



Second-Party Opinion

Slovenian Sovereign Sustainability Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Slovenian Sovereign Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories¹ for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 10, 11, 12 and 13. Sustainalytics notes, however, some areas of limitation in the Framework based on the vagueness of the eligibility criteria in some categories.



PROJECT EVALUATION / SELECTION Republic of Slovenia’s internal process in evaluating and selecting projects is managed by the Sustainability Bond Working Group (“SBWG”). The SBWG is responsible for identifying, evaluating and selecting projects in alignment with the criteria established in the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Republic of Slovenia’s processes for management of proceeds is overseen by the Ministry of Finance, which will monitor and track the allocation of proceeds according to the Country’s public accounting rules. Republic of Slovenia intends to fully allocate net proceeds within 24 months of issuance. Unallocated proceeds may be temporarily held in the Single Treasury Account maintained at the Central Bank of Slovenia and will be managed according to prudential liquidity policies appropriate to a sovereign. This is in line with market practice.



REPORTING Republic of Slovenia intends to report on allocation and impact of proceeds on the Ministry of Finance’s website on a biannual basis until full allocation. In addition, Republic of Slovenia is committed to reporting on relevant impact metrics. Sustainalytics views Republic of Slovenia’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Ljubljana, Slovenia

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¹ Green Buildings and Energy Efficiency, Energy Transition, Low Carbon Transport, Sustainable Environmental Management, Water and Wastewater Management, Eco-efficient and/or Circular Economy, R&I, Access to Essential Services - Education, Access to Essential Services - Healthcare, Access to Essential Services - Social Inclusion, Affordable Housing, and Employment Generation and Socioeconomic Advancement and Empowerment.

Introduction

The Republic of Slovenia (“Slovenia”, the “Issuer”, or the “Country”) is a country located in Central Europe with a population of over 2.1 million people. Independent since 1991, the Country is a member of the European Union.

Slovenia has developed the Slovenian Sovereign Sustainability Bond Framework (the “Framework”) under which it intends to issue sovereign green, social and sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that to support the Country’s efforts and ambitions to transition to an environmental and socially sustainable society. The Framework defines eligibility criteria in 12 areas:

1. Green Buildings and Energy Efficiency
2. Energy Transition
3. Low Carbon Transport
4. Sustainable Environmental Management
5. Water and Wastewater Management
6. Eco-efficient and/or Circular Economy
7. Research & Innovation (R&I)
8. Access to Essential Services - Education
9. Access to Essential Services - Healthcare
10. Access to Essential Services - Social Inclusion
11. Affordable Housing
12. Employment Generation and Socioeconomic Advancement and Empowerment

Slovenia engaged Sustainalytics to review the Slovenian Sovereign Sustainability Bond Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Slovenia’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Slovenia representatives have confirmed (1) they understand it is the sole responsibility of Slovenia to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all

² The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>

³ The Slovenian Sovereign Sustainability Bond Framework is available on Republic of Slovenia’s website at: <https://www.gov.si/en/topics/investor-relations/> and <https://www.gov.si/teme/stiki-z-investitorji-in-imetniki-vrednostnih-papirjev/>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Slovenia.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Slovenia has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Slovenian Sovereign Sustainability Bond Framework

Sustainalytics is of the opinion that the Slovenian Sovereign Sustainability Bond Framework is credible, impactful, and aligns to the four core components of the SBG, GBP, and SBP. Sustainalytics highlights the following elements of Slovenia's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings and Energy Efficiency, Energy Transition, Low Carbon Transport, Sustainable Environmental Management, Water and Wastewater Management, Eco-efficient and/or Circular Economy, R&I, Access to Essential Services - Education, Access to Essential Services - Healthcare, Access to Essential Services - Social Inclusion, Affordable Housing, and Employment Generation and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the SBG, GBP and SBP. Sustainalytics considers that the eligible projects are expected to support the Country's transition to a low-carbon economy and provide positive environmental and social impact to the Slovenian people.
 - Within Green Buildings and Energy Efficiency, Slovenia may finance and/or refinance expenditures related to the construction of new buildings and acquisition of existing buildings according to the following eligibility criteria:
 - Buildings built after 31 December 2020, which have a Primary Energy Demand (PED), in kWh/m², at least 10% lower than the national Nearly Zero Energy Buildings (NZEB)⁵ threshold.
 - Buildings built before 31 December 2020, which have an Energy Performance Certificate (EPC) class A, or which are within the top 15% based on PED performance.⁶
 - Major renovation compliant with the requirements set in the applicable building regulations⁷ for 'major renovation', or which lead to a reduction of PED of at least 30%.

⁵ European Commission, "Nearly Zero Energy Buildings", (2020), at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁶ Demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.

⁷ Applicable building regulations for 'major renovation' are those which transpose the thresholds and requirements established in the EU Energy Performance of Buildings Directive (EPBD). For more information, please refer to <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32010L0031>

- Sustainalytics notes that these criteria are aligned with market practice.
- Regarding Energy Transition, Slovenia may finance and/or refinance expenditures related to the construction and operation of electricity generation facilities from solar, residual forest biomass and sewage sludge waste biomass with life-cycle carbon intensity below 100gCO₂e/kWh. Life cycle emission intensity will be reduced every five years to achieve net 0gCO₂e/kWh by 2050. Sustainalytics positively notes the commitment to an emissions intensity reduction trajectory.
- Slovenia may finance and/or refinance expenditures related to Low Carbon Transport according to the following eligibility criteria:
 - Electric or hydrogen powered trains and passenger coaches with zero direct CO₂ emissions and bimode (electric and conventional engine) trains and passenger coaches with emissions below 50 gCO₂e/km per passenger.
 - Infrastructure dedicated to the operation of vehicles with zero tailpipe CO₂ emissions including electric vehicle charging points, electricity grid connection upgrades, hydrogen fueling stations or electric road systems (ERS).
 - Infrastructure and installations dedicated to trans-shipment of freight including upgrades of existing railways and stations, and out-of-level access to platforms in accordance with Technical Specifications for Interoperability.⁸ Slovenia has confirmed that proceeds will not be allocated to transportation that is dedicated to or primarily intended to serve the transportation of fossil fuels. Infrastructure and equipment for active mobility, including walking and cycling paths and e-bikes and e-scooters.
 - Infrastructure and installations dedicated to urban and suburban public passenger transport, including associated signaling systems rail systems. Slovenia has confirmed that the expenditures are not linked to infrastructure dedicated to fossil-fuel based transportation systems or dedicated to the transport or storage of fossil fuels.
- In the Sustainable Environmental Management category, Slovenia may finance and/or refinance expenditures related to protection and restoration of terrestrial and inland freshwater ecosystems and ecosystem services, biodiversity, habitats and soils. The Framework also defines as eligible expenditures related to agricultural activities certified by EU Organic farming,⁹ which is viewed as a credible certification scheme aligned with market practice. For Sustainalytics assessment of the scheme, please refer to Appendix 1. Slovenia may also finance other projects promoting sustainable agricultural practices¹⁰ which are expected to be defined in a forthcoming version of the EU taxonomy for sustainable activities.¹¹ Sustainalytics notes that the EU Delegated Act does not currently have technical screening criteria for agriculture activities and that it is a deviation from market practice to rely on criteria that have not yet been defined. Based on this, Sustainalytics considers this criterion to be a limitation to the Framework.
- Within Water and Wastewater Management, Slovenia may finance and/or refinance investments in infrastructure for reducing flood hazards, to support energy efficient water and wastewater management in alignment with EU Water Framework¹² and Assessment and Management of Flood Risks¹³ Directives. Eligible flood hazard reduction expenditures must count with an environmental impact assessment to identify, assess and prevent potential impacts to and from the planned expenditures, which must receive government approval.

⁸ The Technical Specifications for Interoperability (TSIs) define the technical and operational standards which must be met by each subsystem or part of subsystem in order to meet the essential requirements and ensure the interoperability of the railway system of the European Union. For further information please refer to: https://www.era.europa.eu/activities/technical-specifications-interoperability_en

⁹ Expenditures are intended to support specific voluntary projects/assets for the reorientation or maintenance of organic farming practices and methods,

¹⁰ Including five-year crop rotation, organic farming, the use of non-synthetic fertilizers, sowing plants for green manure, conservation (minimum) tillage, mulching with non-synthetic and biodegradable mulching material, mechanical weeding in orchards and vineyards and any other agricultural activities (excluding livestock).

¹¹ The EU Sustainable finance taxonomy Regulation of June 2020 tasks the European Commission with establishing the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated acts. The delegated act concerning sustainable agricultural practices is expected to be published in 2022. For more information please refer to: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

¹² European Commission, "Water Framework Directive", (2000), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32000L0060>

¹³ European Commission. "Assessment and Management of Flood Risks Directive", (2007), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32007L0060>

- Regarding Eco-efficient and/or Circular Economy, Slovenia may finance and/or refinance expenditures aimed at developing environmentally sustainable products according to the following eligibility criteria:
 - Support to businesses for improving production process resource efficiency by at least 20%. Eligible expenditures include process improvements which lower consumption of water, and materials, waste reduction and pollution prevention, industrial symbiosis and logistics optimization.
 - Support the development and introduction of environmentally sustainable products, services and business models aimed at extending the life cycle of products with eco-design, reduce material inputs, reduce toxic potential, increase the use of recycled materials, improvement of packaging, increased disassembly for repair, increased user-end efficiency.
 - Sustainalytics notes that these criteria are very broad and do not provide an adequate level of specificity to enable an assessment of the expected environmental impacts of financing such activities. The Republic of Slovenia has stated their commitment to align with the EU Taxonomy in this category. However, similar to the criteria for agriculture, there are currently no technical screening criteria for such activities within the Delegated Act. Based on the above elements, Sustainalytics is unable to opine on this category and considers it to be a limitation of the Framework.
- Within R&I Climate Mitigation and Adaptation category, Slovenia may finance and/or refinance expenditures which support research, development and innovation in the energy efficiency, renewable energy, decentralized energy production areas for the transition to a climate neutral and circular society. Similar to the above category, Sustainalytics notes that this category is broad and ambiguous. The Issuer shared with Sustainalytics an example of a circular economy programme which may be funded under this category, but the level of detail was inadequate for Sustainalytics to form an opinion. The Issuer was unable to further establish criteria under this category, which is viewed as a further limitation to the Framework.
- In the Access to Essential Services – Education category, Slovenia may finance and/or refinance expenditures related to construction, extension or refurbishment of public early childhood, primary and secondary education schools, and costs associated with preschool education programs. The expenditures may also include costs of providing free/subsidized meals to socially disadvantaged students. In further discussions with Sustainalytics, Slovenia specified family income thresholds for students to be deemed eligible for defined snack and/or lunch subsidies. Sustainalytics welcomes the targeted approach in making public primary and secondary education more accessible to those with low incomes.
- Regarding Access to Essential Services – Healthcare, Slovenia may finance and/or refinance the construction, extension or refurbishment of public healthcare facilities and centers, costs towards disease prevention programs, including COVID-19 related measures, as well as expenses related to increasing the number of healthcare workers holding post graduate degrees. Sustainalytics notes the positive impact of adding highly skilled healthcare workers and encourages Slovenia to disclose the type of expenditures to increase their numbers. Overall, Sustainalytics is of the opinion that such expenditures would contribute to Slovenia’s current national health plan in helping increase access to healthcare across the Country (please refer to Section 3 on the impact of these proceeds).
- Within the Access to Essential Services – Social Inclusion category, Slovenia may finance and/or refinance the construction, extension or refurbishment of public facilities for elder care and people with disabilities. The expenditures may also include costs related to, activities and/or programmes targeting inclusion of population groups at risk of social exclusion. Apart from targeting low-income groups, youth (<29 years), elderly (>50years), people with disabilities and marginalized ethnic groups (Italian, Hungarian and Roma), Slovenia further communicated, that it considered the following groups of population at a higher risk of social exclusion:
 - Low-income groups dependent on social benefits (e.g. unemployed, single-parent families, elderly single people, older single women, homeless); people with severe disabilities and/or unemployed; Roma people facing unemployment, low level of education, and/or poor housing conditions; migrants, refugees and asylum seekers (language ignorance, employment, housing conditions); other vulnerable groups such

- as victims of violence, addicts, children and adolescents facing hardship, people with mental health problems;
- Sustainalytics notes positively the identification of vulnerable groups to be targeted for this purpose, while encouraging Slovenia to report on the types of expenditures and related social impacts.
- Regarding Affordable Housing, Slovenia may finance and/or refinance expenditures related to:
 - Construction, extension or refurbishment of social housing units targeting vulnerable groups as such as those with low income, people without adequate housing, and households subjected to insecurity and exclusion. The government of Slovenia indicated that most social housing units were with non-profit rents and offered the options to avail rent subsidies where required. Slovenia also specified social housing allocation processes based on an assessment of current housing status, prioritizing families with several children, families with fewer employed members, the young and young families, disabled people and families with a disabled member, longer working lives citizens who are homeless or subtenants, victims of violence in family, and persons with the status of a victim of war violence. Sustainalytics notes that the maximum income thresholds are above the median income for families, which represents a deviation from market practice and does not limit allocation exclusively to low-income earners. Nonetheless, Sustainalytics views positively the processes in place for prioritization and allocation of affordable housing to disadvantaged groups.
 - Rent subsidies for low-income households based on a minimum income calculation as per the Social Assistance Payment Act¹⁴ and non-repayable financial incentives for recipients of social benefits targeting energy efficiency related upgrades or refurbishments in social units. Sustainalytics views favorably financial support to help improve affordability and living conditions for residents of such dwellings.
 - Within the Employment Generation and Socio-economic Advancement and Empowerment category, Slovenia may finance and/or refinance expenditures as per the following eligibility criteria:
 - Employment generation and retention, including training requirements of the unemployed, specifically, as per Slovenia's communications with Sustainalytics, targeting elderly (>50 years), youth (<29 years), lower educated (education levels below ISCED 3 as per the International Standard Classification of Education, 2011), long-term unemployed (at least a year), and inactive (currently not part of the labor force). In addition, these would also specifically target women from the aforementioned groups. Sustainalytics considers this to be in line with market practice.
 - Support Small and Medium Enterprises (SMEs) – as defined by the EU recommendation 2003/361 – in the event of extreme events such as natural disaster, extreme weather events, and public health disasters. This is opined to align with market practice.
 - Development of social enterprises,¹⁵ including employment generation, training, and creation of dedicated structures to promote social entrepreneurship, particularly among women entrepreneurs. Sustainalytics notes that Slovenia specified such enterprises as not-for-profits and that, to their knowledge, they did not include any large corporations. Based on this, Sustainalytics considers such expenditures in line with market practice.
 - Project Evaluation and Selection:
 - The Republic of Slovenia's internal process in evaluation and selecting projects is managed by the Sustainability Bond Working Group ("SBWG") which is comprised of representatives from the Ministry of Finance, Ministry of Environment and Spatial Planning, Ministry of Infrastructure, Ministry of Agriculture, Forestry and Food, Ministry of Economic Development and Technology, Ministry of Education and Sports, Ministry of Labour, Family and Social Affairs, Ministry of Health, and the Government Office for Development and Cohesion Policy. The SBWG is responsible for identifying eligible green and social bond projects, which will be evaluated and

¹⁴ OECD, "Slovenia – Social Assistance Act", at: <https://www.oecd.org/slovenia/2075412.pdf>

¹⁵ A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. A more detailed definition of social enterprise as the per the EU is available at: https://ec.europa.eu/growth/sectors/social-economy/enterprises_en

- selected in alignment with the criteria established in the Framework. To carry out its responsibilities the SBWG will consult with other Government institutions and State agencies.
- Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - The Republic of Slovenia's process for management of proceeds is overseen by the Ministry of Finance ("the Ministry"). The Ministry will monitor and track the allocation of proceeds according to the Country's public accounting rules. The Country intends to fully allocate net proceeds within 24 months of issuance. Unallocated proceeds will be temporarily held in Slovenia's State Budget Account, within the Single Treasury Account maintained at the Central Bank of Slovenia and will be managed according to prudential liquidity policies appropriate to a sovereign.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Republic of Slovenia is committed to reporting on the allocation and impact of proceeds via Allocation and Impact Reports, which will be available on the Ministry of Finance's website on a biannual basis, until allocation has been fully completed. The allocation reporting will include details such as total amount allocated to eligible projects, total amount allocated per Eligible Green and/or Social Category, unallocated proceeds balance, the amount of financing vs refinancing. In addition, Republic of Slovenia will, where possible, report on relevant impact indicators including, annual GHG emissions in tons of CO₂ equivalent saved, renewable energy capacity (in MW), and number of activities for vulnerable target groups. For an exhaustive list of impact metrics, please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2020

Sustainalytics has determined that the Slovenian Sovereign Sustainability Bond Framework aligns to the four core components of the SBG, GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Mandate of Slovenia

Contribution of framework to Republic of Slovenia's sustainability strategy

Sustainalytics is of the opinion that the Slovenian government demonstrates its commitment to sustainability through its Slovenian Development Strategy 2030.¹⁶ The primary objective of the strategy is to provide a "high quality of life for all" and takes into consideration economic, social and environmental development. The Development Strategy is underpinned by a variety of plans and programmes which target specific sectors and areas of focus. Those which are specifically relevant to this Framework include the National Energy and Climate Plan (NEPN)¹⁷, the Resolution on the National Environmental Action Programme 2020 – 2030 (ReNPVO20-30), Active Ageing Strategy and Resolution on National Housing Programme.

The above plans/programmes include specific strategies and targets to achieve Slovenia's Development Strategy. For example, 2030 targets within NEPN include:

- 36% national GHG reduction;
- 35% improvement in energy efficiency compared to 2007 baseline;
- At least a 27% share of renewable energy generation;
- Reduce final energy consumption in buildings by 20% by 2030 compared to 2005 baseline

In addition to the above, the ReNPVO20-30, which was adopted in 2020, outlines the Country's environmental vision and objectives, including a comprehensive set of measures intended to address challenges related to biodiversity, soil, air and water protection. ReNPVO20-30 considers systemic characteristics of challenges

¹⁶ Republic of Slovenia, "Slovenian Development Strategy 2030", (2021), at: <https://www.gov.si/assets/vladne-sluzbe/SVRK/Strategija-razvoja-Slovenije-2030/Slovenian-Development-Strategy-2030.pdf>

¹⁷ EC, "NEPN Slovenia", (2021), at: https://ec.europa.eu/energy/sites/default/files/documents/si_final_necp_main_en.pdf

and aims to develop a coordinated and synergistic approach to addressing them, through activities including education, raising awareness, and project-specific initiatives.

Beyond the Country's environmental commitments, the importance of enhancing positive social outcomes is recognized in the Active Ageing Strategy and the Resolution on National Housing Programme. The Active Ageing Strategy targets the ageing population with the aim of increasing participation in society and promoting healthy/safe living environments. The National Housing Programme identifies the most pressing challenges in the housing sector and targets vulnerable populations for the provision of affordable housing.

Sustainalytics is of the opinion that the Slovenian Sovereign Sustainability Bond Framework is aligned with the Slovenia's overall sustainability strategy and initiatives and will further the Country's action on its key environmental and social priorities.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use change, biodiversity loss, occupational health and safety and stakeholder relations.

Sustainalytics is of the opinion that Slovenia is able to manage and/or mitigate potential risks through implementation of the following:

- In 1993, the Slovenian government established an environmental policy for the Country¹⁸ which outlines the Country's regulations on air emissions, water quality, waste management and nature conservation. The policy document provides an overview of the challenges that Slovenia faces within each of the aforementioned areas and outlines the legislation that has been put in place to regulate their environmental impact. As part of the Slovenian Environmental Protection Act,¹⁹ any project which may have a significant impact on the environment must have a comprehensive assessment carried out to determine the potential impacts and an implementation plan must be developed to outline an approach for mitigating those impacts, implementation plans must be accepted by the Ministry of Environment, this decree is aligned with Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment.²⁰
- Occupational health and safety laws are developed within the Ministry of Labour, Family, Social Affairs and Equal Opportunities and the Ministry of Health.²¹ The implementation of the worker health and safety regulations are carried out by the Slovenian Labour Inspectorate. The Country's health and safety policy is aligned with the EU occupational health and safety (OSHA) requirements. Health and safety representation for employees is provided via a works council, which must be established for any company with more than 20 people and requires employers to consult with employees or their representative on health and safety issues.²² Under this legislation, employers are required to provide the works council with a safety statement, risk assessment and documents work-related accidents. The employer is also required to disclose findings, proposal or measures imposed by health and safety inspectors.
- Slovenia is recognized as a designated country under the Equator Principles. Designated countries have been deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Sustainalytics considers that financing activities in countries with designated status will be subject to relatively strong regulations aimed at mitigating environmental and social risks.
- Furthermore, Sustainalytics positively notes the exclusionary criteria that have been outlined in the Framework, which include exclusions for financing any activities that may be associated with the burning of fossil fuels, transport of fossil fuels, nuclear power generation, large-scale hydro projects, weapons, tobacco, gaming or palm oil.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Slovenia has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

¹⁸ European Parliament, "Environment Policy in Slovenia", (1993), at: http://www.europarl.europa.eu/workingpapers/envi/pdf/brief6en_en.pdf

¹⁹ Republic of Slovenia, "Environmental Protection Act", (2004), at: <http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO1545#>

²⁰ European Parliament, "Directive 2011/92/EU", (2011), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32011L0092>

²¹ European Agency for Safety and Health at Work, "Slovenia", (2019), at: <https://osha.europa.eu/en/about-eu-osha/national-focal-points/slovenia>

²² Worker Participation, "Slovenia – Health and Safety Representation", (2018), at: <https://www.worker-participation.eu/National-Industrial-Relations/Countries/Slovenia/Health-and-Safety>

Section 3: Impact of Use of Proceeds

All twelve use of proceeds categories are aligned with those recognized by the SBG, GBP and SBP. Sustainalytics has focused on categories below where the impact is specifically relevant in local context.

Importance of renewable energy, energy efficiency and sustainable transport in Slovenia

One of Slovenia's climate change targets is to achieve a share of renewable energy in gross final energy consumption of 27% by 2030.²³ Slovenia also pledged to reach a share of 21% of renewables in the transportation sector, and of at least two thirds of renewable energy use in buildings by 2030.²⁴ The Slovenian government has committed to reducing the GHG emissions in buildings by at least 70% by 2030 compared to 2005.²³ Additionally, the Slovenian government also strives to reduce final energy use in buildings by 20% by 2030 (2005 baseline).²³ In order to achieve these goals, Slovenia has developed and adopted several climate-related policies and programmes such as the Energy Act, Integrated National Energy and Climate Plan,²³ Resolution on the National Environmental Action Programme, Operational Programme of Measures to reduce GHG emissions by 2020²⁵ and Framework Programme for the transition to a Green Economy²⁶. The programmes support the country's energy, transportation and building sectors to lower their emissions by creating a new national energy framework, balancing the energy market, encouraging renewable energy growth, investing in green buildings and financing sustainable mobility.

In 2019, energy use accounted for around 80% of total GHG emissions in Slovenia, with transport, and heat and electricity production in residential buildings generating the vast majority of emissions.²⁷ . Moreover, in the same year, Slovenia's renewables share was around 22% of the estimated gross energy consumption, with most of the country's energy needs being fulfilled though fossil fuels and nuclear power.²⁸

Given the above, Sustainalytics is of the opinion that the government of Slovenia's investments in renewable energy technologies and facilities, support schemes for renewable heat use and energy storage, low carbon public transportation initiatives, and green buildings will support Slovenia in reaching its climate change goals.

Relevance of sustainable water management in Slovenia

Even though the total water abstraction in Europe has remained largely constant since 1990, Southern Europe increased abstraction by more than 15%.²⁹ In 2016, the government of Slovenia adopted the Water Management Plan for the Danube river basin³⁰ and Water Management Plan for the Adriatic Sea waters for the period 2016-2021, which aim to promote sustainable water use and to monitoring the state of usage and pollution of these water bodies. In the same year, Slovenia became the first EU member to include the right to water in its constitution, done in order to prevent the commercialization of the State's water resources.³¹ In 2019, the vast majority of wastewater (91.5%) was only heat-polluted, while 5.3% of the total wastewater was treated using a wide variety of techniques (mechanical, chemical and biological) before discharge, and the only 3.2% was left untreated before discharge.³² Over the last decades, Slovenia experienced one of the highest rates of change in development towards connecting the population to an urban wastewater treatment plant.³³

²³ Government of Slovenia, "Slovenian Development Strategy 2030", at: <https://www.gov.si/assets/vladne-sluzbe/SVRK/Strategija-razvoja-Slovenije-2030/Slovenian-Development-Strategy-2030.pdf>

²⁴ Government of Slovenia, "Integrated National Energy and Climate Plan of the Republic of Slovenia", (2020), at: https://ec.europa.eu/energy/sites/default/files/documents/si_final_necp_main_en.pdf

²⁵ Government of Slovenia, "The government approves the operational programme to reduce greenhouse emissions by 2020", (2014), at: http://www.vlada.si/en/media_room/government_press_releases/press_release/article/the_government_approves_the_operational_programme_to_reduce_greenhouse_emissions_by_2020_50348/?tx_ttnews%5BbackPid%5D=489&cHash=19f19804b6caefe408b21244aab7f987

²⁶ Government of Slovenia, "Transition to a Green Economy in Slovenia", at: http://www.vlada.si/fileadmin/dokumenti/si/projekti/2016/zeleno/Transition_to_a_Green_Economy_in_Slovenia.pdf

²⁷ EEA, "EEA greenhouse gases - data viewer - Slovenia", at: <https://www.eea.europa.eu/data-and-maps/data/data-viewers/greenhouse-gases-viewer>

²⁸ Republic of Slovenia Statistical Office, "Renewable energy sources in gross final energy consumption, Slovenia, 2019", at: <https://www.stat.si/StatWeb/en/news/Index/9256>

²⁹ EEA, "Water scarcity", at: <https://www.eea.europa.eu/themes/water/featured-articles/water-scarcity>

³⁰ International Commission for the Protection of the Danube River, "The Danube River Basin Management Plan 2015 –2021", at: <https://www.icpdr.org/main/sites/default/files/nodes/documents/managementplansbrochure2015.pdf>

³¹ "Signal of change. Slovenia becomes first EU nation to enshrine human right to water in their constitution", at: <https://thefuturescentre.org/signals-of-change/9475/slovenia-becomes-first-eu-nation-enshrine-human-right-water-their>

³² Republic of Slovenia Statistical Office, "Exploitation of Water in Industry, 2019", at: <https://www.stat.si/StatWeb/en/News/Index/9072>

³³ Eurostat, "Water statistics", at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Water_statistics.

Given the context, Sustainalytics considers Slovenia's investments in clean water and wastewater treatment projects, with the aim to improve efficiencies in water abstraction and supply, and to centralize wastewater treatment, will support the continued improvement of the country's use of its water resources.

Increasing access to healthcare in Slovenia

Slovenia provides universal social health insurance based on a single payer system, that covers nearly all permanent residents.³⁴ In addition, the majority of the population also purchases complementary voluntary health insurance to cover co-payments. Healthcare services are mainly delivered through public providers, comprising of a network of primary healthcare centers and pharmacies at primary level, hospitals and outpatient care at secondary, and clinics and authorized healthcare institutions at tertiary level.³⁵ In 2013, Slovenia's healthcare systems underwent a major restructuring to centralize public health operation, forming the National Institute of Public Health and the National Laboratory for Health, Environment and Food, to strengthen coordination and ensure access to public health services across the country.³⁶ Further, Slovenia recognizes the importance of public health activities through its National Health Plans. The current National Health Plan 2016-2025, highlights health promotion, health protection and disease prevention as one of four key areas of health system development.³⁶

While concerted policy efforts and preventive measures resulted in a decline of Slovenia's preventable mortality³⁷, it still remained above the EU average as of 2016.³⁴ Moreover, a 2019 OECD report on the state of Slovenia's healthcare highlighted long waiting times, shortfall of healthcare professionals (number of doctors 3.1 per 1000 population well below EU average of 8.5 per 1000 population in 2017)³⁴, and aligning long-term care needs to a fast-ageing population (people over 65 years to reach 30% of Slovenia's population by 2050)³⁸ as challenges in accessing healthcare services.

In view of the above, Sustainalytics notes that Slovenia's investments in expanding public healthcare capacities, and improving quality of healthcare services, including preventive and curative measures, will increase access to healthcare across the country.

Importance of Employment Generation and Socioeconomic Empowerment in Slovenia

Slovenia recognizes the challenges it faces in achieving a higher employment rate among the job-seeking population. To this effect, it has rolled out several active employment programmes³⁹ with the aim of reducing barriers that prevent individuals from joining the labor market. Currently these measures focus on vulnerable groups in the labor market – the long-term unemployed, older persons lacking adequate qualification, and the first-time jobseekers.³⁹ In addition, pandemic related restrictions have adversely impacted businesses, reducing employment levels in Slovenia. Subsequent adoption of state aid packages to mitigate job losses increased the average level of registered unemployment in 2020 by 14.6%, while in March 2021, there were 6.1% more unemployed persons than in March 2020.⁴⁰

In 2019, one in seven people (14.4%)⁴¹ in Slovenia was at risk of poverty⁴² or social exclusion. This meant that nearly 19%⁴¹ less people were living in poverty or social exclusion, compared to the base year 2008. In the same year, Slovenia also exceeded its EU 2020 Strategy goal to reduce the number of people living in poverty or social exclusion by 40,000. However, social benefits, including pensions, play a crucial role in decreasing the at-risk-poverty rate, and without these the at-risk-of-poverty rate would have been 39.2% compared to the actual rate of 12.0% in 2019.⁴¹ Sustainalytics notes that given the dependence of Slovenia's social protection schemes on employers' and employees' contribution (government contribution was only at 27.1% in 2018)⁴³, the increased unemployment and adverse impacts on businesses in the current environment may negatively impact these benefits, thus, impacting the at-risk population.

Given this context, Sustainalytics, observes that the government of Slovenia's investments in employment generation initiatives and support of social entrepreneurship, particularly among a targeted group of the

³⁴ OECD, "Slovenia, Country Health Profile 2019", at: https://ec.europa.eu/health/sites/default/files/state/docs/2019_chp_sl_english.pdf

³⁵ Republic of Slovenia, "Organization of healthcare in Slovenia", at: <https://www.gov.si/en/policies/health/organizacija-zdravstvenega-varstva-2/>

³⁶ "Organization and financing of public health services in Europe: Country reports", at: <https://www.ncbi.nlm.nih.gov/books/NBK507331/>

³⁷ Preventable mortality is defined as death that can be mainly avoided through public health and primary prevention interventions

³⁸ Republic of Slovenia, "Long-term care", at <https://www.gov.si/en/policies/health/long-term-care/>

³⁹ Republic of Slovenia, "Employment", at: <https://www.gov.si/en/policies/employmentlabour-and-pensions/employment/>

⁴⁰ European Commission, "EURES-Labor market information, Slovenia", 2021 at:

<https://ec.europa.eu/eures/main.jsp?catId=2815&countryId=SI&acro=Imi&lang=en®ionId=SI0&nuts2Code=%20&nuts3Code=®ionName=National%20Leve>

⁴¹ Republic of Slovenia Statistical Office, "Income, poverty and social exclusion indicators, Slovenia, 2019", at:

<https://www.stat.si/StatWeb/en/News/Index/8895>

⁴² The at-risk-of-poverty threshold is defined as 60% of median equivalised disposable income of all households using the OECD modified equivalence scale. At: <https://www.stat.si/StatWeb/en/Field/Index/10/39>

⁴³ Republic of Slovenia Statistical Office, "Social Protection", at: <https://www.stat.si/StatWeb/en/Field/Index/21>

population, will help in bringing down unemployment amongst the vulnerable population in Slovenia and help stabilize the labor market by creating new opportunities which address local needs.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Slovenian Sovereign Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings and Energy Efficiency	11. Sustainable cities and communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Energy Transition	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Low Carbon Transport	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Environmental Management	2. Zero hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
Water and Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Eco-efficient and/or Circular Economy	8. Decent work and economic growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
	12. Responsible consumption and production	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
R&I on Climate Mitigation and Adaptation	13. Climate action	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
Access to Essential Services - Education	4. Quality education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes
		4.2 By 2030, ensure that all girls and boys have access to quality early childhood development,

		care and preprimary education so that they are ready for primary education
Access to Essential Services - Healthcare	3. Good health and well-health	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services - Social Inclusion	10. Reduced inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation and Socioeconomic Advancement and Empowerment	8. Decent work and economic growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

Conclusion


Republic of Slovenia has developed the Slovenian Sovereign Sustainability Bond Framework under which it may issue green, social or sustainability bonds and use the proceeds to support the Country's efforts and ambitions to transition to an environmental and socially sustainable society. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Government and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 10, 11, 12 and 13. Additionally, Sustainalytics is of the opinion that Republic of Slovenia has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Republic of Slovenia is well-positioned to issue sustainability bonds and that that Slovenian Sovereign Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

Appendices

Appendix 1: Sustainalytics assessment of EU Organic Farming

	EU Organic⁴⁴
Background	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
Verification of standards and risk mitigation	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.
Performance display	
Third-party verified	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.
Qualitative considerations	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.

⁴⁴ European Commission, "Organic farming", at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming_en.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Republic of Slovenia			
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Slovenian Framework	Sovereign	Sustainability	Bond
Review provider's name:	Sustainalytics			
Completion date of this form:	June 18, 2021			
Publication date of review publication:				

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories⁴⁵ for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 2, 3, 4, 6, 7, 8, 10, 11, 12 and 13.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Energy Transition |

If applicable please specify the environmental taxonomy, if other than GBP:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

⁴⁵ Green Buildings and Energy Efficiency, Energy Transition, Low Carbon Transport, Sustainable Environmental Management, Water and Wastewater Management, Eco-efficient and/or Circular Economy, R&I, Access to Essential Services - Education, Access to Essential Services - Healthcare, Access to Essential Services - Social Inclusion, Affordable Housing, and Employment Generation and Socioeconomic Advancement and Empowerment.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Republic of Slovenia's internal process in evaluating and selecting projects is managed by the Sustainability Bond Working Group ("SBWG") which is comprised of representatives from eight Ministries and the Government Office for Development and Cohesion Policy. The SBWG is responsible for identifying, evaluating and selecting projects in alignment with the criteria established in the Framework. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Republic of Slovenia's processes for management of proceeds is overseen by the Ministry of Finance, which will monitor and track the allocation of proceeds according to the Country's public accounting rules. Republic of Slovenia intends to fully allocate net proceeds within 24 months of issuance. Unallocated proceeds may be temporarily held in the Single Treasury Account maintained at the Central Bank of Slovenia and will be managed according to prudential liquidity policies appropriate to a sovereign. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|--|---|
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

Republic of Slovenia intends to report on allocation and impact of proceeds on the Ministry of Finance’s website on an annual basis until full allocation. In addition, Republic of Slovenia is committed to reporting on relevant impact metrics. Sustainalytics views Republic of Slovenia’s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--|---|
| <input type="checkbox"/> Annual | <input checked="" type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators <i>(please specify)</i> : |

Green Project Categories	Example of possible/indicative impact indicator
Green Buildings and Energy Efficiency	› Estimated ex-ante annual energy savings (in MWh) › Annual GHG emissions in tons of CO ₂ equivalent saved Possible additions/modifications › Number of households with improved class of energy use › Reduction of annual primary energy consumption in public buildings

	<ul style="list-style-type: none"> › Surface of energy refurbished buildings owned/used by the central government
Energy Transition	<ul style="list-style-type: none"> › Renewable Energy Capacity (in MW) › Estimated ex-ante annual energy savings (in MWh) › Estimated annual GHG emissions reduced/avoided (in tons of CO₂ equivalent) Possible additions/modifications <ul style="list-style-type: none"> › share of gross final energy use from renewables in heat supply › share of gross final energy use from renewables in electricity supply › additionally installed power for heat/cooling production › share or users connected to the advanced metering systems › no of car/bicycle sharing schemes
Low Carbon Transport	<ul style="list-style-type: none"> › Number of low carbon vehicles deployed by type of transport (e.g. number of trains/trams) › Length of the railway infrastructure built or renovated › Number and type of sustainable mobility measures › Other relevant indicators depending on the considered projects Possible additions/modifications <ul style="list-style-type: none"> › passenger km in public transport › Renewable energy sources share in fuels › sustainable freight transport › CO₂ emissions from personal transport per capita › number of newly built P+R › number of new charging stations for vehicles (public and private – separate) › number of urban/regional/local sustainable mobility projects
Sustainable environmental management	<ul style="list-style-type: none"> › Surface of protected or restored areas (areas facing natural constraints, under organic farming and under agri-environmental schemes) › Surface area of habitats supported in order to attain a better conservation status › Surface of green/open/public space within urban areas (preserved areas/reservoirs/waterways/parks) › Surface of contaminated area cleaned/restored Possible additions/modifications <ul style="list-style-type: none"> › additional number of organic farms supported › additional number of forest certificates supported › additional habitat surfaces supported
Water and wastewater management	<ul style="list-style-type: none"> › Volume of water collected and disposed or treated › Number of waterbodies with improved status due to implemented rehabilitations of watercourses through re-naturalisation actions › Surface of flood-resilient floor space › Number of users served › Other relevant indicators depending on the considered projects Possible additions/modifications <ul style="list-style-type: none"> › surface of water bodies with improved status
Eco-efficient and/or circular economy	<ul style="list-style-type: none"> › Quantity of sustainable raw materials › Number of projects that implemented measures in energy/resources productivity › Reduced energy/water/resource use in the supported projects › Reduced quantity of waste generation › Other relevant indicators depending on the considered projects
R&I	<ul style="list-style-type: none"> › Number of R&I supported projects in areas related to green transition

Social Project Categories	Example of possible/indicative impact indicators
Access to essential services – Education	<ul style="list-style-type: none"> › Number of education infrastructures benefiting from the eligible projects, › Capacity/additional capacity (in number of students, square meters) › The proportion of pupils with subsidized meals › The number of children with a subsidy for kindergarten
Access to Essential Services Healthcare	<ul style="list-style-type: none"> › Number of hospital and other health facilities built/upgraded and/or benefiting from the eligible projects › Capacity/additional capacity (in number of beds and/or patients) › Number of patients benefiting from “shortening waiting times” programme › Number of surveillances, interns/specialists, public tenders and programmes

Access to Essential Services Social Inclusion	<ul style="list-style-type: none"> › Number of social inclusion infrastructures benefiting from the eligible projects, › Capacity/additional capacity (in number of beneficiaries) › Number of people participating in program (different social inclusion programs) › Number of activities for vulnerable target groups
Affordable Housing	<ul style="list-style-type: none"> › Number of homes (broken down according to whether built or improved) › When available, additional information may be provided regarding the energy performance of eligible buildings
Employment generation and socioeconomic advancement and empowerment	<ul style="list-style-type: none"> › Number of people benefiting from the eligible employment generation and retention initiatives › Number of social and solidarity economy beneficiaries › Number of SMEs impacted by the consequences of extreme events benefiting from the eligible expenditures › Number of training programs completed and number of training centers developed

Frequency

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): Allocation and Impact Reports available on the Ministry of Finance’s website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



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