAN ENERGY (7.1 & 7.3) SDG 13: CLIMATE ACTION (13.1)</p> <p>CLEAN TRANSPORTATION SDG 11: SUSTAINABLE CITIES AND COMMUNITIES (11.2) SDG 9: INDUSTRY, INNOVATION & INFRASTRUCTURE (9.1) SDG 13: CLIMATE ACTION (13.1)</p> <p>RENEWABLE ENERGY SDG 7: AFFORDABLE AND CLEAN ENERGY (7.1 & 7.2) SDG 12: RESPONSIBLE CONSUMPTION & PRODUCTION (12.2) SDG 13: CLIMATE ACTION (13.1)</p> <p>TERRESTRIAL AND AQUATIC BIODIVERSITY CONSERVATION SDG 6: CLEAN WATER AND SANITATION (6.6) SDG 15: LIFE BELOW WATER (15.1 & 15.2)</p> <p>Eligible social projects categories</p> <p>ACCESS TO ESSENTIAL SERVICES: EDUCATION SDG 4: QUALITY EDUCATION (4.1 & 4.3 & 4.4 & 4.a) SDG 8: DECENT WORK AND ECONOMIC GROWTH (8.6) SDG 10: REDUCED INEQUALITIES (10.2)</p> <p>ACCESS TO ESSENTIAL SERVICES: HEALTH SDG 3: GOOD HEALTH AND WELL-BEING (3.b) SDG 11: SUSTAINABLE CITIES AND COMMUNITIES (11.5)</p> <p>ACCESS TO ESSENTIAL SERVICES: SOCIAL INCLUSION SDG 10: REDUCED INEQUALITIES SDG 4: QUALITY EDUCATION (4.5 & 4.a) SDG 11: SUSTAINABLE CITIES AND COMMUNITIES (11.2 & 11.7)</p> <p>AFFORDABLE HOUSING SDG 1: NO POVERTY SDG 11: SUSTAINABLE CITIES AND COMMUNITIES (11.1 & 11.a)</p>

⁸⁴ Région Île-de-France (2021) [Green, Social and Sustainable Bond Framework for the Ile-de-France Region](#)

Characteristics	Data
	<p>AFFORDABLE BASIC INFRASTRUCTURES (TRANSPORT, ENERGY, GREEN SPACES and SPORT INFRASTRUCTURES) SDG 8: DECENT WORK AND ECONOMIC GROWTH (8.1 & 8.3 & 8.4) SDG 11: SUSTAINABLE CITIES AND COMMUNITIES (11.2 & 11.3 & 11.7)</p> <p>SUPPORT FOR EMPLOYMENT CREATION, PREVENTION & FIGHT AGAINST UNEMPLOYMENT RELATED TO CRISES (including through SMEs & MICs FINANCING measures) SDG 1: NO POVERTY SDG 8: DECENT WORK AND ECONOMIC GROWTH (8.1 & 8.3 & 8.5)</p>
<p>Level of details provided on the eligible activities</p>	<p>The Région Ile-de-France can issue three types of bonds: green, social and sustainability bonds.</p> <p>Most green eligible categories follow the technical screening criteria specified by the Draft Delegated Act under the EU Taxonomy Regulation.</p> <p>Vigeo Eiris have assessed that the use of proceeds are aligned with GBP and SBP and best practices.⁸⁵</p> <p>Eligible Categories are clearly defined, the Region has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects, as well as the target populations for social Eligible Categories.</p> <p>The Environmental and Social Objectives are clearly defined for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards. The Environmental Objectives are defined according to the Taxonomy Regulation. The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and are quantified for all the Eligible Categories in the reporting.</p> <p>The Region transparently communicated that there is no refinancing nor look back period, as the Bonds will only finance Eligible Projects in the investment budget of the year of issuance.</p> <p>Région Ile-de-France has started a preliminary work on the alignment of the categories with the Do Not Significant Harm (DNSH) principle as illustrated in the Appendix 2 of its Framework for the clean transportation category. Région Ile-de-France assessed the green categories alignment with the DNSH criteria. Regarding the most important category, "clean transportation" (representing nearly 50% of the funds raised each year), the annex 2 of the Framework demonstrates full alignment. This work started through a French legal environment analysis, in order to assess the alignment of the French laws with the EU Taxonomy. Thus, the alignment can be ascribed to the Région Ile-de-France as the organisation is compliant with the law. As the European taxonomy may be setting up new thresholds or criteria that are not transcribed in national legislation yet (such as for the production of heat through geothermal energy), Ile-de-France chose to conduct an assessment by project financed. For the three other categories, the assessment is still being conducted by the operational departments.</p> <p>Regarding issuance activities, the alignment assessment of certain categories of projects might be hardly practicable and requires information for a multitude of small projects that are not systematically available. This particularly affects "construction of social housing" and "renewable energies" projects.</p> <p>In addition, Région Île-de-France has identified 'Regional Objectives Pursued' and 'Regional Eligibility Criteria' for each eligible category.</p>
<p>Impact indicators selected for the different activities</p>	<p>Reporting indicators:</p> <ul style="list-style-type: none"> - Amount allocated by eligible category. - A breakdown of the funds raised by Sustainable Development Goals and for each of their Target(s). - If possible, a breakdown of the allocation of funds to green projects according to their contribution to the environmental objectives of the European Union. - Share of co-financing.

⁸⁵ Vigeo Eiris (2021) [Second Party Opinion on Région Île-de-France's Green, Social and Sustainable Bond Framework](#)

Characteristics	Data																				
	<p>The three impact indicators selected by the Region are:</p> <ul style="list-style-type: none"> - For all green projects: CO₂ emissions avoided by the Project (in tCO₂eq/year); and, - For all social projects: number of jobs created by the project and number of beneficiaries of the project. <p>The reporting methodology and assumptions used to report are publicly disclosed.</p> <p>Région Île-de-France has committed to report only on the benefits attributable to the bond proceeds on a pro-rata basis.⁸⁶</p> <table border="1"> <thead> <tr> <th rowspan="2">ELIGIBLE CATEGORIES</th> <th colspan="2">ENVIRONMENTAL BENEFITS INDICATORS</th> </tr> <tr> <th>OUTPUTS AND OUTCOMES</th> <th>IMPACT INDICATORS</th> </tr> </thead> <tbody> <tr> <td>Green Buildings</td> <td>Number of new buildings financed and their respective certifications/performances Number of renovated buildings and their respective efficiency (in % improvement or kWh/m²)</td> <td>Annual GHG emissions avoided (in t.CO₂eq)</td> </tr> <tr> <td>Clean Transportation</td> <td>Number and type of assets financed</td> <td>Annual GHG emissions avoided (in t.CO₂eq)</td> </tr> <tr> <td>Renewable Energy</td> <td>Installed capacity (MW) Annual heat and electricity production (MWh) Number of electrolysis equipment and other hydrogen related assets</td> <td>Annual GHG emissions avoided (in t.CO₂eq)</td> </tr> <tr> <td>Terrestrial and Aquatic Biodiversity Conservation</td> <td>Hectares financed (ha) by type of area, linear metres financed for some projects (hedges, bank renaturation etc.)</td> <td>Annual GHG emissions avoided (in t.CO₂eq)</td> </tr> <tr> <td>Access to essential services: education Access to essential services: health Access to essential services: social inclusion Affordable housing Affordable basic infrastructures (transport, energy, green spaces and sport infrastructures) Support for employment creation, prevention & fight against unemployment related to crisis (including through SMEs & microenterprises financing measures)</td> <td>The number and types of beneficiaries (students, vulnerable population etc.) Qualitative and quantitative information on the projects financed (number of dwellings, SMEs, medical equipment etc.) Number of jobs supported by the projects in the construction phase and in the operational phase, including social integration jobs (in Full Time Equivalent).</td> <td></td> </tr> </tbody> </table> <p>Vigeo Eiris have assessed that an area for improvement consists in committing to an external verification of the indicators used to report on environmental and social benefits of the Eligible Projects. Of note, the methodologies for selection and calculation of indicators have been externally verified once by Deloitte in 2015-2016. These calculation methodologies are present in the appendix of the Region's reports.⁸⁷ In addition, the Region plans to test an external evaluation ex post, after a certain time has passed following the implementation of a project.</p> <p>Best practices assessed by Vigeo Eiris:</p> <ul style="list-style-type: none"> - The report is publicly available. - The indicators selected by the Region are exhaustive with regards to allocation reporting. - The indicators selected by the Region are clear and relevant and cover all expected benefits associated with the Eligible Categories. - The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories are disclosed publicly. 	ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS		OUTPUTS AND OUTCOMES	IMPACT INDICATORS	Green Buildings	Number of new buildings financed and their respective certifications/performances Number of renovated buildings and their respective efficiency (in % improvement or kWh/m ²)	Annual GHG emissions avoided (in t.CO ₂ eq)	Clean Transportation	Number and type of assets financed	Annual GHG emissions avoided (in t.CO ₂ eq)	Renewable Energy	Installed capacity (MW) Annual heat and electricity production (MWh) Number of electrolysis equipment and other hydrogen related assets	Annual GHG emissions avoided (in t.CO ₂ eq)	Terrestrial and Aquatic Biodiversity Conservation	Hectares financed (ha) by type of area, linear metres financed for some projects (hedges, bank renaturation etc.)	Annual GHG emissions avoided (in t.CO ₂ eq)	Access to essential services: education Access to essential services: health Access to essential services: social inclusion Affordable housing Affordable basic infrastructures (transport, energy, green spaces and sport infrastructures) Support for employment creation, prevention & fight against unemployment related to crisis (including through SMEs & microenterprises financing measures)	The number and types of beneficiaries (students, vulnerable population etc.) Qualitative and quantitative information on the projects financed (number of dwellings, SMEs, medical equipment etc.) Number of jobs supported by the projects in the construction phase and in the operational phase, including social integration jobs (in Full Time Equivalent).	
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Effective distribution of the proceeds by activity or sector	<p>Effective distribution of proceeds by sector⁸⁸</p> <p>Eligible green project categories: Green Buildings = 2.6% Clean Transportation = 50.9% Renewable Energy = 2.9% Terrestrial and Aquatic Biodiversity Conservation = 4.3%</p> <p>Eligible social projects categories: Access to essential services: education = 16.8% Access to essential services: health = 4.8%</p>																				

⁸⁶ Vigeo Eiris (2021) [Second Party Opinion on Région Île-de-France's Green, Social and Sustainable Bond Framework](#)

⁸⁷ Deloitte (2016) [Third Party Opinion of Deloitte](#)

⁸⁸ Région Île-de-France (2019) [Projects Financed by the 2018 Green and Sustainability Bond](#)

Characteristics	Data
	<p>Access to essential services: social inclusion = 16.0% Affordable housing = 16.0% Affordable basic infrastructures (transport, energy, green spaces and sport infrastructures) = 1.8% Support for employment creation, prevention & fight against unemployment related to crisis</p> <p>Allocation as stated in the document: Buildings and facilities for education and leisure = 17.6% Public transport and sustainable transportation = 50.9% Renewable energy and energy efficiency = 2.9% Biodiversity = 4.3% Social initiatives aimed at helping vulnerable population groups = 4.8% Social housing = 16.0% Economic and socially inclusive development = 3.6%</p> <p><i>Note: the allocation does not follow the same categories as the eligible categories because the allocation is based on the old framework.</i></p>

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
Process for project identification, evaluation and selection	<p>The evaluation and selection process is designed to ensure that the funds obtained from the Region’s green, social or sustainability bond issues are exclusively allocated to the financing of the Region’s general investment budget for eligible environmental and/or social projects.</p> <p>The Finance Department, the Operational Departments, the Management Control and Financial Decision-making Mission and the Sustainable Finance Committee are all involved in the process.</p> <p>The process begins after the end of the year of mobilisation of the considered borrowings, when the Region has full visibility on the level of investment expenditures relating to each project.</p> <p>Project selection:</p> <p>1. The Finance Department asks each directorate (operational department) in the Region to select a certain number of projects or investment schemes</p> <ul style="list-style-type: none"> • For an expected amount of spending • Compliant with the selection criteria in the Use of Proceeds section. <p>Projects are evaluated and selected according to a four-step process:</p> <p>Compliance with national legislation in terms of human rights and social laws. Furthermore, France is abiding by the OECD’s and the United-Nations’ Guidelines regarding human and social rights and adopted numerous laws in this field in line with European Union’s Minimum (Social) Safeguards.</p> <p>Compliance with one or more of the eligibility criteria defined by the Region for each of the green and/or social project categories.</p> <p>Evaluation of the contribution to the European Union’s environmental goal of Climate Change Mitigation and assessment of compliance with the relevant Do No Significant Harm (DNSH) criteria, where possible qualitative assessment of project management in its environmental, social and societal, economic and governance responsibility dimensions. The information, when available, is detailed in the allocation and impact report through projects sheets. It strengthens the justification to investors of the social and/or environmental character of the projects financed.</p> <p>In some cases, in particular for projects corresponding to emergency measures in times of crisis, some of the eligibility criteria may not be fully covered. The operational departments of the Region that are in charge of the projects are best positioned to select the most emblematic projects in their portfolio.</p> <p>The most exemplary projects are selected by each directorate:</p> <ul style="list-style-type: none"> • High environmental and social commitment on all the Region’s area of intervention

Question	Data
	<ul style="list-style-type: none"> • Selection based on an investment budget of €1.6 bn (2018 accounts) • The major projects on transportation and eco-construction can be reconducted from a year to another. <p>Finance directorate</p> <ul style="list-style-type: none"> • Validates the breakdown between each category based on the projects presented • Consolidates information communicated by each directorate <p>The expenditures related to the following sectors are excluded from the Framework:</p> <ul style="list-style-type: none"> - Nuclear energy production; - Fossil fuel production and electricity generation from fossil fuels; - Production or trade of arms and ammunition; - Production or trade of alcoholic beverages (excluding beer and wine); - Tobacco production or trade; and, - Production of or trade in any product or activity deemed illegal under conventions and agreements, or subject to international prohibitions. <p>Allocation of proceeds:</p> <p>In addition, the Management Control and Financial Decision-Making Mission extracts, from the Region's financial information system, information relating to the amounts of expenditures spent on the projects / schemes selected in conjunction with the operational departments concerned, then the Finance Department finalizes the list of projects / schemes corresponding to the amount of proceeds. The Sustainable Finance Committee validates this final list.</p> <p>From an accounting point of view, eligible expenditure includes direct expenditures on tangible fixed assets (construction including land, works, materials, equipment, etc.). They also include expenditures on intangible assets (investment subsidies paid, studies, etc.). Eligible expenditures exclude the portion of expenditures financed by revenue subject to earmarking (revenue received and which, by law, is earmarked for specific expenditures).</p> <p>Once this stage has been completed, each operational department prepares the elements relating to the projects/schemes selected with a view to producing allocation and impact reports. The information obtained by each operational department is then centralised within the Finance Department, which consolidates the report and verifies overall consistency.</p>
<p>How has the allocation of proceeds process evolved since your first issuance in 2012? Which good and bad practices did you identify during that period?</p>	<p>The green and sustainability bond framework of Région Île-de-France significantly evolved from its past version (2012 to 2020) to its newest (2021) in order to take into account the emerging EU Taxonomy. Consideration of the EU Taxonomy, as of early 2021, emphasizes the Region's commitment to become a pioneer in the field of sustainable finance.</p> <p>The allocation and impact report evolved in 2019 through an enhanced consideration of the United Nation SDGs, pointing henceforth the main goals as well as the main impact indicator for each project financed.</p>
<p>Which concrete steps were undertaken to prepare the issuance?</p>	<p>Région Île-de-France prepared its responsible issuance and its framework in relation with financial institutions such as banks, whose experience on green and social financing was used to understand the best practices of the market.</p> <p>The Region launched a partnership in January 2021 with the associative structure "Finance for Tomorrow", which gathers public sector actors and private companies, and acts for the development of the green finance.</p> <p>The steps taken by Région Île-de-France aim to ensure a proactivity in sustainable finance, then leading and organizing the debate on that field in our territory. This was done in July 2019 as the Region gathered more than a hundred stakeholders (coming from numerous sectors of activity) in its headquarters. This conference helped structuring the network about responsible investment in Region Ile-de-France.⁸⁹</p>
<p>What are the main good practices and pitfalls new sub-national issuers need to be aware of?</p>	<p>The green finance market is developing promptly and require issuers like Région Île-de-France to frame its strategy into actions plans and objectives that are measurable and compliant with emerging legislation. That way, Région Île-de-France is presenting each year to its elected representatives a communication illustrating the impact of regional policies toward its social and environmental goals. The preciseness of the objectives improves the reliability of the action plans taken by the organization, such as determining the reduction of energy consumption, and may reassure investors that the funds are used on social and environmental purposes.</p>

⁸⁹ Interview with Région Île-de-France conducted on 19 November 2021

Question	Data
	<p>One of the best practices would be to organize, before the establishment of the Framework, a close work between operational/technical departments and the financial department to:</p> <ul style="list-style-type: none"> - Explain the goals of the evaluation of the social and environmental characteristics of projects financed. - Analyse the indicators already available indoor (selection indicators, impact and results indicators...). Select the best indicators that also match regulations/best practices and formalize a process to secure (1) the availability of the data in the operational departments and (2) the access to the data for the financial department. <p>The formalisation of a process which aims to evaluate and select projects by the relevant staff in the organization (involving financial professionals and non-financial professionals), using the detailed criteria defined beforehand, should strengthen the traceability and verification of the selection of the projects.</p> <p>Furthermore, the presence of a process for the management and allocation of proceeds, including a high level of details (allocation period, publication, procedure applied in case of project/asset divestment or postponement), is very important for the investors. Nonetheless, a responsible issuance implies the workload to be thoroughly foreseen taking into account the importance of the establishment of such a green finance strategy. It is essential to involve a dedicated and skilled staff. Indeed, the elaboration of strong indicators in social and environment field or the collect of data in order to publish information toward investors require a regular commitment, at the risk of being caught up by the developing legislation and market.⁹⁰</p>
<p>What governance is in place to support sustainability bond issuance?</p>	<p>For the purpose of the Bonds, a Sustainable Finance Committee has been set up but is not fully operational yet, as some new managers from the Région Île-de-France are about to join it. However, the committee will first meet in 2022.</p> <p>This Committee is headed by the Deputy Managing Director of the Region's Finance Directorate and is composed of representatives of:</p> <ul style="list-style-type: none"> - The Finances Directorate (Finance Department, Management Control, Budget); - The Territorial Cohesion Directorate which is responsible for regional environmental policies; and, - The Operational Departments concerned with sustainable projects and the "Institut Paris Region". <p>The Committee is chaired by the Deputy Managing Director of the Region's Finances Directorate.</p> <p>This Committee is meant to meet at least once a year with a view to:</p> <ul style="list-style-type: none"> • Propose changes to the Framework for regional issues so that it continuously reflects the regional strategy, legislative and technological developments and market practices. The Committee will particularly focus on: <ul style="list-style-type: none"> ° the categories of eligible green and social projects and the eligibility criteria relating to these categories, ° impact indicators and their calculation methodologies. • Validate the selection of projects presented in the allocation and impact report to investors. <p>The Committee's minutes are published on on https://www.iledefrance.fr/region-funding.</p> <p>Furthermore, the Region regularly identifies improvements through our meetings with investors where Région Île-de-France, over the years, bond issuance after bond issuance, made several commitments such as anticipating the practices subsequently established by ICMA by a process for allocation and reporting on funds. Région Ile-de-France is still keen on improving its practices and keeps in contact with the latest regulatory developments.</p>
<p>And how the region's organisational structure supports this?</p>	<p>The Finance department organises and leads the bond issuance process as it is already corresponding regularly with banks. The bond issuance process is thus overseen by the Finance Deputy General Manager of the Région, who represents it during meeting with investors.</p>

⁹⁰ Interview with Région Île-de-France conducted on 19 November 2021

Question	Data
	<p>The operational departments of the Région Île-de-France work closely with the Finance department especially at the time of the elaboration of the allocation and impact report following the green and social bond issuance. For each bond issuance, the allocation and impact report is published at the latest by 31st December of the year following the issue. The operational departments (transportation, high-schools, social housing...) supply indicators selected by the Finance department for the impact report (CO2 emissions avoided by the projects financed, creation of jobs supported by the projects and the number of beneficiaries of the projects).⁹¹</p>

Allocation process, management of proceeds and data management

Question	Data
<p>Describe the approach to manage proceeds and ensure traceability</p>	<p>The net proceeds of the Bonds are credited to the regional treasury, as French local authorities are required to deposit their cash balance in a single account within the French Treasury.</p> <ul style="list-style-type: none"> - From a budgetary and accounting point of view, the net proceeds of the Bonds are recorded as investment income and cover the investment expenditure of the year of the issuance. Proceeds are only allocated to Eligible Projects, for which funds have been disbursed, at the end of the year, meaning that the net proceeds of the Bonds are allocated within 12 months or less of the issuance date. - If the Region faces a major controversy on an eligible expenditure, or an eligible project becomes ineligible, is postponed or divested, then it will reallocate the net proceeds to other eligible projects which meet the eligibility criteria of the Framework within 24 months of the reallocation decision. - The Region's financial information system records information relating to the amounts spent on the projects identified with the departments concerned, then the Finance Department finalizes the list of projects corresponding to the amount raised by the Bond. The traceability and verification of the selection and evaluation of the projects is ensured throughout the process: - The Region takes charge of the operation of high schools, they are monitored after delivery. For other projects, the Region does not carry out ex-post monitoring of projects once they have been delivered and financed. - In the event of major controversies of which the operational departments or elected representatives have been informed, the operational departments will inform the Finance Directorate and the Finance Committee, and the Region commits to replace Eligible Projects that are subject to material ESG controversies that would substantially harm the environmental and/or social benefit initially intended by the project. Currently, no specific measures are in place to monitor controversies, however the Region is in the process of formalising internal procedures to monitor and respond to controversies. A procedure for addressing controversies related to projects financed by the Region is currently being drafted by the Directorate General of Services. - Detailed decisions of the Committee are reported in an excel file; meeting minutes are made publicly available on the Region's website. <p>Vigeo Eiris have assessed that the management of proceeds is aligned with GBP and SBP and best practices:</p> <ul style="list-style-type: none"> - The Process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework. - The allocation period is 12 months or less. - Net proceeds of the Bond are tracked by the Region in an appropriate manner and attested in a formal internal process. - Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed. <p>Proceeds are allocated to Eligible Projects, for which funds have been disbursed, at the end of each year.</p> <p>The Region has provided information on the procedure that are applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months.</p>

⁹¹ Interview with Région Île-de-France conducted on 19 November 2021

Question	Data
How is information on the proceeds managed internally? Is it integrated into the budget system or is a parallel system used?	<p>The management of proceeds is carried out using the internal budget system, that was verified by Deloitte in 2016 (3e_opinion_Deloitte.pdf (iledefrance.fr)).⁹²</p> <p>The Finance Department is thus working closely with the Budget Department in order to collect and confirm the amounts for each project.</p> <p>As a local authority, Région Île-de-France is mandated to deposit the funds raised within one only account to the national administration of the Treasury in France.⁹³</p>

Reporting and external review

Question	Data
Describe the approach to report on the use of proceeds and impact	<p>For each bond issue, the allocation and impact report shall be published at the latest by 31st December of the year following the issue on the Region's Funding website.⁹⁴ It illustrates compliance with the commitments made at the time of issue, concerning the allocation of proceeds, compliance with the eligibility criteria for each project/scheme financed, and the presentation of impact indicators that cut across projects.</p> <p>Allocation report</p> <p>The allocation report presents the projects/schemes financed by the green, social or sustainability bonds with:</p> <ul style="list-style-type: none"> • A table showing the allocation of the funds raised for the selected projects and schemes, themselves, broken down by major categories of green and social projects. <p>In addition, the allocation report proposes a reading of the projects financed by the green, social or sustainability bonds, from the point of view of the sustainable development goals (SDGs) established by the United Nations (UN):</p> <ul style="list-style-type: none"> • A breakdown of the funds raised, in accordance with the UN Sustainable Development Goals and for each of their Target(s). <p>The Region's share of project's funding is reported in projects sheets. Finally, for each issue, the allocation report presents, where possible, the distribution of the allocation of funds to green projects according to their contribution to the environmental objectives of the European Union.</p> <p>Impact report</p> <p>The impact report completes the allocation report with a Project Sheet detailing each project/scheme presented with:</p> <ul style="list-style-type: none"> • A description of the purpose of the project; • In the header of the project Sheets, the essential information on the project and the amounts allocated to the project in previous green/social/sustainable issues; • An update of the life of the project, if necessary; • A summary table with evidence of how the project meets the eligibility criteria and project management criteria; • An evaluation, where possible, of the impact of the project according to the three impact indicators selected; • The UN SDGs to which each project responds are identified as such in the header of each Project Sheet, with details of the relevant Targets of the SDGs; and, • The EU environmental objectives to which the project aims to respond. <p>A summary table is presented to provide an overview of each project's contribution to each of the SDGs and Targets. The approach used to construct this table is presented in a methodological note.</p> <p>In the case of a funded scheme involving a multitude of small projects, the allocation and impact report will then present in detail only one or two projects covered by the scheme, by way of example. Région Île-de-France is financing a multitude of projects that can be specifically detailed in our impact and allocation report, such as clean transportation, or high school buildings. These projects have a significant enough financial size to be reported on an individual basis. Some projects can also be gathered in investment schemes. Indeed, for the social housing category for instance, expenses are subsidies to numerous smaller entities external to the Region. In the case of a funded scheme</p>

⁹² [3e_opinion_Deloitte.pdf \(iledefrance.fr\)](https://www.iledefrance.fr/financement-region)

⁹³ Interview with Région Île-de-France conducted on 19 November 2021

⁹⁴ <https://www.iledefrance.fr/financement-region>; <https://www.iledefrance.fr/region-funding>

Question	Data
	<p>involving a multitude of small projects, the allocation and impact report will then present in detail only one or two projects covered by the scheme, by way of example.</p> <p>For each project, where possible, a provisional impact estimate is calculated (ex ante) for these indicators and possibly for others that may be identified at a later stage. A methodological note annexed to the impact report presents each methodology used to calculate the impact indicators.⁹⁵</p> <p>The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible categories are publicly disclosed. An external auditor verifies the tracking and allocation of funds to Eligible Categories until full allocation and in case of material changes. Indicators used to report on environmental and social benefits of the eligible categories are verified internally by the Region.</p>
<p>How were the impact indicators selected and why?</p>	<p>The three impact indicators selected by the Region are:</p> <ul style="list-style-type: none"> • A single environmental impact indicator for all categories of green projects: CO₂ emissions avoided by the Project (in tCO₂eq/year). • Two social impact indicators for all categories of social projects: <ul style="list-style-type: none"> - The creation of jobs supported by the project in the construction phase and in the operational phase, including “social inclusion jobs” (in Full Time Equivalent); and, - The number of beneficiaries of the project. <p>The three impact indicators include both result and impact indicators. Indeed, the Region chose to inform investors about the results of the projects financed in term of recipients or job created as well as the impact of these financings about the assessed avoided CO₂ emissions.</p> <p>The Region first decided to select a unique environmental impact indicator (that is to say CO₂ emissions avoided) because the main objective of our green projects was, and still is, Climate Change Mitigation. It also allows the consolidation of the impacts of all projects financed. It may consider to broaden and adapt the impact indicators according to the categories of projects. Nonetheless, it seems relevant to detail the information given to investors without growing it heavier and to keep it comparable between each project.⁹⁶</p>
<p>Which process were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?</p>	<p><i>No information provided</i></p>
<p>Which organisational structure and external review and verification processes were established? How often does an independent verification occur? What type of assurance is provided?</p>	<p>External review of the issuance framework</p> <p>The Region’s updated Framework for green, social and sustainability bonds was externally reviewed prior to the first issuance carried out under its aegis. V.E. was responsible for this and has produced an independent second opinion available online at the following address: https://www.iledefrance.fr/financement-region.</p> <p>External review of the allocation reports</p> <p>The Regional Directorate of Public Finances (DRFiP) controls the regularity of the expenditures mandated by the Region and makes the payment. In his capacity as the assigned accountant for the Île-de-France Region, the Regional Director of Public Finances for the Île-de-France Region and Paris certifies that the expenditures listed on the statement produced have been paid.</p>
<p>Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?</p>	<p>The new Framework has been reviewed by Vigeo Eiris (V.E) in March 2021</p> <ul style="list-style-type: none"> - V.E is of the opinion that the Expected impacts and ESG risks management are Robust and that “the contemplated Framework is coherent with Région Île-de-France’s strategic sustainability priorities and sector issues and that it contributes to achieving the Region’s sustainability commitments”. This means a robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management. - The quality of the framework has been underlined with three pillars recognized as Best practices by V.E.

⁹⁵ Région Île-de-France (2019) [Projects Financed by the 2018 Green and Sustainability Bond](#)

⁹⁶ Interview with Région Île-de-France conducted on 19 November 2021

Question	Data
Does the issuer obtain any (green bond) rating?	<p>A third opinion was done by Deloitte for the 2015 green and responsible issuance. Besides this external review, a second party opinion is made by Vigeo Eiris for every update of our framework.⁹⁷</p> <p>In December 2020, Moody's assessed the Region rating as 'Aa2' with a 'Stable' outlook.⁹⁸ In July 2020, Fitch assessed its issuer rating at 'AA' and revised its outlook to 'Negative'.⁹⁹</p> <p>In 2020, the Region is ranked 3rd out of 29 European local & regional governments, with an «Advanced» ESG level (61/100).¹⁰⁰</p>
How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?	<p>Région Île-de-France is attentive to the investors' expectations as its bond issuances fit most of the best practices of the market:</p> <ul style="list-style-type: none"> • Alignment with the ICMA Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020 and Sustainability Bond Guidelines (SBG) 2018; • EU Taxonomy considerations (as far as Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020); • A SPO is established as soon as the Framework is updated; • Clearly defined eligibility criteria; • 100% of proceeds are allocated within a 12-month timeframe, through an annuality principle (no lookback period); • Sectoral exclusion criteria (see framework); • Environmental goals; • Accounting firm audit & reporting; and, • Expected impact metrics including methodology. <p>The Region's website is updated with the latest news, documents, press releases... And, over recent years, the Region has allocated time within investors' meetings to focus more on the SRI part than the financial part.</p> <p>- Région Île-de-France provides much of its documentation on its website (https://www.iledefrance.fr/region-funding). There are 5 sorts of documents available:</p> <ul style="list-style-type: none"> - Reportings and investor presentation; - Euro Medium Term Note Programme (EMTN); - Green and Sustainability Bond Framework of Île-de-France Région / SPO's; - Budgetary documents; and, - Credit rating. <p>Reporting, 4-page regional finance document, press releases on awards/achievements.</p> <p>In addition, Région Île-de-France was the first French local authority to organise in July 2019 a conference on the theme of "Sustainable finance for a responsible territorial action", which gathered more than a hundred stakeholders (elected representatives, local authorities, bankers, investors...). The executive of Région Île-de-France committed itself to resorting henceforth exclusively to green and sustainable financings.</p> <p>The Region is receiving feedbacks from investors through mails, roadshow or "one to one" meetings that we are used to organise. While some investors were impressed by our preliminary work on the EU taxonomy alignment, we have been asked for the reasons to this update. Moreover, it has been questioned on the main difficulties encountered regarding the alignment to this new legislation. Investors were particularly interested in the appendices, whether concerning their establishment or their expansion to all the categories financed by Région Île-de-France.</p> <p>Investors feedbacks emphasise that the issuance was well-prepared. Thus, the recent update of the framework aroused a great interest from ESG investors. According to some investors, the new framework places Région Île-de-France, once again, as « one of the structural pioneers in the sustainability bond market ».</p> <p>Investor questions included:</p>

⁹⁷ Vigeo Eiris (2021) [Second Party Opinion on Région Île-de-France's Green, Social and Sustainable Bond Framework](#)

⁹⁸ Moody's (2021) [Region Ile-de-France](#)

⁹⁹ Fitch Ratings (2021) [Region Ile-de-France](#)

¹⁰⁰ Région Île-de-France (2021) [Ile-de-France Regional Finances – Key Figures](#)

Question	Data
	<ul style="list-style-type: none">- What changes were made to the Framework?- What are the motivations?- Main difficulties/challenges of alignment with the EU Taxonomy?¹⁰¹

List of documents reviewed

Région Île-de-France (2021) [Investor Presentation](#)

Région Île-de-France (2021) [Ile-de-France Regional Finances – Key Figures](#)

Vigeo Eiris (2021) [Second Party Opinion on Région Île-de-France's Green, Social and Sustainable Bond Framework](#)

Région Île-de-France (2021) [Green, Social and Sustainable Bond Framework for the Ile-de-France Region](#)

Région Île-de-France (2020) [Investor Presentation](#)

Région Île-de-France (2020) [Economic, ecological and solidarity recovery post-Covid-19 plan for 2020 – Step 1](#)

Région Île-de-France (2020) [Green and Sustainability Bond Framework of Region Ile-de-France](#)

Région Île-de-France (2019) [Projects Financed by the 2018 Green and Sustainability Bond](#)

¹⁰¹ Interview with Région Île-de-France conducted on 19 November 2021

Annex 4 Detailed Fiche – North Rhine-Westphalia

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2015
Number of issuances to date	10
Volume issued per year	2015 – 750 m 2016 – 1.585 bn 2017 – 1.825 bn 2018 – 2.025 bn 2019 – 2.25 + 1.0 + 1.5 bn 2020 – 2.4 bn 2021 – 2 + 1.5 bn
Volume of issuance compared to overall borrowing (if possible, by year)	Overall borrowing: 2015 – 20.623 bn (4%) 2016 – 18.112 bn (9%) 2017 – 18.910 bn (10%) 2018 – 13.866 bn (15%) 2019 – 22.588 bn (21%) 2020 – 26.523 bn (9%) 2021 – 20.113 bn (17%)
Maturity profile of issuances	2015 – 10 yr 2016 – 7 yr 2017 – 10 yr 2018 – 10 yr 2019 – 15 yr and 10 and 20 yr 2020 – 15 yr 2021 – 10 yr and 20 yr
Currencies of issuances	EUR
Pricing (coupon)	2015 – 0.5% 2016 – 0.125% 2017 – 0.5% 2018 – 0.95% 2019 – 1.1% and 0.0% and 0.5% 2020 – 0.0% 2021 – 0.125% and 0.6%

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
What are the motivations for issuing thematic bonds?	<p>NRW was the first German State to adopt a sustainability strategy to implement the UN SDGs at regional level. NRW adopted its first Sustainability Strategy in 2016 and adopted an updated version in 2020. The content, goals and measures of the updated strategy aim to be more aligned with the federal German Sustainable Development Strategy from 2018 and the UN SDGs. In addition to SDG-aligned measures, NRW describes focal areas with qualitative and quantitative targets as well as information on organisational structures and instruments to implement the Sustainability Strategy.¹⁰²</p> <p>The core of the Sustainability Strategy is a set of 67 specific goals and indicators that are thematically assigned to the UN SDGs. NRW has committed itself to regular and transparent reporting on progress made in this context. Progress in the implementation of the strategy is being measured using indicators which are assigned to the 17 UN SDGs.</p>

¹⁰² ISS ESG (2021) [SPO NRW State Sustainability Bond Framework](#)

Question	Data
	<p>The first Sustainability Indicator Report was published in 2016. In addition, the indicators are regularly being updated, with results published on a dedicated website.¹⁰³</p>
<p>Did you use the thematic bond framework for financing COVID-19 measures?</p>	<p>In the context of the COVID-19 pandemic, the State Parliament of NRW approved a number of measures to cope with the economic and social consequences. From the additional spending of the COVID-19 rescue package, projects worth EUR 1.3 bn in the fields of health, education and environment were found eligible for Sustainability Bond #8 according to the criteria set out in the Sustainability Bond Framework. The projects include selected green projects from the State's economic stimulus package such as solar panels and reforestation, improving the health infrastructure, fighting the pandemic or serving to answer COVID-19-related demands from schools or day care centres like hygienic measure or digitalisation of schooling.¹⁰⁴ In 2020, Sustainability Bond #7 contained projects with a volume of 3.3.bn from the COVID-19 rescue package.¹⁰⁵</p>
<p>How does it fit within the region sustainable finance strategy?</p>	<p>The new Sustainability Strategy (2020 update) is modelled on the UN SDG framework, which does not specifically relate to financial topics. As a general matter, sustainability considerations in the context of the State's fiscal policy focus on two key aspects:</p> <ul style="list-style-type: none"> (i) long-term feasibility of public finances, to be achieved through restrictions on borrowing (in line with the German debt brake); and; (ii) transformation of the budgeting process, from cash accounting to accrual accounting, in order to shift the policy focus from "inputs" (cash allowances) to "outputs" (public services provided and their impacts, including environmental and social impacts). The title of this comprehensive project is EPOS.NRW (an acronym meaning "output-oriented new accounting system") <p>NRW launched a Sustainability Bond programme to finance its sustainability related projects. With a total volume of more than EUR 16 billion issued in the past few years, NRW is the largest public issuer of sustainability bonds globally. By realising projects in areas listed in its Sustainability Bond Framework, NRW positively contributes to several SDGs forming the basis of its Sustainability Strategy, which in turn serves as the political reference for the Sustainability Bonds.¹⁰⁶</p>
<p>Is your green budgeting approach directly linked to your thematic bond issuance?</p>	<p>All projects are part of the State's discretionary spending of the fiscal year 2021 and can be traced to the NRW 2021 Budget Plan. Despite its progressive sustainable finance policy, NRW has not currently adopted a green budgeting approach. However, such concepts might gain more attention in the course of the State's ongoing implementation of accrual accounting (see below).</p> <p>NRW mentioned that the budget does not have any features to distinguish between sustainable and unsustainable budget lines. One feature of the budget is about the intended function of spending, but the system of classification is essentially from the 1960s, and thus is not always suitable for sustainability purposes.¹⁰⁷</p> <p>NRW would ideally want an algorithm that is able to identify eligible assets. An option would be to focus on capital expenditure (capex), but this would result in omitting the spending on operational expenditure (opex). NRW has noted that accrual accounting would change this. By its very nature, accrual accounting is more output-oriented than the cash accounting procedure currently used. It could be a meaningful platform to include more comprehensive information about green and social projects in the budget, in particular with regard to goals and impacts of specific projects in these areas. While the decision to implement accrual accounting is firm, no decision has yet been taken about green or sustainable budgeting. The decision on future-oriented tagging in the budget is ultimately under the responsibility of the Treasury.</p>

¹⁰³ State of NRW (2021) [NRW Sustainability Indicators](#)

¹⁰⁴ State of NRW (2021) [Sustainability Bond 8 Investor Presentation](#)

¹⁰⁵ State of NRW (2020) [Sustainability Bond 7 Investor Presentation](#)

¹⁰⁶ ISS ESG (2021) [SPO NRW State Sustainability Bond Framework](#)

¹⁰⁷ Interview with the State of NRW conducted on 26 October 2021

Question	Data
	<p>NRW noted that one difficulty lies in the fact that there are different target groups for the information, e.g. the budget department of the Ministry of Finance, the State parliament, the State's independent auditing agency, rating agencies and financial markets, the press and the general public, and it can be difficult to devise a joined approach to green budgeting and thematic bond project selection. The bond issuance process comes with a high level of disclosure and has led to a change of approach. The State previously focused on spending, while the bond issuance requires more reporting on impact. There is a statutory annual budget which makes the link to the sustainability bond issuance easier, although it makes it difficult to assess the impact of projects.¹⁰⁸</p> <p>The budget is a very technical document, directed at a large number of stakeholders and with a structure largely prescribed by law. Indeed, the annual budget is part of the State's law in its own right (if only applicable for one year). Sustainability is not (yet) a major focus of the laws setting out the framework for the budget. For most budget items, information about environmental or social impacts of specific projects is not a mandatory element and therefore often missing in the statutory language.</p>
<p>Do you foresee any important changes in your approach to thematic bond issuance in the near future? (new sectoral coverage, new indicators, etc.)</p>	<p>The last Sustainability Bond Framework had seven categories. NRW changed from its own categories to 14 of the ICMA categories, which are also aligned with NRW's new Sustainability Strategy, and hence more clearly aligned with the UN SDGs, which are mapped for every project.</p> <p>Among other things, the changes in government have led to changes in the selected project portfolio, e.g., digitalisation and health emerged as new priorities which had to be fitted into the existing categories. So NRW adopted a more general framework which is more inclusive and flexible.</p> <p>The EU Green Bond Standard alignment also influenced the framework including the introduction of the Do No Significant Harm (DNSH) Principle and Minimum Social Safeguards. In addition, paragraphs on dealing with controversies and exclusions were added.</p>

Key characteristics of the thematic bond framework

Characteristics	Data
<p>Standards referred to in the bond framework</p>	<p>NRW has been issuing Sustainability Bonds since 2015 and is therefore one of the earliest players in this market. In 2021, the State published a new Framework for its Sustainability Bonds. A revision of the Framework was necessary, in order to take current developments in the financial markets into account and to align the Sustainability Bonds with the State's updated Sustainability Strategy 2020.</p> <p>NRW's new Sustainability Bond Framework lists 14 ICMA categories and has been developed in alignment with the Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020 and the Sustainability Bond Guidelines (SBG) 2018. It is also in line with the most recent drafts of the EU Green Bond Standard with regards to the Do No Significant Harm (DNSH) principle and Minimum Social Safeguards.¹⁰⁹</p>
<p>Awards received, any special features mentioned by media or analysts or experts</p>	<p>NRW has won the award for "Most Impressive Municipal/Local Authority Green/SRI Bond Issuer" in 2017, and the "Most Impressive Local Government Green / SRI Bond Issuer" in 2019 and 2021, all by the journal "GlobalCapital".¹¹⁰¹¹¹¹¹² In 2019, it won the "Sustainability bond of the year" in the category 'sub-sovereigns, supranational and agencies' by the</p>



¹⁰⁸ Interview with the State of NRW conducted on 26 October 2021

¹⁰⁹ State of NRW (2021) [NRW State Sustainability Bond Framework](#)

¹¹⁰ [GlobalCapital Sustainable and Responsible Capital Markets Awards 2017](#)

¹¹¹ [GlobalCapital Sustainable and Responsible Capital Markets Awards 2019](#)

¹¹² [GlobalCapital Bond Awards 2021](#)

Characteristics	Data																																																																																																																																																																																																																																																																																																
	<p>journal “Environmental Finance” and they were praised for their continuous improvement and transparency on the underlying projects, even before issuance.¹¹³</p>																																																																																																																																																																																																																																																																																																
SDGs covered by the framework	<p>The Sustainability Strategy 2020 covers 16 of the 17 SDGs (without SDG 14). Based on the sustainability themes outlined in the strategy, the Sustainability Bond Framework project categories relate to 15 out of 17 SDGs (without SDG 14 and 17).¹¹⁴</p> <p>Use of Proceeds of NRW's Sustainability Bonds </p> <p>14 SBP and GBP Categories with Projects Related to SDGs</p> <div style="display: flex; align-items: flex-start;"> <div style="flex: 1;"> <ul style="list-style-type: none"> A. Affordable basic infrastructure B. Access to essential services C. Affordable housing D. Employment generation E. Food security and sustainable food systems F. Socio economic advancement and empowerment G. Renewable energy H. Energy efficiency I. Pollution prevention and control J. Natural resources and land use K. Clean transportation L. Sustainable water and wastewater management M. Climate change adaptation N. Green buildings </div> <div style="flex: 1;">  </div> </div>																																																																																																																																																																																																																																																																																																
Eligible activities for the use of proceeds and associated SDGs	<p>A mapping of the contribution of the different use of proceeds categories to the SDGs was produced at project level in the Eligible Assets report for Bond #8. SDGs 3, 4, 8, 9, 10, 11 and 15 were targeted most frequently.¹¹⁵</p> <p>NRW noted that it wanted to address a broad range of investors, with some focused on ICMA, while others on SDGs. Therefore, the Framework allows NRW to cover both investor perspectives. This approach was used to facilitate discussions with investors. Within each ICMA category, the projects are ranked by SDGs. This also facilitates the link with NRW's Sustainability Strategy.</p> <p>Figure 1: Characteristics Eligible Projects: Allocation to GBP/SBP category/ alignment to SDGs, requirements</p> <table border="1"> <thead> <tr> <th>GBP/SBP Use of Proceeds categories</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> <th>7</th> <th>8</th> <th>9</th> <th>10</th> <th>11</th> <th>12</th> <th>13</th> <th>14</th> <th>15</th> <th>16</th> <th># projects</th> </tr> </thead> <tbody> <tr> <td>Affordable basic infrastructure</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>2</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>3</td> </tr> <tr> <td>Access to essential services</td> <td>1</td> <td>-</td> <td>13</td> <td>17</td> <td>-</td> <td>-</td> <td>-</td> <td>5</td> <td>5</td> <td>6</td> <td>-</td> <td>4</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>33</td> </tr> <tr> <td>Affordable housing</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>3</td> <td>-</td> <td>3</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>3</td> </tr> <tr> <td>Employment generation</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>3</td> <td>2</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>3</td> </tr> <tr> <td>Food security and sustainable food systems</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Socioeconomic advancement</td> <td>1</td> <td>-</td> <td>-</td> <td>3</td> <td>4</td> <td>-</td> <td>-</td> <td>4</td> <td>-</td> <td>5</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>11</td> </tr> <tr> <td>Renewable energy</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> </tr> <tr> <td>Energy efficiency</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> </tr> <tr> <td>Pollution prevention and control</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> <td>-</td> <td>2</td> <td>-</td> <td>-</td> <td>1</td> <td>3</td> <td>1</td> <td>-</td> <td>-</td> <td>5</td> </tr> <tr> <td>Natural resources and land use</td> <td>-</td> <td>3</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>4</td> <td>-</td> <td>-</td> <td>6</td> </tr> <tr> <td>Clean transportation</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Sustainable water and wastewater management</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Climate change adaptation</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> <td>2</td> <td>-</td> <td>2</td> </tr> <tr> <td>Green buildings</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2</td> </tr> <tr> <td>Total</td> <td>3</td> <td>3</td> <td>15</td> <td>22</td> <td>4</td> <td>1</td> <td>6</td> <td>13</td> <td>16</td> <td>12</td> <td>8</td> <td>6</td> <td>6</td> <td>8</td> <td>3</td> <td>75</td> <td></td> </tr> </tbody> </table>	GBP/SBP Use of Proceeds categories	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	# projects	Affordable basic infrastructure	1	-	-	-	-	-	-	-	1	-	2	-	-	-	-	-	3	Access to essential services	1	-	13	17	-	-	-	5	5	6	-	4	-	-	-	-	33	Affordable housing	-	-	-	-	-	-	1	3	-	3	-	-	-	-	-	-	3	Employment generation	-	-	-	-	-	-	3	2	1	-	-	-	-	-	-	-	3	Food security and sustainable food systems	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	1	Socioeconomic advancement	1	-	-	3	4	-	-	4	-	5	1	-	-	-	-	-	11	Renewable energy	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	2	Energy efficiency	-	-	-	-	-	-	2	-	1	-	-	1	-	-	-	-	2	Pollution prevention and control	-	-	-	-	-	-	2	-	2	-	-	1	3	1	-	-	5	Natural resources and land use	-	3	-	-	-	-	-	-	-	1	-	-	-	4	-	-	6	Clean transportation	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1	Sustainable water and wastewater management	-	-	-	-	-	-	1	-	-	-	-	-	1	1	-	-	1	Climate change adaptation	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	-	2	Green buildings	-	-	1	1	-	-	-	2	-	-	-	-	-	-	-	-	2	Total	3	3	15	22	4	1	6	13	16	12	8	6	6	8	3	75	
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¹¹³ [Green, Social and Sustainability Bond Awards 2019 - Environmental Finance](#)

¹¹⁴ State of NRW (2021) [Sustainability Bond 8 Investor Presentation](#)

¹¹⁵ State of NRW (2021) [NRW State Eligible Assets Sustainability Bond 8](#)

Characteristics	Data				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white; font-weight: normal;">SOCIAL BOND PRINCIPLES CATEGORIES</th> <th style="background-color: #0056b3; color: white; font-weight: normal;">GREEN BOND PRINCIPLES CATEGORIES</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <p>A. Affordable basic infrastructure e.g. digitalization, public transportation</p> <p>B. Access to essential services e.g. health care and health infrastructure, education at universities, schools and day care centres, research</p> <p>C. Affordable housing e.g. adaptation of urban and rural infrastructure</p> <p>D. Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance e.g. integration of handicapped, migrants or long-term unemployed into the labour market, green economy</p> <p>E. Food security and sustainable food systems e.g. safe and healthy food</p> <p>F. Socioeconomic advancement and empowerment e.g. inclusion of handicapped and migrants, fight against poverty, protection against violence, gender equality</p> </td> <td style="vertical-align: top;"> <p>G. Renewable energy e.g. promotion of and consulting regarding renewable energy</p> <p>H. Energy efficiency e.g. promotion of and consulting regarding energy efficiency</p> <p>I. Pollution prevention and control e.g. climate protection, circular economy, green infrastructure</p> <p>J. Environmentally sustainable management of living natural resources and land use e.g. nature protection, biodiversity, responsible agriculture</p> <p>K. Clean transportation e.g. infrastructure for cyclists and pedestrians</p> <p>L. Sustainable water and wastewater management e.g. flood protection</p> <p>M. Climate change adaptation e.g. adaptation to climate change, sustainable infrastructure</p> <p>N. Green buildings e.g. new and refurbished buildings</p> </td> </tr> </tbody> </table>	SOCIAL BOND PRINCIPLES CATEGORIES	GREEN BOND PRINCIPLES CATEGORIES	<p>A. Affordable basic infrastructure e.g. digitalization, public transportation</p> <p>B. Access to essential services e.g. health care and health infrastructure, education at universities, schools and day care centres, research</p> <p>C. Affordable housing e.g. adaptation of urban and rural infrastructure</p> <p>D. Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance e.g. integration of handicapped, migrants or long-term unemployed into the labour market, green economy</p> <p>E. Food security and sustainable food systems e.g. safe and healthy food</p> <p>F. Socioeconomic advancement and empowerment e.g. inclusion of handicapped and migrants, fight against poverty, protection against violence, gender equality</p>	<p>G. Renewable energy e.g. promotion of and consulting regarding renewable energy</p> <p>H. Energy efficiency e.g. promotion of and consulting regarding energy efficiency</p> <p>I. Pollution prevention and control e.g. climate protection, circular economy, green infrastructure</p> <p>J. Environmentally sustainable management of living natural resources and land use e.g. nature protection, biodiversity, responsible agriculture</p> <p>K. Clean transportation e.g. infrastructure for cyclists and pedestrians</p> <p>L. Sustainable water and wastewater management e.g. flood protection</p> <p>M. Climate change adaptation e.g. adaptation to climate change, sustainable infrastructure</p> <p>N. Green buildings e.g. new and refurbished buildings</p>
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Impact indicators selected for the different activities set out in the framework	<p>The Framework does not contain a sample of environmental indicators. This was suggested by the banks supporting the development of the Framework, however NRW did not want to do that to guarantee the independence of Wuppertal Institute, which provides the reporting documents related to the State's Sustainability Bonds. NRW mentioned that the investors did not make any complaints on the reports and that this approach worked well.¹¹⁶</p> <p>A methodology document has been produced for the impact report and provides the reasoning for the underlying methods, data used and assumptions made. The report contains the following indicators:</p> <ul style="list-style-type: none"> • a greenhouse gas accounting methodology with assumptions on the potential for avoided GHG emissions, together with 5 indicators for mobility and transportation and 8 indicators on the modernisation of educational and public health facilities; • 9 potential ecological indicators identified on the basis of the fields of actions in the NRW Sustainability Strategy, as well as recommendations for its further development from which 3 have been selected for bond #7; and, • 7 social impact indicators in education and sustainability research, 5 social impact indicators in inclusion and social coherence, and one in sustainable urban development. <p>This report will be updated and further developed on a regular basis.¹¹⁷</p> <p>NRW indicated that there are no direct links between the reporting indicators from the Sustainability Bond Framework and the Sustainability Strategy. Whereas the impact reporting on the Sustainability Bonds relates to the projects financed, the reporting on the Sustainability Strategy focuses on the overall development and general trends of the State.¹¹⁸ Additionally, the impact report for the Sustainability Bonds is done by a scientific research institute (Wuppertal Institute), whereas the indicator report for the Sustainability Strategy is done by the State's statistics office.</p>				
Effective distribution of the proceeds by activity or sector	<p>In 2020, EUR 5.45 billion, more than 100% of the bond volume (EUR 2.4 billion), have been allocated to eligible projects of sustainability bond #7.</p> <p>A – Education & Sustainability Research: EUR 956m (17.6%)</p>				

¹¹⁶ Interview with the State of NRW conducted on 26 October 2021

¹¹⁷ Wuppertal Institut Klima (2021) [Method Description Impact Report NRW Sustainability Bond 7](#)

¹¹⁸ Interview with the State of NRW conducted on 26 October 2021

Characteristics	Data
	<p>B – Inclusion & Social Coherence: EUR 711m (13.1%) C – Public Transportation & Local Mobility: EUR 215m (4.0%) D – Climate Protection & Energy Transition: EUR 144m (2.6%) E – Protection of Natural Resources: EUR 154m (2.8%) F – Sustainable Urban Development: EUR 2.79bn (51.4%) G – Modernisation of Educational and Public Health Facilities: EUR 469m (8.6%)</p> <p>In 2021, planned expenditures for eligible projects amount to EUR 4.68 billion in total. A final allocation will be reported after the budget has closed at year-end. A proposed allocation based on the new framework with projects assigned to use of proceeds-categories set out in Social Bond and Green Bond Principles is part of the State's capital market presentation (page 37) available at https://www.finanzeverwaltung.nrw.de/sites/default/files/asset/document/nrw_investor_presentation.pdf</p>

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
Process for project identification, evaluation and selection set out in the framework	<p>NRW's treasury team of the Ministry of Finance is responsible for the evaluation and selection of projects and regularly exchanges views with the sustainability team of the Ministry for Environment. The treasury team identifies projects in line with the Use of Proceeds criteria and allocates the proceeds to the eligible project portfolio in accordance with the eligibility criteria.</p> <p>Alignment with Sustainability Strategy: The projects are aligned with NRW's Sustainability Strategy 2020. Projects are mapped to specific SDGs and a document with the description of all projects is published pre-issuance of each Sustainability Bond, as well as a Second Party Opinion analysing the sustainability quality of the projects. A list of eligible projects is kept by the treasury team and monitored during the term of the Sustainability Bond to ensure that the proceeds are sufficiently allocated to eligible projects on a regular basis.</p> <p>Type of spending: Only the State's own discretionary spending (net of EU grants, federal grants or other revenues earmarked for specific purposes under federal laws) is taken into account to avoid double counting. The State's personnel costs, as well as projects prescribed by federal law, are excluded.</p> <p>Do no harm principle: "Sustainability checks" for regional legal acts and programmes strive to focus the political debate on the synergies and conflicts between the different sustainability goals. The State Government also aims at transforming the State bodies and authorities into a "sustainable administration" (by means of sustainable public procurement, climate neutral buildings, sustainable events etc.) by 2030.</p> <p>Compliance with social safeguards: Through compliance with the EU's legal system, NRW's Sustainability Bond is also in compliance with minimum social safeguards. In addition, NRW's investments include provisions on compliance with the laws and regulations (including on social issues) under which its bodies operate.</p> <p>Controversies: The State monitors its expenses to ensure that they comply with existing laws and regulations that are in place and that they can achieve the positive environmental and social impacts intended. The State of NRW's parliament carries out the monitoring on a continuous basis, making sure the State's expenses are correctly carried out within the authority provided by the statutory budget. In that context, controversies may come to attention through NGO reports and dialogues, or through media exposure, which will then be subject to further inquiry and debate, if members of parliament demand such scrutiny.</p>

Question	Data
	<p>Exclusions: Projects from the following sectors are excluded:</p> <ul style="list-style-type: none"> • Fossil fuel production and generation of fossil fuel power; • Generation of nuclear power; and, • Production or trade in any product or activity deemed illegal under international conventions and agreements or subject to international prohibitions.¹¹⁹
<p>Which concrete steps were undertaken to prepare the issuance?</p>	<p>The issuance preparation process comprises the following steps:</p> <ol style="list-style-type: none"> 1) Selection of projects in line with the eligibility criteria defined in the bond Framework; 2) Description of projects and preparation of the "Eligible Assets" document; 3) SPO process for the "Eligible Assets" document; 4) Reporting on the previous sustainability bond is done in parallel by the Wuppertal Institute; and, 5) Engagement with investors up to the issuance. <p>The first bond framework and issuance preparation process entailed a lot of back-and-forth engagement with technical departments and discussion on the definition of sustainability. Over time the team broke the definition down into more specific green and social categories and eligibility criteria. The team then did a detailed screening of the budget to understand what might be relevant and collected more detail on each project, shortlisted the projects into the list, and submitted the projects to the Second Party Opinion (SPO) provider for validation. In subsequent issuances, the team built on the historical track and had a more informed selection process for specific sectors. The team also had to integrate additional categories over time, e.g. digitalisation, health, university building retrofits, etc.</p> <p>Currently, the team first screens the budget. However, since this is not very telling, it also looks through the website of the ministries and the parliament and goes through their press releases. It noted that some departments actually resist the shortlisting as they fear the reporting requirements. Others are much more enthusiastic, as they see this as an opportunity to showcase their projects.¹²⁰</p> <p>The team assesses potential projects against the ICMA categories and SDGs. It looks at the budget of the current year and checks whether the financing was voluntary (not obliged by federal law), direct (without federal or EU funding), and omitted personnel costs of the State, in addition to whether the projects are of a sufficient size so that it is worth talking about the project. NRW noted that, even after this process, some uncertainty remains around the expenditure, due to the fact that the budget plan figures are not yet actual expenditures. It therefore applies a haircut to the budget plan figures in order to define the issuance amount. NRW has never spent less than what was issued, but if that was the case it would use it for the next round. The issuance goes into the general budget, not a separate budget.</p> <p>The eligible assets are published before issuance to show investors all the assets that are eligible. This ensures transparency to avoid the perception of green washing and social washing, and also ensures that sufficient data is obtained on the projects to prepare for the reporting process. The team also have an SPO to guarantee transparency and ensures that all documents are published in English to increase visibility for investors. The document of eligible assets describes projects and includes budget item numbers which are linked to the budget plan of the State and therefore enables traceability. The team noted that it grouped some of the projects under multiple budget lines since these had similar themes. It also moved away from distinguishing between capex and opex costs, now using broader project categories.</p> <p>For the first seven bonds issued, NRW published a list of eligible assets containing a couple of pages with the selection process. The framework was technically part of the SPO. The feedback from investors was that it would be preferable to separate the framework document from the documents with the list of eligible assets published before issuance. Thus, a separate framework is now in place.</p>

¹¹⁹ State of NRW (2021) [NRW State Sustainability Bond Framework](#)

¹²⁰ Interview with the State of NRW conducted on 26 October 2021

Question	Data
What governance is in place to support sustainability bond issuance? And how the region's organisational structure supports this?	<p>Like every bond issuance in benchmark size, the Sustainability Bonds are subject to close scrutiny. The necessary documentation is reviewed by the risk management team in the Ministry of Finance pre-issuance. The technical details (pricing etc.) are verified post-issuance by the same team. With regard to the specific projects, a comprehensive documentation as well as a SPO focusing on the sustainability quality of the projects (so-called eligible assets) is published pre-issuance. Reporting documents focusing on sustainable impacts are published post-issuance (before next year's bond issuance).</p> <p>In terms of organization, the treasury team at the Ministry of Finance is responsible, which draws on support provided by other ministries or agencies as necessary. Documents related to impact reporting are furnished by Wuppertal Institute, which directly contacts the State's ministries or agency for necessary data or other information. The Treasury team at the Ministry of Finance might also facilitate such communication in the role of a go-between.</p>

Allocation process, management of proceeds and data management

Question	Data
Describe the approach to manage proceeds and ensure traceability	<p>The proceeds are allocated and managed by the State of NRW's Treasury team on a portfolio basis. NRW monitors and tracks the expenditures for the selected projects, as described in the document "Eligible Assets", through its internal accounting system and seeks to allocate an amount at least equal to the net proceeds of the Sustainability Bond.¹²¹ NRW mentioned that the Treasury applies a haircut on the budget plan figures to be sure that actual expenditures, which are only known at the end of the year, are not less than the issuance.¹²²</p> <p>All projects are part of the State of NRW's discretionary spending of the current fiscal year and can be traced to the NRW Budget Plan of the current year. In the document related to eligible assets, for every single project, there is a reference to the corresponding budget items (sometimes, this refers to more than one item, sometimes to a fraction of one item, as indicated there). The amounts of budgetary allowances and corresponding limitations (e.g., money that can only be spent on capex or opex or is earmarked for a specific agency) can thus easily be looked up in the statutory document (available on the website of the Ministry of Finance at https://www.haushalt.fm.nrw.de).</p> <p>Some projects run for more than one year, but for the issuance at hand, only the expenditures of the current year are taken into account. In case net issue proceeds exceed the State's expenditures for eligible projects in the year of issuance, the remaining proceeds will be used to cover expenditures for similar projects of the following years until the expenditures exceed the net issue proceeds. Should a project run for more than one year, it may form part of a number of subsequent Sustainability Bonds.¹²³</p>
How is information on the proceeds managed internally? Is it integrated into the budget system or is a parallel system used?	<p>NRW monitors and tracks the expenditures for the selected projects as described in the document "Eligible Assets" through its internal accounting system and seeks to allocate an amount at least equal to the net proceeds of the Sustainability Bond.</p>

¹²¹ State of NRW (2021) [NRW State Eligible Assets Sustainability Bond 8](#)

¹²² Interview with the State of NRW conducted on 26 October 2021

¹²³ State of NRW (2021) [NRW State Sustainability Bond Framework](#)

Reporting, external review and engagement with investors

Question	Data
Describe the approach to report on the use of proceeds and impact	<p>The reporting with regards to projects financed by the Sustainability Bonds is published on a regular basis and covers environmental and social impacts. Reports are provided by an independent third party – Wuppertal Institute – commissioned by the Ministry of Finance to assess the impacts of Sustainability Bonds post issuance on a regular basis. The evaluation carried out by Wuppertal Institute comprises an analysis of projects related to the most current issuance as well as a consolidated analysis of the impacts over the lifetime of projects related to all Sustainability Bonds NRW issued so far (portfolio approach).¹²⁴</p> <p>Reporting is made available to investors within one year from the date of the Sustainability Bond issuance and annually thereafter until the proceeds have been fully allocated. The final budget results for each year, the final allocation of proceeds and the impact evaluation of the funded projects are set out in the allocation and impact report published on the website for NRW's Sustainability Bonds.</p> <p>Allocation reporting: Allocation reporting is made available to investors within one year from the date of a Sustainability Bond issuance and annually thereafter, until the proceeds have been fully allocated. NRW reports on the percentage of proceeds allocated and sends this information to Wuppertal Institute to include in the report.</p> <p>Impact reporting: The impact reporting is carried out entirely by Wuppertal institute. In order to give a comprehensive view on the impact of the investments, impact reporting varies for each Use of Proceeds category. Regarding the Use of Proceeds category, Wuppertal Institute provides relevant impact indicators on a best-efforts basis, i.e., only projects for which there is data and a method to measure progress are reported on. The impact reporting occurs on a project basis where possible. The impact reporting done by Wuppertal Institute reports on about 50-70% of projects due to the lack of methodology and indicators. This is presented in the impact report for investors.¹²⁵</p>
How were the impact indicators selected and why?	<p>Evaluation of environmental impacts focuses on avoided greenhouse gas emissions and selected other indicators. Evaluation of social impacts focuses on education and broadband expansion as well as job creation.</p> <p>Wuppertal Institute decides on the impact indicators and the methodology behind them. A methodology document has been produced and provides the reasoning for the underlying methods, data used and assumptions made. The report contains the following indicators:</p> <ul style="list-style-type: none"> • a greenhouse gas accounting methodology with assumptions on the potential for avoided GHG emissions together with 5 indicators for mobility and transportation and 8 indicators on the modernisation of educational and public health facilities; • 9 potential ecological indicators identified on the basis of the fields of actions in the NRW Sustainability Strategy as well as recommendations for its further development from which 3 have been selected for bond #7; and, • 7 social impact indicators in education and sustainability research, 5 social impact indicators in inclusion and social coherence, and one in sustainable urban development. <p>This report is being updated and further developed on a regular basis.¹²⁶</p>
Which processes were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?	<p>The process was fully managed by Wuppertal Institute. NRW only facilitated contact with stakeholders and access to information.</p> <p>NRW did the final proof reading of the report regarding the format and language but not on the methodology or results.</p>

¹²⁴ State of NRW (2021) [Sustainability Bond 8 Investor Presentation](#)

¹²⁵ State of NRW (2021) [Impact Report Sustainability Bond 7 Investor Briefing](#)

¹²⁶ State of NRW (2021) [Impact Report Sustainability Bond 7 Investor Briefing](#)

Support for the development of a legal framework and a practical basis for issuing sustainable debt – D2 Best practice report

Question	Data
<p>Which organisational structure and external review and verification processes were established? How often does an independent verification occur? What type of assurance is provided?</p>	<p>The Second Party Opinions (SPOs) conducted before issuance for the Sustainability Bond Framework and the Eligible Assets documents are both provided by ISS ESG.¹²⁷ The Framework remains in place for a few years whereas the Eligible Assets document is verified before each issuance.</p> <p>After issuance the impact report is prepared by Wuppertal Institute while the allocation report is prepared internally and published as an annex to the impact report by Wuppertal Institute.</p>
<p>Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?</p>	<p>There is an SPO for the Sustainability Bond Framework and an SPO for Eligible Assets, as well as a Sustainability Rating for the issuer. The results of both SPOs are positive.</p> <p>According to the SPO related to the Framework, the Use of Proceeds categories (re)financed under the Sustainability Bond Framework of NRW are consistent with the issuer's sustainability strategy and material ESG topics for sovereign and sub-sovereign issuers and the rationale for issuing sustainability bonds is clearly described by the issuer. The SPO provider (ISS ESG) also found that the issuer has defined a formal concept for its Sustainability Bond Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting which is in line with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines administered by the ICMA.</p> <p>With regard to specific projects of Sustainability Bond #8, the related SPO (also furnished by ISS ESG) found that the overall sustainability quality of the eligible projects in terms of sustainability benefits, risk avoidance and minimisation is good, based upon the ISS ESG assessment and that the Sustainability Bond (re-)finances various green, social and sustainable eligible asset categories.</p>
<p>Does the issuer obtain any (green bond) rating?</p>	<p>All benchmark issuances by the State – covering Sustainability Bonds as well as non-SRI products – receive a bond rating, in addition to the existing issuer ratings. These credit ratings are provided by Standard & Poor's, Moody's and Fitch and do not specifically focus on sustainability topics (although ESG consideration are becoming more and more an integral part of this credit analysis).¹²⁸</p> <p>NRW has strong credit ratings: Aa1 stable (Moody's) / AA stable. (S&P) / AAA stable (Fitch)¹²⁹ In the sustainability rating of the agency Vigeo Eiris (Paris), which cooperates with the rating agency imug (Hanover), the NRW received an upgrade in the current ESG rating of European regions which was published in January 2020. The overall rating improved from "robust" to the top rating of "advanced". NRW is now the best of a total of 29 assessed regional and local authorities across Europe. In previous years, the country was in third place, which was the best result of all German States.¹³⁰</p>
<p>How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?</p>	<p>There has been a lot of engagement with investors ahead of each bond issuance. This has included roadshows before issuance, including one-to-one meetings with investors, as well as attendance at conferences and speaking at panels, with speed dating with investors.</p> <p>The key points of focus for these discussions included the overall sustainability performance of the issuer, with a high interest in specific projects, although the focus depended on the region. Investors prepared very detailed questions about the projects but also on the general sustainability approach of the State. In the last sustainability bond there were many new investors from Europe, including Benelux, France, Germany, Scandinavia, but also Asian investors.</p>

¹²⁷ State of NRW (2021) [NRW State Sustainability Bond Framework](#); ISS ESG (2021) [SPO Sustainability Quality of the Issuer and Asset Pool](#)

¹²⁸ Interview with the State of NRW conducted on 26 October 2021

¹²⁹ State of NRW (2021) [Sustainability Bond 8 Press Points](#)

¹³⁰ State of NRW (2021) [Sustainability Bonds Overview](#)

Support for the development of a legal framework and a practical basis for issuing sustainable debt – D2 Best practice report

List of documents reviewed

State of NRW (2021) [NRW State Sustainability Bond Framework](#)

ISS ESG (2021) [SPO NRW State Sustainability Bond Framework](#)

State of NRW (2021) [Sustainability Bond 8 Investor Presentation](#)

State of NRW (2021) [Impact Report Sustainability Bond 7 Investor Briefing](#)

State of NRW (2021) [Method Description Impact Report NRW Sustainability Bond 7](#)

State of NRW (2021) [NRW State Eligible Assets Sustainability Bond 8](#)

State of NRW (2020) [Sustainability Bond 7 Investor Presentation](#)

Annex 5 Detailed Fiche – Occitanie

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2018
Number of issuances to date	1
Volume issued per year	200 million
Volume of issuance compared to overall borrowing (if possible, by year)	The EUR 200 million represents 8.8% of the region's outstanding debt as of July 2021. ¹³¹
Maturity profile of issuances	15 years
Currencies of issuances	EUR
Pricing (coupon)	1.37%

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
What are the motivations for issuing thematic bonds?	<p>Région Occitanie has a number of commitments related to climate change. In 2016, Région Occitanie adopted an action plan to become the first positive energy Région in Europe by 2050. In 2020, Région Occitanie developed a “Green New Deal” to ensure the revival of the economy and social justice, as well as to respond to the climate challenge. The region also adopted the “Occitanie 2040” roadmap in response to the climate emergency.¹³²</p> <p>Région Occitanie is also committed to environmental sustainability. In 2006, the former Région Languedoc-Roussillon adopted a Regional Strategy for Sustainable Water Management and has been supporting, since its beginning, the Rhône Plan 2005-2025 covering 5 themes (Rhône culture, floods, water quality, resources and biodiversity, energy, transport and tourism). In 2016, Région Occitanie organised a citizens' consultation about mobility (“General Assembly on Rail and Multimodality”) which resulted in a roadmap to 2030. This roadmap identifies ten main projects, including the safeguarding of rail lines and the accessibility of rail services.</p> <p>The Région is also committed to social sustainability. Supporting the development of social housing and student housing offer is a priority for the Région, which invested €14 million euros on this issue in 2016. It adopted a Youth Policy, which includes schemes such as the Youth Card and a six-year 1 billion plan to refurbish and build high schools, training centres and institutions. In 2017, Région Occitanie adopted a policy to support sport clubs, with national or international influence and clubs of regional or local interest.</p>
How does it fit within the region sustainable finance strategy?	<p>By issuing a Green and Social Bond to finance projects related to ecological and energy transition, natural resources protection, social action, education and culture, Région Occitanie coherently responds to its sustainability commitments and is aligned with the main sector issues in terms of environmental and social responsibility. The sustainability bonds are both green and social, reflecting the choice not to separate these two aspects, which are integral in the definition of sustainable development.¹³³ At the request of President DELGA, the framework covers a wide range of public policies, both in terms of ecological and energy transition and the reduction of territorial and social inequalities.¹³⁴</p>

¹³¹ Region Occitanie (2021) [Euro Medium Term Note Programme](#)

¹³² <https://www.laregion.fr/Emission-obligataire-verte-et-sociale>; <https://www.laregion.fr/Un-Green-New-Deal-pour-construire-une-relance-durable-dans-la-justice-sociale>; <https://www.laregion.fr/occitanie-2040->

¹³³ Region Occitanie (2020) [Green Bond Emission 2020](#)

¹³⁴ Interview conducted with Region Occitanie on 15 November 2021

Question	Data
	In 2021, the Occitanie Region set up a Euro Medium Term Notes (EMTN) bond issuance programme, with the aim of diversifying, securing and optimising its sources of financing. ¹³⁵ This programme will enable the Occitanie Region to make periodic, flexible and agile use of the bond market, in order to raise funds in amounts adapted to its needs for a maximum amount of EUR 1.5 billion (maximum amount of securities in circulation). Although the region paused its sustainability bond issuance, it intends to issue another green and social bond in 2022-23. ¹³⁶
Is your green budgeting approach directly linked to your thematic bond issuance?	<p>The Region Occitanie was the first region in France to adopt a green budget. In order to objectively assess its commitment to climate transition, the Region set up, from 2021, a rigorous classification of its expenditure. In collaboration with the Institute for Climate Economics, its expenditures have been assessed to find out whether it is beneficial for the climate. Thus, 26% of the expenditures of the 2021 Budget are very favourable (16%) or favourable (10%). And only 4% of regional spending has an unfavourable impact, such as air transport or national and departmental roads. The objective is to improve this impact in line with the "Positive Energy Region" strategy.¹³⁷</p> <p>The 2021 Budget Guidelines are the first annual financial translation, the mirror of the new ambition of the Green New Deal. Built in a difficult health and economic context, the guidelines of the 2021 regional budget voluntarily maintain a very high level of investment, one of the largest in France per capita. The 2021 budgetary guidelines also affirm a long-term vision and confirm the "Occitanie 2040" roadmap.</p> <p>The Region noted that both approaches are relatively different processes. The Bond Framework consists of the evaluation of the impact of projects, whereas the green budgeting approach serves to classify the budget according to contributions which are: 'significant, some, no, negative'.¹³⁸</p>
Do you foresee any important changes in your approach to thematic bond issuance in the near future? (new sectoral coverage, new indicators, etc.)	<p>The Framework was designed to cover a broad range of categories, based on the advice provided by the bank which advised the design of the Framework.</p> <p>As the regional competencies have not changed since 2018 and the political majority is the same, the Region has no reason to change the themes. However, the projects and/or schemes promoted will of course be subject to change, in light of the new priorities and the emergence of new actions, adapted to the needs of the territories.¹³⁹</p>

Key characteristics of the thematic bond framework

Characteristics	Data
Standards referred to in the bond framework	The Framework is compliant with four components of the Green Bonds Principles and the Social Bonds Principles. ¹⁴⁰
Awards received, any special features mentioned by media or analysts or experts	Mtn-i (a global provider of real-time debt market data) awarded an "Investment Solutions Award" to the inaugural bond issuance on 7 February 2019 in London, thus enhancing the value of this green and social hybrid instrument supported by the Occitanie Region.
SDGs covered by the framework	The expected benefits are likely to contribute to seven UN SDGS, namely: SDG 3. Good health and well-being,

¹³⁵ <https://www.laregion.fr/financement-obligataire-EMTN>

¹³⁶ Interview conducted with Region Occitanie on 15 November 2021

¹³⁷ Region Occitanie (2020) [Primary Budget 2021](https://www.laregion.fr/Le-budget-2021#L-Occitanie-premiere-Region-de-France-a-adopter-un-budget-vert); <https://www.laregion.fr/Le-budget-2021#L-Occitanie-premiere-Region-de-France-a-adopter-un-budget-vert>

¹³⁸ <https://www.laregion.fr/Un-Green-New-Deal-pour-construire-une-relance-durable-dans-la-justice-sociale#Une-ambition-traduite-dans-le-prochain-budget-regional>; Interview conducted with Region Occitanie on 15 November 2021

¹³⁹ Interview conducted with Region Occitanie on 15 November 2021

¹⁴⁰ Region Occitanie (2018) [Green and Social Bond](#)

Characteristics	Data
	<p>SDG 4. Quality education, SDG 6. Clean water and sanitation, SDG 7. Affordable and clean energy, SDG 10. Reduced inequalities, SDG 11. Sustainable cities and communities, and SDG 13. Climate action.¹⁴¹</p>
<p>Eligible activities for the use of proceeds and associated SDGs</p>	<p>The defined Eligible Projects mainly align with seven UN SDGs:</p> <p>For Green Projects: SDG 6 and its objectives in terms of universal access to water and sanitation and sustainable management of water resources (targets 6.4, 6.6) SDG 7 and its objectives in terms of universal to reliable, sustainable and modern energy services at an affordable cost (targets 7.2, 7.3) SDG 13 and its objectives on the urgent implementation of actions to combat climate change and its impacts (targets 13.1, 13.3)</p> <p>For Social Projects: SDG 3 and its objectives to enable to live healthy lives and promote the well-being at all ages (target 3.8) SDG 4 and its objectives in terms of universal access to quality education on an equal footing and the promotion of lifelong learning opportunities (targets 4.3, 4.4, 4.A) SDG 10 and its objective to reduce inequalities (target 10.2). SDG 11 and its objective to ensure that cities and human settlements are inclusive, safe, resilient and sustainable (targets 11.1, 11.2).¹⁴²</p>
<p>Level of details provided on the eligible activities</p>	<p>The net proceeds from the Bond issuance are used to finance or refinance Eligible Projects contributing to social and environmental objectives (climate change mitigation and adaptation, the preservation of natural resources and access to essential services) which are defined, relevant, measurable but partially precise.</p> <p>Eligible Projects correspond to ten subcategories, grouped into four categories:</p> <ul style="list-style-type: none"> • Ecological and Energy Transition • Natural Resources Protection • Social Action • Education and culture <p>For social projects, target populations are defined. The expected environmental and social benefits have been identified and are assessed and quantified by the Region in the annual reporting.</p> <p>Vigeo Eiris have recommended setting quantified targets on expected benefits. Vigeo Eiris have recommended precisising the definition of the subcategories “Health” and “Support services for youth and students” to improve visibility on the associated Eligible Projects.</p>
<p>Impact indicators selected for the different activities</p>	<p>The Framework presents a table (shown below) with examples of reporting indicators:¹⁴³</p>

¹⁴¹ Region Occitanie (2018) [Green and Social Bond](#)

¹⁴² Vigeo Eiris (2018) [Second Party Opinion](#)

¹⁴³ Region Occitanie (2018) [Green and Social Bond](#)

Characteristics	Data																									
	<p>The following table presents examples of reporting indicators classified by Eligible Categories :</p> <table border="1"> <thead> <tr> <th style="background-color: #c00000; color: white;">Eligible Categories</th> <th style="background-color: #c00000; color: white;">Sub-categories of projects</th> <th style="background-color: #c00000; color: white;">Examples of Impact Indicators</th> </tr> </thead> <tbody> <tr> <td rowspan="4" style="text-align: center; vertical-align: middle;">Green Projects</td> <td>Building Energy Efficiency</td> <td> <ul style="list-style-type: none"> - energy savings (Mwh) - emissions of greenhouse gas avoided (t eq.CO₂) - number of renovated housings - number of beneficiaries </td> </tr> <tr> <td>Renewable energies</td> <td> <ul style="list-style-type: none"> - energy production (Mwh) - emissions of greenhouse gas avoided (t eq.CO₂) </td> </tr> <tr> <td>Public Transport and Sustainable Mobility</td> <td> <ul style="list-style-type: none"> - modal shift (number of additional public transport users) - emissions of greenhouse gas avoided (t eq.CO₂) </td> </tr> <tr> <td>Water</td> <td> <ul style="list-style-type: none"> - m³ distributed - m³ substituted to local supply - perimeter of areas protected against flooding - Dikes length </td> </tr> <tr> <td rowspan="6" style="text-align: center; vertical-align: middle;">Social Projects</td> <td>Equal access to healthcare services on the regional territory</td> <td> <ul style="list-style-type: none"> - number of supported projects - perimeter of concerned area, and number of concerned inhabitants </td> </tr> <tr> <td>Healthcare and social welfare trainings</td> <td> <ul style="list-style-type: none"> - number of news projects executed - number of beneficiaries </td> </tr> <tr> <td>Access to public buildings and infrastructures</td> <td> <ul style="list-style-type: none"> - number of adaptation realised </td> </tr> <tr> <td>Social Housing / Student Housing</td> <td> <ul style="list-style-type: none"> - number of beneficiaries - number of housings </td> </tr> <tr> <td>Investment in small size sport clubs</td> <td> <ul style="list-style-type: none"> - number of supported sport clubs </td> </tr> <tr> <td>Support services for youth and students</td> <td> <ul style="list-style-type: none"> - number of beneficiaries </td> </tr> </tbody> </table> <p>These indicators were then enriched and completed thanks to the post-issuance reporting work carried out with the help of a specialised partner selected through a public contract.</p>	Eligible Categories	Sub-categories of projects	Examples of Impact Indicators	Green Projects	Building Energy Efficiency	<ul style="list-style-type: none"> - energy savings (Mwh) - emissions of greenhouse gas avoided (t eq.CO₂) - number of renovated housings - number of beneficiaries 	Renewable energies	<ul style="list-style-type: none"> - energy production (Mwh) - emissions of greenhouse gas avoided (t eq.CO₂) 	Public Transport and Sustainable Mobility	<ul style="list-style-type: none"> - modal shift (number of additional public transport users) - emissions of greenhouse gas avoided (t eq.CO₂) 	Water	<ul style="list-style-type: none"> - m³ distributed - m³ substituted to local supply - perimeter of areas protected against flooding - Dikes length 	Social Projects	Equal access to healthcare services on the regional territory	<ul style="list-style-type: none"> - number of supported projects - perimeter of concerned area, and number of concerned inhabitants 	Healthcare and social welfare trainings	<ul style="list-style-type: none"> - number of news projects executed - number of beneficiaries 	Access to public buildings and infrastructures	<ul style="list-style-type: none"> - number of adaptation realised 	Social Housing / Student Housing	<ul style="list-style-type: none"> - number of beneficiaries - number of housings 	Investment in small size sport clubs	<ul style="list-style-type: none"> - number of supported sport clubs 	Support services for youth and students	<ul style="list-style-type: none"> - number of beneficiaries
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Effective distribution of the proceeds by activity or sector	<p>The projects funded by the sustainability bond in 2018 were distributed by activity as follows:</p> <p>Energy and ecological transition (85% of proceeds): Energy efficiency of buildings – 51.08% Renewable energies – 4.03% Public transportation and sustainable mobility – 26.71% Protection of natural resources – 3.27%</p> <p>Social action (15% of proceeds): Healthcare access – 0.25% Affordable housing and access to housing – 0.15% Investment in small sports clubs – 0.54% Education and youth: aid for students and young people – 13.97%</p> <p>The Region raised EUR 200m which was used to fund 50 projects, with 29 projects focused on energy and the environment and 21 projects focused on social issues.¹⁴⁴</p>																									

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
Process for project identification, evaluation and selection	The selection is based on actual projects and programmes (e.g. individual grants), based on environmental and social criteria (independent of the Green Budget). In addition, the selected projects had to result in actual disbursements in the 2018 financial year (recorded in the 2018 administrative account) in order to be clearly included in the report on the allocation of funds, to the extent possible.

¹⁴⁴ Region Occitanie (2020) [Green Bond Emission 2020](#)

Question	Data
	<p>Every financing or grant request has to comply with eco-conditionality principles. These principles aim at integrating economic, social and environmental criteria into its interventions in favour of both Corporates or Local Authorities.¹⁴⁵</p> <p>These principles are the following:</p> <ul style="list-style-type: none"> - Reduction of the environmental footprint and development of low-energy consumption model, - Improvement of working conditions: professional development and respect of social rights - Fight against discriminations, - Financial ethic.
<p>Which concrete steps were undertaken to prepare the issuance?</p>	<p>The preparatory work consisted of developing the framework in conjunction with the partner bank: identification and structuring of projects eligible for financing through the green and social bond issue. The support of the operational departments was useful in defining the eligibility criteria for the projects and promoting them in the context of preparing the roadshows.</p> <p>The second opinion report also involved a great deal of work, from the selection of the specialised company by public tender, through the provision of a large documentary base to the response to the many questions (hearings) aimed at defining the ESG profile of the Region and the relevance of the framework and the projects identified. In a consolidated way, this represents about two to three weeks of work divided between the finance department, some representatives of the operational departments and the service provider.</p> <p>The financial documentation co-authored with the partners also mentions the specificities associated with green and social issues. Finally, the roadshows organised for the benefit of potential investors gave rise to the preparation of detailed and illustrated materials, in French and English, prior to a marathon of hearings, over two full days, conducted in Paris. The President had previously recorded a video presenting the local authority's motivations and public policies in favour of the ecological transition and the reduction of social and territorial inequalities (broadcast during the roadshows).¹⁴⁶</p>
<p>What governance is in place to support sustainability bond issuance? And how the region's organisational structure supports this?</p>	<p>The process for evaluation and selection of Eligible Projects is based on relevant internal expertise with well-defined internal roles and responsibilities. The Region has established a Technical Committee for Monitoring the Green and Social Bond (the "Technical Committee") integrated by representatives of the operational departments and cross-functional departments, as well as a Steering Committee of the Green and Social Bond (the "Steering Committee") which includes the President of the Regional Council, the relevant Presidents of Commissions, and the General Direction of the Regional Administration</p> <p>The process is reasonably structured:</p> <ul style="list-style-type: none"> - The Technical Committee establishes a list of potential Eligible Projects according to their alignment with the Framework, then the Steering Committee validates the list of Eligible Projects. - The whole process is coordinated by the Financial Affairs and Budget Department and the Strategic Information Valorisation Department (in charge of evaluating public policies) which serve as the secretariat for the Technical Committee.¹⁴⁷ <p>Verification and traceability is ensured throughout the process:</p> <ul style="list-style-type: none"> - The Technical Committee oversees projects monitoring. It will meet annually and will verify that the selected projects still meet the criteria defined in the Framework. - The Région intends to document the decisions taken by the Committees through reports. - Vigeo Eiris have recommended mandating an external third-party audit of this process.¹⁴⁸

¹⁴⁵ Region Occitanie (2020) [Investor Presentation](#)

¹⁴⁶ Interview conducted with Region Occitanie on 15 November 2021

¹⁴⁷ Region Occitanie (2020) [Green Bond Emission 2020](#)

¹⁴⁸ Region Occitanie (2020) [Investor Presentation](#)

Question	Data
	<p>There are several steps in project selection, at several levels of governance involved in tracking allocation:</p> <ul style="list-style-type: none"> • Eligible projects are chosen and assessed based on strong internal expertise. • The process is structured and traceable. <p>Fund allocation is therefore validated by the Technical Committee, with attribution strictly in proportion to expenditure.</p> <p>Allocation criteria are based on the categories and sub-categories eligible for funding in the SB Framework Document.</p> <p>Alongside the finance department and the three regional elected officials involved (finance, environment and public policy evaluation), the region has appointed a contact person in each operational department concerned by one or more projects in order to provide and ensure the reliability of all the information transmitted, while at the same time being a source of proposals for the project. The steering committee was set up to coordinate the work of all the players involved and ensure that the timetable was respected.¹⁴⁹</p>

Allocation process, management of proceeds and data management

Question	Data
Describe the approach to manage proceeds and ensure traceability	<p>Région Occitanie is committed to ensuring that the majority of financing concerns investment expenditures for the ongoing and next year. Refinancing is limited to capital expenditures in the year preceding the bond issue.</p> <p>The Région is committed to allocating the net proceeds of the Green and Social Bond according to the principle of nominal equivalence.</p> <p>The Région undertakes to ensure that the majority of the financing concerns "disbursed" investment expenditure of the current and future years. Refinancing is limited to the investment expenditure of the year preceding the bond issue (in a very minor way).</p> <p>The Region intends to maintain a portfolio of Eligible Projects in excess of the amount of the issue, so that, if necessary, funds can be reallocated within 12 months to another project meeting the eligibility criteria.</p> <p>The net proceeds of the Bond are credited in cash to the Region's account with the French Treasury, in accordance with the French regulatory framework applicable to local authorities.</p> <p>The allocation is monitored by the Finance Department. Monitoring is carried out through the Region's financial information system and then by the Regional Public Finance Department.</p>
How is information on the proceeds managed internally? Is it integrated into the budget	<p>The allocation of proceeds to Eligible Projects is confirmed at 2 different levels:</p> <ul style="list-style-type: none"> - In the Region's payment system, which has to match every expense with a corresponding payment authorization,

¹⁴⁹ Interview conducted with Region Occitanie on 15 November 2021

Question	Data
system or is a parallel system used?	- At the DRFiP's level (Public Finance Regional Direction), which verifies that each requested payment is consistent with a regularly committed, liquidated and authorised expense.

Reporting and external review

Question	Data
Describe the approach to report on the use of proceeds and impact	<p>The monitoring, data collection and consolidation process is defined in the Framework.</p> <ul style="list-style-type: none"> - The allocation of the net proceeds of the Bond is monitored by the Financial Department. The reporting is validated each year during the vote of the Administrative Account of Région Occitanie. - Environmental and social indicators are collected at each operational department level and consolidated by the team in charge of evaluating public policies and writing the sustainable development report. <p>The reporting is carried out by the operational departments, as long as they have the technical skills in this area, based on the labels and results obtained by certain public policies in environmental and/or social matters. For example: construction of positive energy high schools, acquisition of electric trains, renovation of railway lines, co-financing of methanisation units, supply of school books and laptops to high school students, etc.</p> <p>Within the framework of the steering committee, these proposals are analysed individually, with the assistance of the partner bank's experts (specialised in this preliminary structuring work) in order to finalise this inventory. However, the pre-issuance framework only displayed the investment categories and their purposes, and the detailed list of the projects/devices financed in this way only appeared publicly in the ex-post reporting. However, during the roadshows, a selection of projects representative of the Region's public policies were presented with illustrations and concrete data.</p> <p>In the end, 50 projects were identified in the framework of the post emission reporting.¹⁵⁰</p> <p>Région Occitanie is committed to annually report on the Bond until the full allocation of proceeds. Reporting is done at project level or partially aggregated for certain subcategories for confidentiality reasons or in case of multiple underlying projects. The reporting is based on green and social impact indicators, and, where necessary, on specific more-in depth studies conducted in the context of evaluations planned in the Internal Rules of the Region (internally or with the use of contractors).</p> <p>The impact report is extensive and provides for each project, the total cost of the project, the amount funded by the bond, a description of the project, the project assessment method using impact and performance indicators, and a description of the reporting and assessment.¹⁵¹ The Region also publishes information on responsible project management, which is defined post-issuance. The report includes calculation methodologies.</p>
How were the impact indicators selected and why?	<p>The selected reporting indicators in the framework cover the allocation of funds and the environmental (outcome and impact indicators) and social (only outcome indicators so far) benefits of the projects financed. Some of these indicators were developed in collaboration with consultants or other external stakeholders. In its framework Région Occitanie noted that it intended to work on the definition of impact indicators for Social Projects subcategories. The Region noted that this work was carried out in depth after the issue in order to produce quality reporting for investors. Vigéo would have liked to have precise impact indicators prior to the bond issue. However, during this preparatory phase, the priority was to select the most relevant projects.¹⁵²</p>

¹⁵⁰ Interview conducted with Region Occitanie on 15 November 2021

¹⁵¹ Region Occitanie (2020) [Green Bond Emission 2020](#)

¹⁵² Interview conducted with Region Occitanie on 15 November 2021

Question	Data
	<p>In accordance with the commitments made to investors and in line with the principles applicable to green and social bonds at international level ("Green Bond Principles"), the Region ensures total transparency on the projects financed in this way. This requirement takes the form of a detailed presentation of the allocation of the funds raised and an assessment of their environmental and social benefits.</p> <p>In this respect, the Occitanie Region has been exemplary, and the ex-post evaluations have been carried out by an independent firm (KPMG associated with Carbone 4), in accordance with the commitments made during the roadshows, selected through a public contract (guaranteeing the neutrality and objectivity of the studies). In order to produce a relevant study, the Occitanie Region has chosen to report over two years, in order to benefit from a more detailed analysis of the environmental and social impacts of the projects financed.</p> <p>It is based on field work, in contact with the beneficiaries of regional public policies and based on reliable and precise data. The definition of the impact indicators was a difficult task and was carried out by the service provider in direct contact with the operational departments in charge of regional policies as well as some beneficiaries met directly in the field. The indicators were presented to and validated by the steering committee (environmental footprint, CO₂ avoided, production of renewable energy, etc.).¹⁵³</p>
<p>Which process were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?</p>	<p>Data collection was carried out by the service provider and the operational departments concerned, with the support, when necessary, of certain beneficiaries or project partners.</p> <p>The cross-checking of data aimed to guarantee the reliability and relevance of the data collected. The process involved defining the data collection methods, the nature and volume of the data to ensure objectivity and relevance, the format and unit of measurement, and traceability.</p> <p>One of the indicators is the measurement of the amount of CO₂ not emitted as a result of the project: the difference between the status quo and the ex-post reality (e.g. modal shift from road to rail, energy renovation of buildings, etc.).¹⁵⁴</p>
<p>Which organisational structure and external review and verification processes were established? How often does an independent verification occur? What type of assurance is provided?</p>	<p>An external verification of the tracking of the Bond's proceeds, until the complete allocation of proceeds, is carried out by the Direction Générale des Finances Publiques (DRFIP) representing the French State.¹⁵⁵</p> <p>To guarantee the relevance, objectivity, neutrality and quality of the ex-post reporting for the benefit of investors, the Occitanie Region has chosen to select, through a transparent public procurement procedure, a company specialising in the evaluation of public policies in the field of sustainable development (Carbone 4). Thus, the reporting is not conceived as a communication and propaganda document, but rather as a serious analytical study at the service of investors and savers. This work was subsequently extended within the community and extended to other regional projects in order to participate in the evaluation of our public policies.</p> <p>The report was presented to the regional elected representatives in plenary session in order to make them aware of this transparent and sincere approach, from all points of view.¹⁵⁶</p>
<p>Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?</p>	<p>An SPO was carried out by Vigeo Eiris, which confirmed the alignment of the bond issue with the Sustainability bonds Guidelines. Vigeo Eiris considered the Issuer's ESG commitments and policies to be good. Vigeo Eiris' assurance on Région Occitanie's</p>

¹⁵³ Interview conducted with Region Occitanie on 15 November 2021

¹⁵⁴ Interview conducted with Region Occitanie on 15 November 2021

¹⁵⁵ Vigeo Eiris (2018) [Second Party Opinion](#)

¹⁵⁶ Interview conducted with Region Occitanie on 15 November 2021

Question	Data
	capacity to integrate ESG factors in its strategy is reasonable on the environmental, social and governance pillars. ¹⁵⁷
Does the issuer obtain any (green bond) rating?	On 17 December 2018, internationally recognized Fitch Ratings affirmed Occitanie's long-term issues at AA, with a stable outlook. ¹⁵⁸ The rating only concerns the financial aspect of the bond issue (a necessary element), the green component is not rated, except via the second opinion and the ex-post reporting.
How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?	<p>The Region has been asked to speak at national conferences aimed at promoting Green and Social Bonds and encouraging the gradual implementation of a precise and relevant methodology, accessible to all, in order to facilitate and encourage new issues of this type. In this way, it contributes to the structuring of green finance, the emergence of best practices and, finally, the definition of a general framework common to all, intended to inspire legislators and market players. In this area, work must be carried out on a European and international scale since this market knows no borders.</p> <p>In addition to the investors who have acquired the green and social securities, the partner banks of the Region are widely distributing its reporting to their clients who wish to issue green securities in order to provide them with a reference document while reassuring them. Indeed, at the moment, this reporting remains an obstacle for many potential issuers and the Region's work of popularisation and structuring helps to remove these concerns.</p> <p>The investor work is carried out by the partner banks (underwriters) who canvass potential investors at national and international level. Their mission is precisely to ensure this link, to prospect and to put in contact all the actors concerned by this type of financing. This action necessarily leads to an evaluation of the needs and expectations of the market. It then makes it possible to better calibrate the specificities of "green and social" bonds and thus create the conditions for a good match between the market's investment needs (expressed by savers) and the financing needs of public and private issuers.¹⁵⁹</p>

List of documents reviewed

- Region Occitanie (2018) [Green and Social Bond](#)
- Vigeo Eiris (2018) [Second Party Opinion](#)
- Region Occitanie (2020) [Green Bond Emission 2020](#)
- Region Occitanie (2020) [Investor Presentation](#)
- Region Occitanie (2020) [Primary Budget 2021](#)
- Region Occitanie (2021) [Euro Medium Term Note Programme](#)

¹⁵⁷ Vigeo Eiris (2018) [Second Party Opinion](#)

¹⁵⁸ Region Occitanie (2020) [Green Bond Emission 2020](#); <https://www.fitchratings.com/research/international-public-finance/fitch-assigns-region-of-occitanie-eur200-million-green-bond-issue-final-aa-25-09-2018>

¹⁵⁹ Interview conducted with Region Occitanie on 15 November 2021

Annex 6 Detailed Fiche – Stockholm

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2014
Number of issuances to date	19
Volume issued per year	2014 = SEK 1.1bn 2015 = SEK 1.8bn (2 issuances) 2016 = SEK 1.5bn 2017 = SEK 2.0bn 2018 = SEK 3.5bn (2 issuances) 2019 = SEK 2.9bn (4 issuances) 2020 = SEK 2.4bn (3 issuances) 2021 = SEK 4.4bn (5 issuances) ¹⁶⁰
Volume of issuance compared to overall borrowing (if possible, by year)	Debt portfolio of approximately SEK 48bn whereof around 30% in green bonds. ¹⁶¹
Maturity profile of issuances	2014 = 6 years 2015 = 6 years 2016 = 5 years and 4 months 2017 = 5 years 2018 = 5 years and 8 months 2019 = 3 years 2020 = 7 and 10 years 2021 = 5, 6, 7 and 10 years
Currencies of issuances	SEK

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
What are the motivations for issuing thematic bonds?	<p>The principal activities of Region Stockholm (previously Stockholm County Council) are health care and public transport. In addition, the Region supports cultural activities, tourism, regional planning, enterprise and the environment.</p> <p>The Region adopted its first environmental programme in 1990. It has reduced its total greenhouse gas emissions by 70% since 1990, and by more than 402% since 2011. All bus services and rail services now run on renewable fuel and almost all buildings run on renewable energy.</p> <p>The Environmental Programme concerns all activities financed by the Region and contains 15 environmental goals and a plan for sustainable procurement measured through a total of 24 indicators. It has environmental goals for reducing the negative environmental impact from healthcare, transportation, infrastructure and facility management.</p> <p>Region Stockholm is also using public procurement to drive green public product development enabling other actors on the market to purchase more sustainable products and services. An additional goal is to lead a transition to a circular and bio-based economy.</p>

¹⁶⁰ Region Stockholm (2019) [Green Bond Impact Report 2018](#); Region Stockholm (2021) [Green Bond Impact Report 2021](#); Region Stockholm (2021) [Investor Presentation](#)

¹⁶¹ Region Stockholm (2021) [Investor Presentation](#)

Question	Data
	From next year Region Stockholm will have a Sustainability Programme replacing its Environmental Programme. It will integrate more of the social and economic aspects with its environmental goals, e.g. social inclusion and good governance. It will look at both the purchasing and consumption sides of climate change. ¹⁶²
How does it fit within the region sustainable finance strategy?	<p>The ambition of the region is to have a high percentage of green financing. Green financing for Region Stockholm makes up 59% of its portfolio and includes green bonds, and loans from the Nordic Investment Bank and the European Investment Bank that set high environmental requirements. Green bonds make up 30% of its portfolio.</p> <p>Region Stockholm has been issuing green bonds since 2014 and updated its Green Bond Framework in 2018. It noted that there has been a closer correlation between the updated Green Bond Framework and the Environmental Programme. The region finds that green bonds are not only attractive from an environmental leadership point of view, but also from an economic point of view, since green bonds attract a premium.¹⁶³</p>
Is your green budgeting approach directly linked to your thematic bond issuance?	Region Stockholm does not have a green budgeting approach yet, and this decision lies with politicians. ¹⁶⁴
Do you foresee any important changes in your approach to thematic bond issuance in the near future? (new sectoral coverage, new indicators, etc.)	<p>The most important changes are changes related to the EU Taxonomy. Region Stockholm is working to adapt the Green Bond Framework to align with the EU Taxonomy. The new Framework should come out during the spring of 2022.</p> <p>The region is currently focused on green bonds which are closely linked to Region Stockholm's mission of providing health care (green buildings) and public transport. In terms of social bonds, while these could potentially be used to put hospitals and medical centres in areas where these are not currently existing, green bonds currently fulfil the region's needs.</p> <p>Region Stockholm does not intend to have a social bond framework for the moment. Some projects work a lot with social sustainability but do not have formal indicators for social categories. These could be added on top of environmental impact indicators.¹⁶⁵</p>

Key characteristics of the thematic bond framework

Characteristics	Data
Standards referred to in the bond framework	Aligned with its ambitious environmental programme, Stockholm County Council has decided to adhere to the Green Bond Principles (GBP) in 2017. ¹⁶⁶
Awards received, any special features mentioned by media or analysts or experts	Region Stockholm has not received an award for the issuance itself, but notes it has not entered in any of these. One of the new buildings at Södersjukhuset, which is a project financed through one of our green bonds, won the award "Årets Miljöbyggnad" which is Sweden's most prestigious price for sustainable construction, and also received the Future Policy Award 2021 for its work on phasing out of chemicals and hazardous substances. ¹⁶⁷
SDGs covered by the framework	Stockholm Region contributes to the achievement of regional, national and global sustainability goals. The Region's activities are indirectly or directly related to all 17 global UN SDGs, while 13 of these goals are particularly important for the region. ¹⁶⁸

¹⁶² Region Stockholm (2018) [Green Bond Framework](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁶³ Region Stockholm (2021) [Investor Presentation](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁶⁴ Interview conducted with Region Stockholm on 10 November 2021

¹⁶⁵ Interview conducted with Region Stockholm on 10 November 2021

¹⁶⁶ Region Stockholm (2018) [Green Bond Framework](#)

¹⁶⁷ Interview conducted with Region Stockholm on 10 November 2021

¹⁶⁸ Region Stockholm (2018) [Green Bond Framework](#)

Characteristics	Data
Eligible activities for the use of proceeds and associated SDGs	<p>The Framework identifies eight key project categories. These categories are in accordance with the Nordic public issuer's Position Paper on Green Bonds Impact Reporting.</p> <p>Broadly the projects fall in to three fields; Mitigation, Adaptation and Environment and Eco-system.</p> <p>Renewable energy = SDG 7, 13 Energy efficiency = SDG 7, 9, 13 Green buildings = 7, 12, 13 Clean transportation = 7, 11, 13 Waste management and circular economy = 7, 9, 12 Water and wastewater management = 6, 7, 12 Sustainable land use and environmental management = 3, 6, 12, 14, 15 Adaptation measures = 3, 11</p> <p>As advice to other regions looking to issue green bonds, Region Stockholm recommended to focus the eligible categories on the specific needs of the region rather than addressing all potential sectors.¹⁶⁹</p>
Level of details provided on the eligible activities	<p>The project categories are aligned with the Position Paper on Green Bonds Impact Reporting. A mapping is provided against the UN SDGs for each category. For each project category, project examples and ambitions are also provided.¹⁷⁰</p>
Impact indicators selected for the different activities	<p>The impact indicators are provided in the Position Paper on Green Bonds Impact Reporting. The report provides general reporting principles and an environmental impact methodology for use by public issuers of green bonds.</p> <p>The report presents project category recommendations aligned with the EU Green Bond Standard and mapped to the EU environmental objectives and UN SDGs. A number of indicators are also suggested under each project category.¹⁷¹</p>
Effective distribution of the proceeds by activity or sector	<p>Region Stockholm has a total of 8 public transportation and green building projects financed for SEK 14.7 billion outstanding.</p> <p>Public transportation = 56% Green building = 44%¹⁷²</p>

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
Process for project identification, evaluation and selection	<p>Eligible Projects are selected jointly by the Region Stockholm Treasury and the Region Stockholm Sustainability department.</p> <p>They are then approved by a Steering Group for Green Bonds consisting of executive managers from the local bodies. The process strictly follows four formal steps.</p> <ol style="list-style-type: none"> 1. Region Stockholm Treasury initiates the screening process and a working group is formed. 2. The working group for green bonds determines the portfolio of green projects to be financed by a potential green bond issuance, within Region Stockholm local bodies.

¹⁶⁹ Region Stockholm (2018) [Green Bond Framework](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁷⁰ Region Stockholm (2018) [Green Bond Framework](#)

¹⁷¹ Nordic Public Sector Issuers (2020) [Position Paper on Green Bonds Impact Reporting](#)

¹⁷² Region Stockholm (2021) [Investor Presentation](#)

Question	Data
	<p>3. The Sustainability department evaluates the projects in a screening process to ensure compliance with laws and regulations, policies and guidelines and The Environment Programme.</p> <p>4. The Steering Group for green bonds has final authority in determining the final list of eligible green projects, to be financed by green bonds.</p> <p>The list of all eligible projects is kept on record by the Treasury department until allocation to a potential new green bond issuance.</p> <p>The region noted that the selection criteria are not shown on the Framework, but selection is based on whether the project is green and can be reported. For example, the region currently only finances hospitals with a gold energy performance. The region noted that the forthcoming Framework will have thresholds aligning with the EU Taxonomy.¹⁷³</p>
<p>Which concrete steps were undertaken to prepare the issuance?</p>	<p>In addition to the information provided above, the region mentioned the following steps to prepare the issuance:</p> <ol style="list-style-type: none"> 1) Build the dedicated team. A very clear organisation is needed between the various departments. 2) Define and map the process to select and validate the projects. 3) Be clear on the eligibility criteria for the projects. 4) Define a stakeholder engagement strategy to support dialogue with departments and project owners. <p>The region recommended to start working on a few large projects for the first issuances. Region Stockholm started with 2-3 projects per bond. Currently the region is financing 8 projects, which might increase to 9 projects next year.¹⁷⁴</p>
<p>What governance is in place to support sustainability bond issuance? And how the region's organisational structure supports this?</p>	<p>The Steering Committee was established to support the issuance of green bonds. The committee only meets a few times a year when decisions need to be taken.</p> <p>The organisational structure for the bond issuance is considered good by the region since each department or other party involved has a clear role. The investment budget is taken care of by the regional assembly. The Treasury department has a very clear role and is responsible for liquidity. The project group for green bonds meet every week. With the design of the new framework the team engages on a daily basis.</p> <p>The region is also working with real estate and transportation companies. It notes that there is a need for commitment from project owners to put an internal system in place to inform the green bond issuance process.</p> <p>There may be other challenges for other regions based on their departmental structure.¹⁷⁵</p>

Allocation process, management of proceeds and data management

Question	Data
<p>Describe the approach to manage the proceeds and ensure traceability</p>	<p>The net proceeds of any green bond issued under the Stockholm County Council Green Bond Framework is credited to a dedicated earmarked account ("the Green Account").</p> <p>A transfer from the Green Account is only allowed in an amount corresponding to the financing of Eligible Projects, or to repay a Green Bond. If a Project no longer qualifies, the funds are reallocated to other eligible projects, although the region noted that this has not yet happened.</p>

¹⁷³ Region Stockholm (2018) [Green Bond Framework](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁷⁴ Interview conducted with Region Stockholm on 10 November 2021

¹⁷⁵ Interview conducted with Region Stockholm on 10 November 2021

Question	Data
	<p>The Treasury keeps a record of the purpose of any transfers on the allocation of net proceeds in order not to exceed the market value or investment expenditure, as applicable, of an Eligible Project.</p> <p>The Treasury is responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects.¹⁷⁶</p>
Describe the approach to report on the use of proceeds	<p>Each project is selected according to Region Stockholm’s Green Bond Framework. Region Stockholm reports on project basis, and in Swedish kronar (SEK).</p> <p>Region Stockholm reports based on the share of the project’s total investment cost financed with green bonds (net of redemptions). The green bonds usually do not fund the whole project. The region has not faced a challenge that there is part of the funded project which is non-eligible.</p> <p>Impacts are based on outstanding disbursed amounts to projects in Region Stockholm’s green bonds.</p> <p>Impact is principally reported on expected impact (ex ante), unless clearly stated as ex post.¹⁷⁷</p>
How is information on the proceeds managed internally? Is it integrated into the budget system or is a parallel system used?	<p>Region Stockholm uses a dedicated earmarked account (“the Green Account”) to track the allocation of net proceeds from Green Bonds to Green Projects. The purpose of the Green Account is to ensure that Green Bond net proceeds only support the financing of Green Projects or to repay Green Bonds. If a Project no longer qualifies, the funds are reallocated to other eligible projects.</p> <p>The Treasury department is responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects. Unallocated Green Bond net proceeds may temporarily be placed in the liquidity reserve and managed accordingly by Region Stockholm. The use of proceeds is not integrated into the budget system.</p>

Reporting and external review

Question	Data
Describe the approach to report on the use of proceeds and impacts	<p>Region Stockholm provides transparency through an annual impact report. The impact report follows the guidelines set out in the Nordic Position paper 2020 on green bonds impact reporting. All reports could be found at https://www.sll.se/greenbonds. This reporting covers the allocation of the net proceeds of the green bonds to eligible projects:</p> <ul style="list-style-type: none"> • The total amount of proceeds allocated to eligible projects • The allocated amounts per eligible projects and category • The amount of unallocated proceeds • Relevant impact indicators defined in the Nordic public sector Position Paper on Green Bonds Reporting. <p>In addition, Region Stockholm offers regular onsite visits to investors, where project updates as well as environmental aspects are covered.¹⁷⁸</p>
How were the impact indicators selected and why?	<p>In 2016, Region Stockholm began an effort to formulate a common approach to reporting with other Nordic public issuers. Region Stockholm reports based on the relevant impact indicators defined in the Nordic public sector Position Paper on Green Bonds Reporting. Any deviations from the Position Paper recommendations are indicated in the reports. Information is provided at project level in the reporting.</p>

¹⁷⁶ Region Stockholm (2018) [Green Bond Framework](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁷⁷ Region Stockholm (2018) [Green Bond Framework](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁷⁸ Region Stockholm (2021) [Investor Presentation](#)

Question	Data
	<p>The region noted that it is important to consider the language in the report. There already exists a lot of online material so for new frameworks, regions can look at the Nordic paper and the EU Taxonomy.</p> <p>The region noted that some indicators are more difficult to estimate since methodologies are still under development and data may not be available. It underscored the need to include indicators for biodiversity and not only focus on climate.¹⁷⁹</p>
<p>Which process were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?</p>	<p>The region noted that impact reporting can be complicated, especially for public transport. There is a need to develop a good dialogue with project owners and to be clear on what are the expectations.</p> <p>The region also noted that transparency is important. It identifies the impact ahead of bond issuance to ensure that the impact can be reported and shown to investors. The region therefore excludes a project if it is not sure it will be able to report on it.¹⁸⁰</p>
<p>Which organisational structure and external review and verification processes were established? How often does an independent verification occur? What type of assurance is provided?</p>	<p>To ensure transparency and accuracy and confirm the alignment of the Green Bonds issued with the Green Bond Framework, Region Stockholm uses different levels of reviews and audits:</p> <ol style="list-style-type: none"> 1) Internal review: Internal audits are performed on a regular basis by internal auditors. 2) External verification: Every third year, the report is audited by an external certified audit firm. This will change to annual verification from next year. 3) Certification: Green building projects financed by Green Bonds are submitted for certification by Sweden Green Building Council, an independent third party organisation. Sweden Green Building Council is a member of World Green Building Council and uses a transparent process in which Miljöbyggnad Guld (gold) is the highest level of certification. Projects within FUT (Future expansion of the Metro) are executed in accordance with the CEEQUAL system and may be submitted for CEEQUAL certification where Excellent is the highest level of certification and Pass the lowest level of certification.¹⁸¹
<p>Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?</p>	<p>The Green Bond Framework is reviewed by a Second Party Opinion (SPO) provider for alignment with the Green Bond Principles. Region Stockholm has a certified framework (2018) which has been reviewed by an independent party, Cicero.¹⁸²</p>
<p>Does the issuer obtain any (green bond) rating?</p>	<p>Cicero gave the Green Bond Framework a dark green rating. Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.¹⁸³</p>
<p>How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?</p>	<p>Region Stockholm works actively to provide transparency for investors. An example is the investor meetings that Region Stockholm holds on a regular basis. The projects financed with green bonds have been of interest to investors and the meetings have been well attended. Examples of meeting venues include the New Karolinska Solna, Södertälje Hospital, depot in Norsborg and the electric boat serving Saltsjön.¹⁸⁴</p>

¹⁷⁹ Interview conducted with Region Stockholm on 10 November 2021

¹⁸⁰ Interview conducted with Region Stockholm on 10 November 2021

¹⁸¹ Region Stockholm (2018) [Green Bond Framework](#); Interview conducted with Region Stockholm on 10 November 2021

¹⁸² Cicero (2018) [Green Bond Second Opinion](#)

¹⁸³ Region Stockholm (2021) [Investor Presentation](#)

¹⁸⁴ Region Stockholm (2019) [Green Bond Impact Report 2018](#)

Question	Data
	<p>During 2020, Region Stockholm faced challenges due to COVID-19 which impacted both the health care system and the public transportation. Nevertheless, an investor meeting was arranged digitally where Björn Eriksson, Director of healthcare, informed investors about the fast transition that was needed to be done within the health care system due to the pandemic during the spring 2020. Furthermore, the CEO of Danderyds hospital, Yvonne Haglund Åkerlind, shared perspectives around the challenges from one of the busiest emergency hospitals at that time.¹⁸⁵</p> <p>Region Stockholm has received positive feedback from investors on its impact report. It noted that clarity is important for the impact report. The region has an investor manager responsible for investor relations who works closely with the debt manager. Sometimes the chief sustainability officer or head of the Treasury department joins investor meetings. Investors are also interested in the social dimension of projects.¹⁸⁶</p>

List of documents reviewed

Region Stockholm (2018) [Green Bond Framework](#)

Cicero (2018) [Green Bond Second Opinion](#)

Region Stockholm (2019) [Green Bond Impact Report 2018](#)

Region Stockholm (2020) [Green Bond Impact Report 2019](#)

Region Stockholm (2021) [Green Bond Impact Report 2020](#)

Region Stockholm (2021) [Environmental Programme](#)

Region Stockholm (2021) [Investor Presentation](#)

Nordic Public Sector Issuers (2020) [Position Paper on Green Bonds Impact Reporting](#)

¹⁸⁵ Region Stockholm (2021) [Green Bond Impact Report 2020](#)

¹⁸⁶ Interview conducted with Region Stockholm on 10 November 2021

Annex 7 Detailed Fiche – Wallonia

Quantitative data on issuance activities

Issuance activities	Data
Year of first issuance	2019
Number of issuances to date	3
Volume issued per year	2019 = 500m and 500m (40% Green – 60% Social) 2020 = 500m and 200m (70% Green – 30% Social) 2020 = 1 bn and 1 bn (100% Social bond)
Volume of issuance compared to overall borrowing (if possible, by year)	No information provided
Maturity profile of issuances	2019 = 2026 bond (7yr) and 2034 bond (15yr) 2020 = 2030 bond (10yr) and 2034 bond (14yr) 2020 = 2025 bond (5yr) and 2040 bond (20yr)
Currencies of issuances	EUR
Pricing (coupon)	2019 = 0.25% and 1.25% 2020 = 0.5% and 1.25% 2020 = 0.06% and 1.12% ¹⁸⁷

Sustainable finance strategy and strategic use of thematic bonds

Question	Data
What are the motivations for issuing thematic bonds?	The Region of Wallonia has a number of commitments to promote the development of environmentally conscious solutions and addressing social challenges within its region. In May 2016, the Region of Wallonia adopted the second Sustainable Development Plan (SDP) for 2016–2019. The Plan aims to reduce the negative impacts on the environment, including natural resources, climate change, soil, air and water quality, while promoting social benefits (workers' health & safety and wellbeing). Furthermore, as part of the Belgian Federal State, the Region of Wallonia is partaking in the Belgian climate plan, in line with the European ambitions. In its Regional Policy Statement for 2019-2024, the Region of Wallonia is committed to environmental, social and economic transitions to achieve its long-term climate goals for 2030 and 2050
How does it fit within the region sustainable finance strategy?	The Region of Wallonia does not appear to have a dedicated sustainable finance strategy. Under the impetus of the 2nd Walloon Sustainable Development Strategy, the Region has begun its initiation into the world of socially responsible investments. To base its capacity to finance its contribution to the Sustainable Development Goals, Wallonia has decided to issue sustainable, green and / or social bonds (Sustainability bond, Green Bond or Social Bond).
Did you use the thematic bond framework for financing COVID-19 measures?	The Region issued bonds covering COVID-19 measures using their Sustainability Bond Framework. ¹⁸⁸

¹⁸⁷ Service Public Wallonie (2021) [Sustainable finance](#)

¹⁸⁸ Service Public Wallonie (2020) [Investor Presentation](#)

Question	Data												
	<p>COVID-19 related Categories in the Sustainability Bond Framework</p> <p>SUSTAINABILITY FRAMEWORK Transition the digital challenges of Region wallonia to support its key environmental and social policies. Planned update to align with EU standards and support Region wallonia in line with its environmental and social objectives.</p> <p>IDENTIFIED CHALLENGES</p> <ul style="list-style-type: none"> FOOD ENERGY PRESERVATION OF RESOURCES & BIODIVERSITY MOBILITY LIVE TOGETHER & FIGHT AGAINST POVERTY <p>ELIGIBLE CATEGORIES</p> <ul style="list-style-type: none"> SUSTAINABLE FOOD & CONSUMPTION RENEWABLE ENERGIES PROTECTION OF RESOURCES, LAND & BIODIVERSITY POLLUTION, PREVENTION AND CONTROL SUSTAINABLE MOBILITY SOCIO-ECONOMIC ADVANCEMENT & EMPOWERMENT EDUCATION AND EMPLOYMENT PROMOTION ACCESS TO SOCIAL HOUSING ACCESS TO BASIC SERVICES PUBLIC INFRASTRUCTURES <p>USE OF PROCEEDS Region wallonia has chosen to extend the pool of eligible expenditures for its Social Bonds under its Sustainability Bond Framework. Measures covered in 2020 are mainly related to:</p> <ul style="list-style-type: none"> SOCIO-ECONOMIC ADVANCEMENT & EMPOWERMENT (one-time fixed compensation to target populations) ACCESS TO BASIC SERVICES & PUBLIC INFRASTRUCTURES (support towards healthcare and social sectors) <p>MANAGEMENT OF PROCEEDS All measures taken by the Wallonia Government are confirmed by decrees (regional laws). Transparent allocation process (i.e. one-time allowance granted after registration and control of beneficiary status) will be closely monitored by the Sustainability Bond Committee.</p> <p>REPORTING Additional reporting indicators will be adopted to control and measure COVID-19 related use of proceeds, such as number of beneficiaries by target categories, numbers of healthcare and social structures & services supported, RMD expenditures against COVID-19...</p> <p>COVID-19 Specific Measures and Social Bond Eligible Categories</p> <table border="1"> <thead> <tr> <th>Related SDGs</th> <th>Scope & Definition for Eligible Social expenditure</th> <th>Social Benefits</th> <th>Identified Challenges</th> </tr> </thead> <tbody> <tr> <td>Socio-economic advancement and empowerment</td> <td> <p>Socio-economic measures</p> <ul style="list-style-type: none"> Used as an automatic shock buffer following lock-down measures applied by the Federal state to all Regions in Belgium. One-time fixed compensation granted by the Region to target people. <p>Target populations</p> <ul style="list-style-type: none"> Self-employed workers / SME's forced to close their activities and having no / limited gateway right to unemployment allowance financed by the Federal State of Belgium. </td> <td> <ul style="list-style-type: none"> Short-term Preserve jobs and financial health of target populations during lock down period to mitigate structural damage, i.e. bankruptcy and / or massive layoffs of employees within SME's. Mid & long term Support and prepare for economic rebound </td> <td></td> </tr> <tr> <td>Access to Essential Services and Basic Public Infrastructure</td> <td> <p>Additional measures to fight against COVID-19 pandemic</p> <ul style="list-style-type: none"> Massive purchase of sanitary equipment for health & social sectors (masks, gloves...) One-time allowance to regional structures within the healthcare sector. Additional endowments to protect accommodations for the elderly. Special endowment for enterprises to invest in COVID-19 related research projects. <p>Target populations :</p> <ul style="list-style-type: none"> Regional healthcare infrastructures & accommodations for the elderly. </td> <td> <ul style="list-style-type: none"> Short-term Help the regional healthcare & elderly structures, services and actors to fulfil their roles during pandemic peak Mid & long term Set up new way of working (including creation of strategic stocks) to better face potential second wave of COVID-19 and/or prepare for next coming pandemic crisis. </td> <td></td> </tr> </tbody> </table>	Related SDGs	Scope & Definition for Eligible Social expenditure	Social Benefits	Identified Challenges	Socio-economic advancement and empowerment	<p>Socio-economic measures</p> <ul style="list-style-type: none"> Used as an automatic shock buffer following lock-down measures applied by the Federal state to all Regions in Belgium. 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Related SDGs	Scope & Definition for Eligible Social expenditure	Social Benefits	Identified Challenges										
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Access to Essential Services and Basic Public Infrastructure	<p>Additional measures to fight against COVID-19 pandemic</p> <ul style="list-style-type: none"> Massive purchase of sanitary equipment for health & social sectors (masks, gloves...) One-time allowance to regional structures within the healthcare sector. Additional endowments to protect accommodations for the elderly. Special endowment for enterprises to invest in COVID-19 related research projects. <p>Target populations :</p> <ul style="list-style-type: none"> Regional healthcare infrastructures & accommodations for the elderly. 	<ul style="list-style-type: none"> Short-term Help the regional healthcare & elderly structures, services and actors to fulfil their roles during pandemic peak Mid & long term Set up new way of working (including creation of strategic stocks) to better face potential second wave of COVID-19 and/or prepare for next coming pandemic crisis. 											
Is your green budgeting approach directly linked to your thematic bond issuance?	No information provided												
Do you foresee any important changes in your approach to thematic bond issuance in the near future? (new sectoral coverage, new indicators, etc.)	In order to integrate EU recommendations and adapt the investments categories with the EU taxonomy and EU Green Bonds Standards, the objective is to get a new version of the Framework to guide all new issuances in Wallonia from 2021.												

Key characteristics of the thematic bond framework

Characteristics	Data
Standards referred to in the bond framework	<p>Wallonia fully complies with the principles defined by the International Capital Market Association (ICMA). For its 2019 inaugural sustainability issuance, reference was made to the June 2018 edition and more particularly to the Green Bond principles (GBP), the Social Bond principles (SBP) and the Sustainability Bond guidelines (SBG).¹⁸⁹</p> <p>The Framework adopted by Wallonia in April 2019 (Sustainability Bond Framework) is built on a programme-based approach, referencing the majority of the social and environmental investments in Wallonia. The Framework is well aligned with the Green Bond Principles (GBP) and the Social Bond Principles (SBP).¹⁹⁰</p>
SDGs covered by the framework	<p>Eligible Projects are likely to contribute to 13 of the 17 UN SDGs, namely:</p> <ul style="list-style-type: none"> SDG 1 - No poverty (target 1.5) SDG 2 - Zero hunger (target 2.4) SDG 3 - Good health and well-being (targets 3.8, 3.9, 3B)

¹⁸⁹ Vigeo Eiris (2019) [Second Party Opinion](#)

¹⁹⁰ La Region wallonne (2019) [Sustainability Bond Framework](#)

Characteristics	Data
	<p>SDG 4 - Quality education (target 4.4) SDG 6- Clean water and sanitation (targets 6.1, 6.3, 6.6) SDG 7 - Clean and affordable energy (targets 7.2, 7.3) SDG 8 - Decent work and economic growth (target 8.5) SDG 9 - Industry, innovation and infrastructure (target 9.4) SDG 10 - Reduced inequalities (targets 10.2, 10.3) SDG 11 - Sustainable cities & communities (targets 11A, 11B, 11.2, 11.5, 11.6, 11.7) SDG 12 - Sustainable consumption and production (targets 12.2, 12.4, 12.5, 12.8) SDG 13 - Measures relating to the fight against climate change (target 13.1) SDG 15 - Life on land (targets 15.1, 15.3)</p>
<p>Eligible activities for the use of proceeds and associated SDGs</p>	<p>The net proceeds of the Bonds are used to exclusively finance or refinance, in full or in part, projects falling under ten Eligible Categories (“Eligible Projects”), i.e. six Eligible Green Categories and four Eligible Social categories, which are formalised and publicly disclosed in the Framework.</p> <p>Renewable energy SDG 7 - Clean and affordable energy (target 7.2) SDG 11 - Sustainable cities & communities (target 11B) SDG 12 - Sustainable consumption and production (target 12.2) SDG 13 - Measures relating to the fight against climate change (target 13.1)</p> <p>Energy efficiency and low-carbon buildings SDG 07 - Clean and affordable energy (target 7.3) SDG 09 - Industry, innovation and infrastructure (target 9.4) SDG 12 - Sustainable consumption and production (target 12.2) SDG 13 - Measures relating to the fight against climate change (target 13.1)</p> <p>Sustainable mobility SDG 11 - Sustainable cities & communities (targets 11.2 and 11.6) SDG 13 - Measures relating to the fight against climate change (target 13.1)</p> <p>Pollution prevention and control SDG 3 - Good health and well-being (target 3.9) SDG 11 - Sustainable cities & communities (target 11.6) SDG 12 - Sustainable consumption and production (targets 12.4 and 12.5)</p> <p>Sustainable food and consumption SDG 2 - Zero hunger (target 2.4) SDG 12 - Sustainable consumption and production (targets 12.2 and 12.8)</p> <p>Protection of resources, land and biodiversity SDG 6- Clean water and sanitation (targets 6.1, 6.3 and 6.6) SDG 11 - Sustainable cities & communities (targets 11.5, 11.6 and 11.7) SDG 12 - Sustainable consumption and production (target 12.2) SDG 13 - Measures relating to the fight against climate change (target 13.1) SDG 15 - Life on land (targets 15.1 and 15.3)</p> <p>Education and employment promotion SDG 4 - Quality education (target 4.4) SDG 8 - Decent work and economic growth (target 8.5) SDG 10 - Reduced inequalities (targets 10.2 and 10.3)</p> <p>Socio-economic empowerment SDG 1 - No poverty (target 1.5) SDG 8 - Decent work and economic growth (target 8.5) SDG 10 - Reduced inequalities (target 10.2) SDG 11 - Sustainable cities & communities (target 11A)</p> <p>Affordable housing SDG 1 - No poverty (target 11.5)</p>

Characteristics	Data																																																			
	<p>SDG 10 - Reduced inequalities (target 10.2) SDG 11 - Sustainable cities & communities (target 11.1)</p> <p>Access to essential services and basic public infrastructures SDG 3 - Good health and well-being (targets 3.8, 3B) SDG 10 - Reduced inequalities (target 10.2)</p>																																																			
Level of details provided on the eligible activities	<p>In the Second Party Opinion, Vigeo Eiris have assessed that the environmental categories are overall clearly defined (one eligible sub-category is partially defined, namely Sustainable water management). All social eligible categories are clearly defined. The target populations are identified for each social eligible category (e.g. low-income people, elderly people, young people).¹⁹¹</p> <p>The sustainability objectives associated with the eligible projects are formalised in the Framework and considered by Vigeo Eiris to be clear and relevant. Eligible Projects are intended to contribute to four main environmental objectives and six social objectives.</p> <p>Examples of projects associated with the eligible categories are provided in the Framework. These cover the social and environmental investments in Wallonia. In most cases these are general (e.g. charging infrastructure) but some examples are specific (e.g. "Diversifermes": local food processing).</p>																																																			
Impact indicators selected for the different activities	<p>A list of illustrative output and impact indicators for each of the Eligible Project categories are provided in the Framework.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #00a651; color: white;"> <th>Eligible Green Categories</th> <th>Examples of output Indicators</th> <th>Impact indicators</th> </tr> </thead> <tbody> <tr> <td>Renewable energy</td> <td> <ul style="list-style-type: none"> Renewable energy capacity installed in GW or MW Annual renewable energy generated or expected in MWh </td> <td></td> </tr> <tr> <td>Energy efficiency & Low Carbon Buildings</td> <td> <ul style="list-style-type: none"> Number of newbuilds/renovated buildings Number of beneficiaires </td> <td> <ul style="list-style-type: none"> Estimated annual GHG emissions avoided (in tCO2e) Energy (KWh) savings (KWh saved/reduced) </td> </tr> <tr> <td>Sustainable mobility</td> <td> <ul style="list-style-type: none"> Number of additional public transport users Distance of additional multimodal transportation for passengers and for goods (km) </td> <td></td> </tr> <tr> <td>Sustainable Food</td> <td> <ul style="list-style-type: none"> Number of people benefiting from agricultural projects and local food initiatives Number of agri-businesses established Share of organic farming areas versus total agricultural areas (%) Number of local shops & storage facilities (Hall Relais) </td> <td></td> </tr> <tr> <td>Pollution prevention and control</td> <td> <ul style="list-style-type: none"> Amount of recycled or composted waste (tonne) </td> <td> <ul style="list-style-type: none"> Waste recycling rate (%) </td> </tr> <tr> <td rowspan="4">Protection of Ressources</td> <td>Sustainable water management</td> <td> <ul style="list-style-type: none"> Water savings (m3) Volume of wastewater treated (m3) </td> <td></td> </tr> <tr> <td>Land and biodiversity conservation</td> <td> <ul style="list-style-type: none"> Ha/Number of green areas or Protected Natural Park, being opened improved, replanted, reforested Number or programs and/or initiatives related to biodiversity protection </td> <td></td> </tr> <tr> <td>Soil decontamination</td> <td> <ul style="list-style-type: none"> Ha/Number of restored/decontaminated areas </td> <td></td> </tr> <tr> <td>Climate change adaptation</td> <td> <ul style="list-style-type: none"> Number of people benefiting from resilient infrastructure </td> <td></td> </tr> <tr> <td colspan="2" style="background-color: #e67e22; 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Effective distribution of the proceeds by activity or sector	<p>The process relies on relevant and explicit eligibility criteria for selection and exclusion.</p> <p>The selection requirements are based on the Eligible Categories definitions.</p> <p>Exclusion criteria have been established, to exclude the financing of the following activities:</p> <p>- Nuclear</p>																																																			

¹⁹¹ Vigeo Eiris (2019) [Second Party Opinion](#)

Characteristics	Data
	<ul style="list-style-type: none"> - Armament - Fossil fuel motorised vehicles (CNG and ICE). <p>The Region of Wallonia also commits to exclude projects that face material ESG controversies.</p> <p>Financial exclusion criteria are also contemplated in the Framework, to exclude any expenditure financed by a dedicated resource, such as EU programs (ECB – EIB – FEDER), the Belgian Federal State grants, dedicated regional funds etc.).</p>

Preparatory work required to ensure a successful sustainability bond issuance

Question	Data
Describe the process for project identification, evaluation and selection	<p>The Walloon Government is the initiator and the main sponsor of the sustainability bond issuance programme. In order to manage this programme, the Region of Wallonia has created an inter-ministerial working group “Sustainability Committee” to oversee its Sustainability Bond Framework.</p> <p>The Sustainability Committee is chaired by the Ministry of Budget representing the Walloon Government, assisted by an operational team, made of members of the Walloon central administration (i.e. Division in charge of Financing and Treasury and Division in charge of Regional Sustainable Development Plan).</p> <p>Technical support is also provided by Walloon public agencies in charge of key environmental and/or social expenditures, including but not limited to Health Services, Affordable Housing, Clean Transportation, Education and Employment Generation.</p> <p>The role of the Sustainability Committee is to:</p> <ul style="list-style-type: none"> - Select and review the pool of Eligible Green and Social Expenditures based on the Sustainability Bond Framework and the budget of the Region of Wallonia; - Validate the effective disbursed amounts of Eligible Expenditures and impact reports at the end of each fiscal year for annual reporting to the investors; - Define and update the Sustainability Bond Framework – as and when necessary – according to market standards and best market practices to reflect any changes with regards to the sustainability strategies and initiatives of the Region of Wallonia. - Decide for new issuances under the Framework. <p>The Sustainability Committee meets at least twice a year. Each meeting is documented with a report and a record of decision. In 2020, the Sustainability Bond Committee met on the following dates: February 17th, 2020 – July 10th, 2020.</p> <p>The selection of eligible investments is supervised on a yearly basis by the Sustainability Bond Committee.</p> <p>In practice, each General Directorate of the Public Service of Wallonia (SPW) identifies the eligible investments within its areas of competences. In addition, Wallonia also identifies the investments incurred by the Public Administration Units (PAU) based on budgets allocated in the form of grants, subsidies or premiums to some categories of beneficiaries.</p> <p>The selection is carried out in strict compliance with the eligibility criteria, as defined by Wallonia in the Sustainability Bond Framework. When approved, it is transferred to the operational structure for the management of bond issuances, responsible within the SPW for consolidating the data related to the issuance and verifying that each investment complies with the segregation principles for financing means.</p>
Which concrete steps were undertaken to prepare the issuance?	No information provided
What governance is in place to support sustainability bond issuance?	<p><i>See above on the Sustainability Committee</i></p> <p>The Issuer’s performance in the Governance pillar is considered by Vigeo Eiris to be limited. An Audit Committee composed by a majority of independent members is in place. The members of the Committee have political experience and at least three experts specialised in audit have been designated. The role of the Audit Committee is</p>

Question	Data
	<p>comprehensive and there are measures to follow-up and assess public policies approved by the Region.</p> <p>As far as representative and participatory democracy is concerned, Walloon law sets strict conditions for access to executive posts and mechanisms for stakeholder consultation have been set up. However, no information is available regarding the attendance rate at meetings of the Walloon Parliament.</p>
And how the region's organisational structure supports this?	No information provided

Allocation process, management of proceeds and data management

Question	Data
Describe the approach to manage proceeds and ensure traceability	<p>The net proceeds of the Bonds are exclusively allocated for the financing and/or refinancing of existing and new Eligible Projects.</p> <p>Eligible Green and Social Expenditures include:</p> <ul style="list-style-type: none"> - Recent Expenditures: Green and Social Expenditures financed and/or refinanced in the year preceding the issuance (or tap) date. - Current Expenditures: Green and Social Expenditures financed and/or refinanced in the same year as the issuance (or tap) date. <p>The net proceeds of the Bonds will follow budgetary procedures of the Region of Wallonia as a public entity.</p> <p>The allocation period has been defined by the Region of Wallonia as 12 months, which could be extended to 24 months in case the net proceeds of the Bonds are greater than the portfolio of Eligible Projects, in line with good market practices.</p> <p>As long as the proceeds are outstanding, the unallocated proceeds are held in money market products in line with the Region of Wallonia's Treasury Policy. In addition, unallocated proceeds are placed, when possible, in temporary placement mechanisms that include ESG criteria.</p> <p>In the event of project divestment or in the event that an expenditure became ineligible for any reason, the funds are reallocated within 12 months following the decision of reallocation to other Eligible Projects under the Sustainability Committee supervision. Such reallocation would be disclosed in the following annual report.</p> <p>Traceability and verification of both the tracking method and allocation of the proceeds, are ensured throughout the following processes:</p> <ul style="list-style-type: none"> - Until the full allocation of the proceeds to Eligible Projects, the Region of Wallonia intends to maintain an aggregate amount of assets within its portfolio of Eligible Projects that is at least equal to the aggregate net proceeds of the Bonds. - A register are established to monitor the allocation of proceeds to the Eligible Expenditures on a notional basis, ensuring that the allocation of proceeds will not allow for listing of the same budget allocation twice. - The system ensures that the allocation of proceeds are not listed within the same budget of other sources of funding, such as any EU programs (ECB – EIB – FEDER), the Belgian Federal State grants, or other revenues earmarked for specific purposes (i.e. dedicated regional funds). The Region of Wallonia intends to put in place dedicated budgetary categories (green & social) for funds allocation following the Framework. - The allocation of proceeds are audited on an annual basis by an independent third-party and until full allocation.
Describe the approach to report on the use of proceeds and impact	<p>Allocation and environmental/social impact reporting are coordinated by the Sustainability Committee, and its operational team are in charge of reporting consolidation and data aggregation from the Issuer's offices in Belgium.</p> <p>Within the Sustainability Committee, the operational team are in charge of all consolidation matters, i.e. monitoring and reporting (internally & externally) on the Eligible Green and Social Expenditures, in accordance with the Region's regulatory framework.</p> <p>The Region of Wallonia will annually report to investors within approximately one year from the date of the bond issuance, and annually therefore until full allocation of the net proceeds. The annual report will reflect:</p>

Question	Data
	<p>i. The aggregated amount of (re)allocation of net proceeds to the Eligible Green and Social Expenditures for each of the eligible categories and sub-categories;</p> <p>ii. The relevant impact metrics;</p> <p>iii. The publication of an external third-party assurance on the satisfactory (re)allocation of the net proceeds according to the Framework.</p> <p>This reporting is published every year on the Region of Wallonia's website.</p> <p>A. Allocation report</p> <p>The Region of Wallonia will report on a consolidated basis and aggregated for each eligible category on:</p> <ul style="list-style-type: none"> - the total net amount being allocated or reallocated, as the case may be - the breakdown between financing and refinancing amount - depending on confidentiality constraints, some illustrative examples of eligible projects being financed. <p>It will also report on total net amount being unallocated (if relevant) on a consolidated basis.</p> <p>B. Impact Reporting</p> <p>The Region of Wallonia will report every year on environmental and/or social benefits of the Eligible Green and Social Expenditures financed by the net proceeds of the sustainability bonds, subject to data availability, and when possible will include both output and impact indicators.</p> <p>The Issuer provides a list of illustrative indicators for each of the Eligible Project categories included in the Framework. An area for improvement would be to commit to report at least on all indicators provided in the Framework and commit to add further indicators at project level after issuance depending on the specificities of each Selected Project. The Issuer is committed to disclose the calculation methodologies and assumptions for impact indicators.</p> <p>The Issuer commits to conduct an external review performed by an independent third-party, covering the allocation of the net proceeds to Eligible Projects, as well as the environmental metrics reported through the Sustainability bonds reports.</p> <p>An area for improvement consists in reporting at least for the investors, in case of material developments relating to the Bonds and to the Eligible Projects, including in case of ESG controversies or project modification.</p>
<p>How is information on the proceeds managed internally? Is it integrated into the budget system or is a parallel system used?</p>	<p>No information provided</p>
<p>How were the impact indicators selected and why?</p>	<p>The impact indicators were selected based on output, outcome and impact indicators. Once the three categories of results were identified, a limited number of indicators (specific to each financed category) were selected. The choice to rely on general indicators allows us to compare the results of the different projects while maintaining the possibility to specify some characteristics directly related to them.</p> <p>A methodology note is included and presents the methodology used to calculate the results and impact indicators corresponding to each category of eligible investments.¹⁹²</p>
<p>Which process were put in place to collect the data required to provide use-of-proceeds and impact reporting meeting market standards?</p>	<p>No information provided</p>

¹⁹² Service Public Wallonie (2020) [Budget Allocation Report & Impact Report](#)

Question	Data
Which organisational structure and external review and verification processes were established? How often does an independent verification occur? What type of assurance is provided?	The Region of Wallonia has committed to support its Sustainability bonds issuances by external reviews: - A pre-issuance consultant review: a Second Party Opinion delivered by Vigeo Eiris, on the sustainability credentials of the Bonds, covering all the features of the Bonds. - An annual verification: performed by an independent third-party, covering the allocation of the net proceeds to Eligible Projects, as well as the environmental metrics reported through the Sustainability bonds reports. This will ensure that the (re)allocation of net proceeds of the Sustainability bond(s) to the eligible categories; the unallocated amount and the reporting commitments are compliant with the Framework.
Was the framework submitted to a second party opinion (SPO)? What were the results of the SPO? How has this contributed to the process?	Vigeo Eiris assessed the sustainability of the Sustainability Bond Framework and was of the opinion that the Bonds considered to be issued by the Walloon Region are aligned with the Sustainability bond Principles guidelines. ¹⁹³
Does the issuer obtain any (green bond) rating?	No information provided
How is the relationship with potential investors managed? How is the investor demand assessed? What type of activities and documentations were published to maintain high investor demand?	An Investor Presentation was produced, but information on the activities was not provided

List of documents reviewed

Service Public Wallonie (2020) [Budget Allocation Report & Impact Report](#)

Service Public Wallonie (2020) [Investor Presentation](#)

Vigeo Eiris (2020) [Second Party Opinion](#)

Vigeo Eiris (2019) [Second Party Opinion](#)

La Region wallonne (2019) [Sustainability Bond Framework](#)

¹⁹³ Vigeo Eiris (2020) [Second Party Opinion](#)



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