Second-Party Opinion

Slovenian Sovereign Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the Slovenian Sovereign Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized as impactful by the Green Bond Principles. Sustainalytics considers that projects aimed at waste and water management, air quality control, environmental conservation, climate change adaptation, sustainable transportation, renewable energy and energy efficiency will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

PROJECT EVALUATION / SELECTION The Republic of Slovenia's internal process for evaluating and selecting projects is aligned with market practice. In consultation with the government, projects will be evaluated and selected by the Green Bonds Working Group, which is composed of representatives from various Ministries, including Finance, Environment, Spatial Planning, Infrastructure and Agriculture, Forestry and Food.

MANAGEMENT OF PROCEEDS The Republic of Slovenia's processes for management of proceeds is overseen by the Ministry of Finance. The Ministry will strive to ensure that the expenditures on green projects will match the net proceeds of green bonds and will hold unallocated proceeds in its State Budget Account. Unallocated proceeds will be managed according to Slovenia's prudential liquidity policies.

REPORTING The Republic of Slovenia intends to report allocation of proceeds in an Annual Allocation Report, until full allocation. In addition, the Republic of Slovenia is committed to reporting on relevant impact metrics on a biennial basis. These reports will be made available to investors on the Ministry of Finance's website. Sustainalytics views the Republic of Slovenia's allocation and impact reporting as aligned with market practice.

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Introduction

The Republic of Slovenia (Slovenia or "the country") has developed the Slovenian Sovereign Green Bond Framework (the "Framework") under which it intends to issue multiple green bonds and use the proceeds to finance/refinance, in whole or in part, existing/future projects that will promote the realization of policy objectives outlined in the Slovenian Development Strategy 2030 aimed at decarbonizing the country's energy supply and improving housing, water infrastructure, air quality, environmental conservation and food security. The Framework defines eligibility criteria in eight areas:

1. Sustainable Water and Wastewater Management
2. Air Quality
3. Nature and Biodiversity
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Climate Change Adaptation
6. Sustainable Transportation
7. Renewable Energy
8. Energy Efficiency

Slovenia engaged Sustainalytics to review the Slovenian Sovereign Green Bond Framework, dated June 2019, and provide a second-party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).[1] This Framework has been published in a separate document.[2]

As part of this engagement, Sustainalytics held conversations with various members of the relevant ministries of the Republic of Slovenia to understand the sustainability impact of their activities and planned use of proceeds, as well as the management of proceeds and reporting aspects of Slovenia's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

[1] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[2] The Slovenian Sovereign Green Bond Framework is available on The Republic of Slovenia's website at: http://www.mf.gov.si/en/stiki_z_investitorji_imetniki_vp/the_issuer/

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Slovenian Sovereign Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Slovenia's green bond framework:

- Use of Proceeds:
  - The use of proceeds categories – (i) sustainable water and wastewater management, (ii) air quality, (iii) nature and biodiversity, (iv) environmentally sustainable management of living and natural resources and land use, (v) climate change adaptation, (vi) clean transportation, (vii) renewable energy and (viii) energy efficiency – are recognized as credible and impactful by the GBP.
  - Regarding nature and biodiversity, green bond proceeds will finance activities that are related to the Natura 2000 Programme[4] and the LIFE Programme.[3] LIFE is a co-funding instrument facilitated by the EU with the aim of promoting environment and climate action.[3] Natura 2000 is a European initiative aimed at designating protected areas for rare and threatened species and natural habitats.[4] Sustainalytics notes that these areas include nature reserves, but are mostly privately owned land from which human activity is not excluded. In this regard, EU member states, such as Slovenia, are responsible for designing their own approaches for ensuring that sites are managed sustainably.[5] Sustainalytics has assessed the Natura 2000 Programme, the Slovenian Natura 2000 Management Programme[6] and the Life Programme as it relates to nature and biodiversity, and views them as credible conduits through which green bond proceeds can contribute to conservation in the country. Please see Appendices 1 and 2 for more information.
  - With regards to projects to promote the environmentally sustainable management of living and natural resources, Slovenia will finance agriculture and forestry activities that are certified to robust external standards such as EU Organic, FSC and PEFC (for more information see Appendices 3 and 4). Furthermore, projects related to the preservation and strengthening of ecosystems will take the form of payments to farmers that subsidize the costs associated with implementing sustainable agriculture techniques and engaging in agriculture in regions that pose challenging physical constraints. Slovenia's Rural Development Plan[7] sets out the conditions under which farmers qualify to receive payments. Sustainalytics has reviewed the measures in place and views them as a credible means for reducing environmental impacts associated with agriculture and for leveraging agriculture to promote biodiversity. Please see Appendices 5 and 6 for an overview.
  - In addition to solar energy projects and their connection to distribution systems, proceeds will finance renewables-based district eating. Specifically, Slovenia will encourage the increased use of wood biomass in modern individual, group and industrial combustion plants to provide district heating. Slovenia has indicated that biomass will come from residual and/or low-grade quality wood from domestic forestry activities. The Republic of Slovenia has confirmed to Sustainalytics that all biomass will be procured from waste streams from forests that are FSC- and PEFC-certified, or with an equivalent management system in place. Sustainalytics considers the financing for district heating that uses waste products from forestry activities that are conducted in line with FSC and PEFC standards (see Appendix 3) to be consistent with market practice.

[3] European Commission, "LIFE Programme", (1992), at: https://ec.europa.eu/easme/en/life
[4] European Commission, "Natura 2000 Programme", (2019), at: http://ec.europa.eu/environment/nature/natura2000/index_en.htm
[5] European Commission, "Natura Programme 2000 Conservation Measures", (2014), at: http://ec.europa.eu/environment/nature/natura2000/management/docs/conservation%20measures.pdf
[6] Republic of Slovenia, "Natura 2000 Management Programme 2015-2020)", (2015), at: http://www.natura2000.si/fileadmin/user_upload/C5_ProgrammeNatura2020.pdf
[7] The European Agricultural Fund for Rural Development, "Program razvoja podeželja RS za obdobje 2014- 2020", (2015), at: http://www.program-podezelja.si/images/SPLETNA_STRAN_PRP_NOVA/1_PRP_2014-2020/1_1_Kaj_je_program_razvoja_pode%C5%BEelja/POTRJEN_PRP_13_2_2015/PRP_2014-2020_potrjen_13.2.2015.pdf.

  - Energy efficiency improvement projects pursued by Slovenia will be targeted at improving the energy performance of public sector buildings in line with the country's Operational Programme for the Implementation of the EU Cohesion Policy 2014-2020.[8] Sustainalytics acknowledges that thresholds for improvements have not been set at the level of individual buildings, as each buildings will have different reference value to be improved upon based on their specific characteristics and the climatic conditions in which they are located. However, Sustainalytics notes that Slovenia has estimated that the average energy savings for renovated space amounts to 50% based on existing project data. Slovenia is encouraged to report on the energy savings achieved through these activities to facilitate transparency.
- Project Evaluation and Selection:
  - The Republic of Slovenia has established a Green Bond Working Group ("GB Working Group"), which is comprised of representatives from the Ministry of Finance, the Ministry of Environment and Spatial Planning, the Ministry for Infrastructure and the Ministry of Agriculture, Forestry and Food. In consultation with other government institutions and state agencies of the Republic of Slovenia, the GB Working Group will identify Eligible Green Projects based on the criteria outlined in the Framework and will ensure the normal budgetary process for project approval is implemented. Eligible green projects will be evaluated and selected for inclusion in the Slovenian Sovereign Green Bonds based on the eligibility criteria outlined in the framework and aligned with the SDS 2030.[9]
- Management of Proceeds:
  - The Ministry of Finance, including the Treasury Directorate and Budget Directorate will be responsible for the management of green bond proceeds. Proceeds will be allocated subject to the normal budgetary process for project approval. The Ministry of Finance will ensure that the expenditures on eligible projects will match the value of the green bond proceeds. Tracking of the allocation of green bond proceeds to eligible projects will be facilitated by internal tracking mechanisms that assign budget amounts to individual projects as part of the annual budget and record the amounts that have been allocated/unallocated in accordance with the allotment. Pending full allocation, Slovenia may temporarily hold unallocated proceeds in the State Budget Account, which is held in the Single Treasury Account maintained by the Central Bank of Slovenia and are managed according to prudential liquidity policies appropriate for a sovereign.
- Reporting:
  - Until full allocation of bond proceeds, the Republic of Slovenia will report on allocation in an Annual Allocation Report. The report will be made available to investors and will include the total amount of proceeds allocated to eligible green projects, the total amount allocated per eligible category, the amount of financing vs refinancing, and the amount unallocated. Additionally, where feasible, the company will report on impact metrics that are related to each of the potential eligible project categories. To see a full list of potential impact metrics, see Appendix 7. Reports will be made available to investors via the Ministry of Finance's website.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Slovenian Sovereign Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 8: Green Bond/Green Bond Programme External Review Form.

[8] Republic of Slovenia, "Operational Programme for the Implementation of the EU Cohesion Policy 2014-2020", (2014), at: https://www.eu-skladi.si/sl/dokumenti/kljucni-dokumenti/op_ang_final_web.pdf.
The renovations are aimed at achieving the: the fulfilment of defined maximum thermal transmittance values (U-values) for the thermal envelope elements that are addressed within the envisaged comprehensive energy renovation; the fulfilment of defined maximum value of the coefficient of specific transmission heat losses; the fulfilment of the permitted value of the annual heat demand per unit of conditioned volume for public buildings; the fulfilment of the renewable energy sources criteria.
[9] Republic of Slovenia, "Slovenian Development Strategy 2030", (2017), at:
http://www.vlada.si/fileadmin/dokumenti/si/projekti/2017/srs2030/en/Slovenia_2030.pdf

Section 2: Sustainability Strategy of the Republic of Slovenia

Contribution of framework to the Slovenian sustainability strategy

In 2017, The Republic of Slovenia adopted the Slovenian Development Strategy 2030 (SDS 2030), which outlines the country's long-term strategy for sustainability. The primary goal of SDS 2030 is to ensure a high-quality of life for all; the SDS 2030 builds on the Vision of Slovenia, which focuses on five main elements: 1) Learning for life; 2) Innovative society; 3) Trust; 4) Quality of life; 5) Identity, as well as the current state of Slovenia's economy, society and environment. The SDS 2030 has established a number of social, economic and environmental targets; some of which are specifically relevant to the Green Bond Framework:[9]

- Reduction of biochemical oxygen demand in rivers to <1mg 0_2/l compared to the 2015 baseline value of 1.05mg 0_2/l;
- Reduction of the ecological footprint to 3.8 gha/person compared to the 2013 baseline of 4.7;
- Increasing the share of renewable energy production in Gross Final Energy Consumption to 27% compared to the 2015 baseline of 22%
- Reduction of overall GHG emissions by 15% by 2030 compared to 2005.[10]

Activities funded by this bond that will contribute to these goals include investments in sustainable water and wastewater management; the development of renewable energy technologies, their efficient integration and supporting projects for energy efficiency measures; investments in clean and sustainable transportation. While the SDS 2030 does not specifically outline targets for air quality, environmental conservation or climate change adaptation, Sustainalytics highlights the overall positive contribution of these activities. Beyond the SDS 2030 strategy, the activities funded by this bond will be guided by a number of National Environmental Policies, which are outlined in section 2.2 of the Framework. These policies, which are described more in depth in section 3 of this SPO have the following overarching aims:

- Achieving good groundwater and groundwater status, to prevent further deterioration of the status of aquatic ecosystems, to promote sustainable water use and to provide greater protection and improvement of the aquatic environment;
- Ensuring a favourable conservation status for Europe's protected plant and animal species, as well as habitat types;
- Transitioning to a low-carbon, resource efficient and socially inclusive economy;
- Attainment of GHG reduction levels in accordance with the Paris Agreement;
- Improvement of waste management, from avoiding waste creation and prevention of pollution to increasing recycling levels and working towards a circular economy.

Based on the above, Sustainalytics is of the opinion that the Slovenian Sovereign Green Bond Framework will contribute to the country's national environmental policies, climate targets and SDS 2030.[9]

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

Sustainalytics recognizes the positive impact that the activities funded through this framework will have for Slovenia, but also acknowledges that environmental and social risks must be adequately mitigated to prevent unintended negative impacts during implementation. The broad eligibility criteria outlined by the framework entail potential risks related to land-use change, worker health and safety and stakeholder engagement. In 1993, the Slovenian Government established an environmental policy for the country[11] 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,[12] 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.[13]

[10] Spasic, V. (2019), "How is Balkan region progressing on energy and climate plans?", Balkan Green Energy News, at: https://balkangreenenergynews.com/how-is-balkan-region-progressing-on-energy-and-climate-plans/.
[11] European Parliament, "Environment Policy in Slovenia" , (1993), at: http://www.europarl.europa.eu/workingpapers/envi/pdf/brief6en_en.pdf
[12] Republic of Slovenia, "Environmental Protection Act", (2004), at: http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO1545#
[13] European Parliament, "Directive 2011/92/EU", (2011), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32011L0092

Worker health and safety laws are developed within the Ministry of Labour, Family, Social Affairs and Equal Opportunities and the Ministry of Health.[14] 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. [15] 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.

Additionally, 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.

Section 3: Impact of Use of Proceeds

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.[16] Slovenia also pledged to reach a share of 10% of renewables in the transportation sector by 2020,[17] and of at least two thirds of renewable energy use in buildings by 2030.[18] The Slovenian government has committed to reducing the GHG emissions in buildings by at least 70% by 2030 compared to 2005.[19] Additionally, the Slovenian government also strives to lower the energy end-use in buildings by 30% by 2030 (2005 baseline).[20] In order to achieve these goals, Slovenia has developed and adopted several climate-related policies and programmes (the Energy Act, Resolution on the National Environmental Action Programme, Operational Programme of Measures to reduce Greenhouse Gas Emissions by 2020[21] and Framework Programme for the transition to a Green Economy[22]) which will support the country's economic sectors (such as energy, transportation and residential) lower their emissions through creating a new national energy framework, balancing the energy market, supporting renewable energy growth, investing in green buildings and financing sustainable mobility.

In 2015, energy use accounted for around 80% of total GHG emissions in Slovenia, with transport, heat and electricity production and residential buildings generating the vast majority of emissions,[23] indicating the importance of decarbonising these sectors. Moreover, in the same year, the state's emissions were 13.4% below the target value for that year.[24] In 2017, Slovenia's renewables share was around 22% of the estimated

[14] European Agency for Safety and Health at Work, "Slovenia", (2019), at: https://osha.europa.eu/en/about-eu-osha/national-focal-points/slovenia
[15] Worker Participation, "Slovenia – Health and Safety Representation", (2018), at: https://www.worker-participation.eu/National-Industrial-Relations/Countries/Slovenia/Health-and-Safety
[16] Government of Slovenia, "Slovenian Development Strategy 2030", at: http://www.vlada.si/fileadmin/dokumenti/si/projekti/2017/srs2030/en/Slovenia_2030.pdf.
[17] Eurostat, "Share of transport fuel from renewable energy sources", (2018), at: https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180312-1.
[18] Government of Slovenia, "Integrated National Energy and Climate Plan for Slovenia", (2018), at: https://ec.europa.eu/energy/sites/ener/files/documents/ec_courtesy_translation_si_necp.pdf.
[19] Government of Slovenia, "Integrated National Energy and Climate Plan for Slovenia", (2018), at: https://ec.europa.eu/energy/sites/ener/files/documents/ec_courtesy_translation_si_necp.pdf.
[20] Government of Slovenia, "Integrated National Energy and Climate Plan for Slovenia", (2018), at: https://ec.europa.eu/energy/sites/ener/files/documents/ec_courtesy_translation_si_necp.pdf.
[21] 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.
[22] 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.
[23] Government of Slovenia, Ministry of Environment and Spatial Planning, "Energy-related greenhouse gas emissions", at: http://kazalci.arso.gov.si/en/content/energy-related-greenhouse-gas-emissions-4.
[24] Government of Slovenia, Ministry of Environment and Spatial Planning, "Energy-related greenhouse gas emissions", at: http://kazalci.arso.gov.si/en/content/energy-related-greenhouse-gas-emissions-4.

gross energy consumption, with most of the country's energy needs being fulfilled though fossil fuels and nuclear power.[25]

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, while North-Western and Eastern European countries lowered their abstraction, Southern Europe increased it by more than 15%.[26] In 2016, the government of Slovenia adopted the Water Management Plan for the Danube river basin for the period 2016-2021[27] and Water Management Plan for the Adriatic Sea waters for the period 2016-2021, which aim at promoting sustainable water use, providing an overview of bodies of surface water and groundwater, and monitoring the state of usage and pollution of these water bodies. Moreover, 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.[28] In 2016, the vast majority of wastewater (90.5%) was only heat-polluted, while 3.3% of the total wastewater was treated using a wide variety of techniques (mechanical, chemical and biological) before discharge, and the remaining 6.2% was left untreated before discharge.[29] 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.[30]

Given the context, Sustainalytics positively views Slovenia's investments in clean water and wastewater treatment projects, which will support continued to improvement of the country's use of its water resources.

Climate Change Adaptation in the context of Slovenia

In addition to projects that strive to mitigate the impacts of climate change, Slovenia's Green Bond Framework states that projects that strengthen climate resilience shall also be eligible. In the last decade, Slovenia has suffered several large-scale floods, as, for example, it is estimated that floods in the Savinja river basin have caused damage amounting to around a fifth of the country's national income.[31] Moreover, vulnerability to floods is expected to increase in the future due to a combination of climate change, the settlement of border flood regions and changes in the outflow properties of watercourses.[32] In order to mitigate the negative impact of floods, Slovenia has established a Flood Risk Management Plan, which set up appropriate goals and flood prevention, protection and preparedness solutions.[33] Furthermore, through the Water Management Plan for the Danube river basin for the period 2016-2021 and Water Management Plan for the Adriatic Sea waters for the period 2016-2021, which are part of the Slovenian Flood Risk Management Plan, the government clearly identifies the areas under risk of flooding and proposes mitigation measures in accordance with the EU Floods Directive.[34] Additionally, in 2018, Slovenia managed to find financing sources of around 75% out of the total amount (EUR 540 million) required for the period 2017-2021.[35]

Considering the context, Sustainalytics believes that Slovenia's financing of climate change adaptation projects, such as flood prevention measures, will have a positive impact in the country, mitigating and preventing the potential damage caused by floods.

Living natural resources management and Biodiversity Conservation in Slovenia

[25] Global Legal Insights, "Energy 2019 Slovenia", (2019), at: https://www.globallegalinsights.com/practice-areas/energy-laws-and-regulations/slovenia.
[26] Water scarcity; https://www.eea.europa.eu/themes/water/featured-articles/water-scarcity.
[27] 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.
[28] Signal of change. Slovenia becomes first EU nation to enshrine human right to water in their constitution; https://thefuturescentre.org/signals-of-change/9475/slovenia-becomes-first-eu-nation-enshrine-human-right-water-their.
[29] Exploitation of water in industry, Slovenia, 2016; https://www.stat.si/StatWeb/en/news/Index/6859.
[30] Water statistics; https://ec.europa.eu/eurostat/statistics-explained/index.php/Water_statistics.
[31] ClimateChangePost, "Slovenia", at: https://www.climatechangepost.com/slovenia/river-floods/.
[32] ClimateChangePost, "Slovenia", at: https://www.climatechangepost.com/slovenia/river-floods/.
[33] European Court of Auditors, "Floods Directive: progress in assessing risks, while planning and implementation need to improve", (2018), at: https://www.eca.europa.eu/Lists/ECADocuments/SR18_25/SR_FLOODS_EN.pdf.
[34] 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.
[35] European Court of Auditors, "Floods Directive: progress in assessing risks, while planning and implementation need to improve", (2018), at: https://www.eca.europa.eu/Lists/ECADocuments/SR18_25/SR_FLOODS_EN.pdf.

In 2015, agriculture accounted for 10% of the EU's total GHG emissions, declining by 20% since 1990.[36] As more than 90% of Slovenia's land cover is made of agricultural land and forests,[37] agriculture represents an important aspect of the country's environmental planning. Through its Green Bond Framework, the government of Slovenia intends to utilize a part of the proceeds in order to finance organic farming across the country. The UN Food and Agriculture Organization (FAO) acknowledges the beneficial environmental contribution of organic farming to the increase in soil carbon sequestration due to the replacement of synthetic fertilizers with biomass management.[38] In order to promote and support green farming, Slovenia had put in place policies and programmes, such as the Transition to a Green Economy in Slovenia[39] and the National Action Plan for Organic Agriculture, and had collaborated with the EU to co-finance organic promotion campaigns.[40] In 2016, Slovenia had a dedicated area for organic production of around 8.69% of its total agricultural land, placing itself within the top ten EU countries.[41] Given the context, Sustainalytics favourably views Slovenia's investments in projects designed to lower agricultural environmental impacts, such as eco farming, which would continue the country's transition towards organic agriculture and protection of the environment.

Additionally, Slovenia also intends to allocate a portion of the use of proceeds to invest into projects that preserve biodiversity and enhance environmental protection, such as the EU's LIFE projects, in accordance with its 2015 Management Programme of Natura 2000 for the period 2015-2020, which is in line with the EU 2009/147/EC ("Birds Directive") and 92/43/EEC ("The Habitats Directive").[42] The LIFE programme is part of the EU's funding instrument for the environment (air quality, nature and water) and climate action (reduction of GHG emissions and climate change adaptation), which supports projects in member states with funding.[43] In Slovenia, integrated projects will support the conservation of nature, promoting the effective implementation of biodiversity policies and improving the management of EU Natura 2000 network of protected areas,[44] which encompasses around 37.16% of the country (the highest rate in the EU).[45] Sustainalytics is of the opinion that Slovenia's investments into biodiversity conservation initiatives, such as the EU LIFE projects, will have a positive impact on the country's environment, enhancing its protection.

Alignment with/contribution to SDGs
The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable 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.
Air Quality	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Nature and Biodiversity	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

[36] Eurostat, "Agri-environmental indicator - greenhouse gas emissions", (2017), at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Agri-environmental_indicator_-_greenhouse_gas_emissions.
[37] European Commission, "Land cover and land use", (2018), at: https://ec.europa.eu/agriculture/sites/agriculture/files/statistics/facts-figures/land-cover-use.pdf.
[38] UN FAO, "Organic Agriculture and Climate Change Mitigation", (2011), at: http://www.fao.org/fileadmin/templates/organicag/pdf/11_12_2_RTOACC_23_webfiles.pdf.
[39] 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.
[40] IFOAM EU, "Slovenia", at: https://www.ifoam-eu.org/en/slovenia.
[41] Forum for the Future of Agriculture, "Slovenia – The structure of agriculture", (2016), at: http://www.forumforagriculture.com/news_feature/slovenia/.
[42] Government of Slovenia, "Natura 2000 Management Programme (2015-2020)", (2015), at: http://www.natura2000.si/fileadmin/user_upload/C5_ProgrammeNatura2020.pdf.
[43] European Commission, "EU invests € 116.1 million to improve the quality of life of Europeans", (2019), at: http://europa.eu/rapid/press-release_IP-19-1128_en.htm.
[44] European Commission, "EU invests € 116.1 million to improve the quality of life of Europeans", (2019), at: http://europa.eu/rapid/press-release_IP-19-1128_en.htm.
[45] Natura 2000 Slovenia, "Natura 2000 in Slovenia", at: http://www.natura2000.si/en/about-natura-2000/natura-2000-in-slovenia/.

Environmentally Sustainable Management of Living Natural Resources and Land Use	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.
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Sustainable Transportation	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.
Renewable Energy Energy Efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.

Conclusion

The Slovenian Sovereign Green Bond Framework will advance the national and European sustainability agenda through sustainable water and wastewater management, air quality, nature and biodiversity, environmentally sustainable management of living and natural resources and land use, climate change adaptation, clean transportation, renewable energy and energy efficiency. Sustainalytics notes Slovenia's reliance on credible third-party standards for forest management and biomass sourcing and highlights the Framework's alignment with EU-wide initiatives aimed at conserving the habitat of at risk species. Slovenia has outlined a process for project evaluation and selection, management of proceeds and reporting commitments that are aligned with market practice. Based on the above, Sustainalytics is of the opinion that Slovenia is well-positioned to issue green bonds and that the Slovenian Sovereign Green Bond Framework is credible, impactful and aligned with the Green Bond Principles 2018.

Appendices

Appendix 1: Sustainalytics' Assessment of the LIFE Programme

The LIFE Programme is a EU-sponsored scheme to fund environment and climate action projects within its member states. Originally founded in 1992, the current phase of the programme was re-authorized for the period 2014-2020 by Regulation (EU) No 1293/2013,[46] and intends to disburse EUR 3.4 billion over that period. The LIFE programme has divided eligible activities into sub-programmes, priority areas, and thematic priorities, allowing funding of the following streams of projects:

Environment	
Environment and Resource Efficiency	Water
	Waste
	Resource Efficiency
	Environment and Health
	Air quality and Emissions
Nature and Biodiversity	Nature
	Biodiversity
Environmental Governance and Information	
Climate Action	
Climate Change Mitigation	
Climate Change Adaptation	
Climate Governance and Information	

The Slovenian Sovereign Green Bond Framework has referenced the LIFE programme as a criterion for defining eligible expenditures in various thematic areas. Sustainalytics has assessed the LIFE programme's regulatory definitions and other supporting documentation, in the context of which it is referenced by the Framework, and is of the opinion that projects qualifying for LIFE funding in the thematic priority areas of water, nature, and biodiversity will deliver positive environmental impacts and should be considered credible for inclusion in a green bond. This assessment is based on the following:

Water
Eligible water projects should advance either the Water Framework Directive,[47] Floods Directive,[48] or the Marine Strategy Framework Directive,[49] or to other activities to ensure safe and efficient use of water resources, improving quantitative water management, preserving a high level of water quality and avoiding misuse and deterioration of water resources. These activities are considered to be in line with green bond market norms, and Sustainalytics notes in particular that the Water Framework Directive mandates appropriate consideration of mitigating adverse impacts.

Nature
Eligible nature projects should either improve the conservation status of species of concern or advance the goals of Natura 2000. For further assessment of Natura 2000, refer to Appendix 2. Considering that LIFE's evaluation scheme includes ensuring appropriate risk mitigation has been conducted, Sustainalytics views positively these undertakings, and considers them in line with green bond market norms. Sustainalytics also notes that LIFE funding could be granted to initiatives that support "integrated approaches for the implementation of prioritised action frameworks" under Directives 92/43/EEC[50] and 2009/147/EC;[51] Sustainalytics cannot without further assessing the specific plans, however, does not consider this to detract from the overall positive impact of nature programmes funded by LIFE.

Biodiversity
Eligible biodiversity projects will advance targets 2,3,4 or 5 of the EU's Biodiversity Strategy to 2020.[52] These activities may occur over a range of sectors, including forestry, agriculture, and fisheries. Sustainalytics views

[46] European Commission, "Regulation (EU) No 1293/2013", (2013), at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32013R1293.
[47] European Commission, "The EU Water Framework Directive - integrated river basin management for Europe", (2016), at: http://ec.europa.eu/environment/water/water-framework/index_en.html.
[48] European Commission, "The EU Floods Directive", (2016), at: http://ec.europa.eu/environment/water/flood_risk/index.htm.
[49] European Commission, "Our Seas, Seas and Coasts", (2019), at: http://ec.europa.eu/environment/marine/eu-coast-and-marine-policy/marine-strategy-framework-directive/index_en.htm.
[50] European Commission, "Council Directive 92/43/EEC", (1992), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A31992L0043.
[51] European Commission, "Directive 2009/147/EC ", (2009), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0147.
[52] European Commission, "The EU Biodiversity Strategy to 2020", (2011), at: http://ec.europa.eu/environment/nature/info/pubs/docs/brochures/2020%20Biod%20brochure%20final%20lowres.pdf.

positively the objectives espoused by this Strategy, and is of the opinion that projects in this area will seek to achieve positive environmental outcomes. Considering that LIFE's evaluation scheme includes ensuring appropriate risk mitigation has been conducted, Sustainalytics views positively these undertakings.

Appendix 2: Sustainalytics' Assessment of Natura 2000

The Natura 2000 Programme[53] created one of the largest networks of nature conservation areas in the world and is based in the European Union. The network, which covers both terrestrial and marine areas, consists of Special Areas of Conservation and Special Protection Areas, as designated by the EU's Habitats Directive[54] and Birds Directive.[55] The Programme, which is aimed at maintenance and restoration of sensitives habitats and endangered or at-risk species within the EU, is implemented independently by each of the EU Member States. The network is meant to prioritize the protection of biodiversity, not only for the species that have been identified as endangered under the Birds and Habitats Directives, but also for other non-identified threatened species and non-threatened species of flora and fauna.

Within Slovenia, a country that was required to adhere to the Natura Programme as a pre-requisite for entering the European Union, detailed conservation objectives have been established throug the Slovenian Natura 2000 Management Programme[56] for each species and habitat type. The conservation objectives outlined in the country's management programme are defined on a site-by-site basis in relation to forestry, hunting, fishing, agri-environment, water management and nature conservation activities. The conservation objectives aim to achieve a "favourable status" and are based on reference values that determine the key requirements which must be met for any particular species or habitat type. The objectives define the population size, habitat type/size, and for each species of habitat type, specific habitat structures and the use of habitats required to maintain a favourable status of the identified species or habitat type. In order to obtain favourable status, conservation measures are developed; conservation measures are a method to attain conservation objectives. The Slovenian Natura 2000 Management Programme outlines conservation measures for the specific types of activities that will be carried out in order to achieve the conservation objectives, these measures encompass nature protection measures; measures of modified use of natural resources; measures of modified agricultural practice; water management measure; cultural heritage protection; and spatial planning mechanisms. The measures outline management practices for the respective activities that are being carried out in Natura 2000 sites in order to minimize adverse impacts and promote the preservation and conservation of habitats and species.

Depending on where they are being carried out and what the specific purpose is, conservation measures are implemented by the public sectors and/or individuals, such as landowners (i.e. the private sector). Sustainalytics notes that the Natura 2000 Programme is an important component for promoting the conservation of biodiversity in the EU and that Slovenia has developed an appropriate framework with detailed conservation objectives and represents an integrated approach to the implementation of conservation measures required for Natura 2000 sites.

Appendix 3: Sustainalytics' Assessment of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

i. Type of organization: Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets

[53] European Commission, "Natura 2000", (2019), at: http://ec.europa.eu/environment/nature/natura2000/index_en.htm.
[54] European Commission, "The Habitats Directive", (2019), at: http://ec.europa.eu/environment/nature/legislation/habitatsdirective/index_en.htm.
[55] European Commission, "The Birds Directive", (2019), at: http://ec.europa.eu/environment/nature/legislation/birdsdirective/index_en.htm.
[56] Republic of Slovenia, "Natura 2000. Management Programme (2015-2020)", at: http://www.natura2000.si/fileadmin/user_upload/C5_ProgrammeNatura2020.pdf.

sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.

ii. Indigenous People's Rights: FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.

iii. Sourcing wood from non-certified sources: Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Appendix 4: Sustainalytics' Assessment of the EU Organic Certification

	EU Organic
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	
Accreditation	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.

Appendix 5: Sustainalytics' Assessment of Slovenia's Agri-Environment Climate Payments

Sustainalytics notes that Slovenia's Agri-environment-climate payments are aimed at encouraging farmers to apply measures to (i) preserve biodiversity and landscapes, (ii) ensure appropriate water and soil management and (iii) mitigate and adapt their farming practices to climate change. The payment scheme is part of the country's Rural Development Programme 2014-2020.[57] Beneficiaries will receive payments amounting to 60%-100% of additional costs or income lost as a result of undertaking the eligible activities. All programme beneficiaries must meet the following general requirements:

- undergo a training programme relating to agri-environment-climate contents of at least four hours annually;
- use advisory services at least once during the first three years of the commitment, in the framework of which the beneficiary is advised on the conditions, requirements and correct implementation of the assumed agri-environment-climate commitments;
- keep a record of all work tasks which are implemented as part of the M10 measure for the entire duration of the commitment;
- take into account the ban on the use of sludge from wastewater treatment plants.

In addition to the above requirements, the regulation covers 19 types of agricultural operations for which payments can apply, 11 of which include both mandatory activities for which payments are eligible and optional activities for which payments can be made. For the remaining eight operations, farmers can receive payments for engaging in defined activities, but mandatory activities are not prescribed. Sustainalytics notes that beneficiaries are not prevented from using pesticides and insecticides but notes that farmers can receive payments for optional activities related to reducing their reliance on these substances. Despite, this Sustainalytics believes that, overall, the payments encourage practices that facilitate more sustainable agricultural practices and has the potential to result in impactful outcomes. Sustainalytics also notes that livestock rearing in areas where large carnivores are present is included as a type of operation for which eligible activities are prescribed. However, Sustainalytics notes that such livestock rearing refers to grazing animals and is not related to the intensive factory farming of livestock. Furthermore, the Republic of Slovenia has confirmed to Sustainalytics that, on average, farms with livestock that receive payments have 10 animals, with the biggest farm containing approximately 1,200 heads of livestock.

Appendix 6: Sustainalytics' Assessment of Slovenia's Payments to Areas Facing Natural or Other Specific Constraints

Sustainalytics notes that Slovenia's payments to areas facing natural or other specific constraints is aimed at preserving and further cultivating agricultural land in areas that do not have the means to sustain productivity. The payment scheme is part of the country's Rural Development Programme 2014-2020.[58] Slovenia has determined three types of areas that may be eligible for compensatory payments: 1) mountainous areas; 2) areas which are not mountainous and have important natural constraints; 3) areas with specific constraints. Abandoning of certain agricultural areas, such as the mountainous regions targeted by these payments, can lead to overgrowth and loss of biodiversity, a point that has been substantiated through academic research.[59] Three criteria were taken into account in the procedure of calculating the compensatory payment which have an impact on the amount of payment:

- Differentiation in terms of the level of the established permanent constraint which is stated in the procedure of scoring agricultural holdings in ANC. A higher number of points is foreseen for farms in harsh, unfavourable natural conditions, and this influences the higher compensatory payment;
- Differentiation regarding agricultural systems that is taken into account in ranking agricultural holdings in ANC and observes different applications of agricultural land. Thus, four different groups of use of agricultural land are ranked separately: fields, permanent grassland, vineyards and other permanent plantations;

[57] Republic of Slovenia, "Rural Development Programme 2014-2020", (2015), at: https://www.program-podezelja.si/en/rural-development-programme-2014-2020
[58] Republic of Slovenia, "Rural Development Programme 2014-2020", (2015), at: https://www.program-podezelja.si/en/rural-development-programme-2014-2020
[59] MacDonald, D. et al., "Agricultural abandonment in mountain areas of Europe: Environmental consequences and policy response", (2000), at: https://www.sciencedirect.com/science/article/pii/S0301479799903353

- Differentiation of payments in terms of the economy of scope, where the full payment is foreseen for the first 70 ha of agricultural land per agricultural holding, while the payment is gradually decreased for other areas and reaches 40% payment in areas larger than 100 ha.

For each potentially eligible area, different eligibility criteria have been developed that address the specific requirements. Some general eligibility requirements include a commitment to continued agricultural production, a farm must be at least 1 hectare, and the farmer must be actively registered under Article 9 of Regulation EU No. 1307/2013.[60] Sustainalytics notes that, generally speaking, important environmental benefits can be obtained from subsidizing agriculture in areas that suffer from natural constraints and Slovenia has developed a robust and effective policy for administering financing to farmers within this context. In order to demonstrate the positive environmental benefits of these types of activities and subsidies, Sustainalytics encourages Slovenia to monitor and report on the outcomes of this program, which would further substantiate the relevance and importance of these types of financing activities.

Appendix 7: The Republic of Slovenia' s Examples of Key Potential Key Impact Indicators

Categories	Examples of Potential Impact Indicators
Sustainable Water and Wastewater Management	Additional population served by improved wastewater treatment Number of waterbodies with improved status due to implemented rehabilitations of watercourses through re-naturalisation actions
Air quality	PM2.5 average exposure PM2.5 exceedance PM10 exceedance
Nature and biodiversity	Habitat types in a favourable or inadequate conservation status (according to Habitats EU Directive) Species in a favourable or inadequate conservation status (according to Birds EU Directive) Surface area of habitats supported in order to attain a better conservation status Surface of nature protection areas arranged for public access High-quality interpretation of biodiversity conservation and cultural heritage protection
Environmentally sustainable management of living natural resources and land use	Reconstruction, conservation and improvement of ecosystems related to agriculture and forestry Renewal, conservation and improvement of biodiversity

[60] European Commission, "Regulation (EU) No 1307/2013", (2013), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32013R1307

Climate change adaptation	Risk prevention and management: Population benefiting from flood protection measures Number of buildings at risk of flooding
Sustainable transport	Rail freight transport (kilometre in million) Rail passengers transport (Number of passengers in million) Number of new park and ride facilities in urban areas Number of sustainable mobility measures Number of public electric vehicle charging stations with remote control of the charging process Number of private electric vehicle charging stations with remote control of the charging process Share of passenger kilometres in bus transport in relation to overall land transport CO2 emissions due to road usage by cars
Renewable energy	Share of renewable energy sources (RES) in gross final energy consumption by heating sector Number of additional energy users connected to smart grids (final consumers, RES producers) Renewables: Additional capacity of renewable energy production Share of RES in gross final energy consumption by electricity sector
Energy efficiency	Net floor area of the comprehensive energy renovated buildings owned and occupied by the public sector (m2) Net floor area of the comprehensive energy renovated buildings owned and occupied by the central government (m2) Reduction of GHG emissions in public buildings (tons of CO2 equivalent) Decrease of annual primary energy consumption of public buildings (kWh/year)

Appendix 8: Green Bond / Green Bond Programme - External Review Form
Section 1. Basic Information

Issuer name:	The Republic of Slovenia
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable*: [specify as appropriate]*	Slovenian Sovereign Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	24/6/19
Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*	

Section 2. Review overview

SCOPE OF REVIEW

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

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

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

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 categories for the use of proceeds are aligned with those recognized as impactful by the Green Bond Principles. Sustainalytics considers that projects aimed at waste and water management, air quality control, environmental conservation, climate change adaptation, sustainable transportation, renewable energy and energy efficiency will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Republic of Slovenia's internal process for evaluating and selecting projects is aligned with market practice. In consultation with the government, projects will be evaluated and selected by the Green Bonds Working Group, which is composed of representatives from various Ministries, including Finance, Environment, Spatial Planning, Infrastructure and Agriculture, Forestry and Food.

Evaluation and selection

☒ Credentials on the issuer's environmental sustainability objectives

☒ Defined and transparent criteria for projects eligible for Green Bond proceeds

☒ Summary criteria for project evaluation and selection publicly available

☒ Documented process to determine that projects fit within defined categories

☒ Documented process to identify and manage potential ESG risks associated with the project

☐ Other *(please specify):*

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☐ In-house assessment

☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The Republic of Slovenia's processes for management of proceeds is overseen by the Ministry of Finance. The Ministry will strive to ensure that the expenditures on green projects will match the net proceeds of green bonds and will hold unallocated proceeds in its State Budget Account. Unallocated proceeds will be managed according to Slovenia's prudential liquidity policies.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☐ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

The Republic of Slovenia intends to report allocation of proceeds in an Annual Allocation Report, until full allocation. In addition, the Republic of Slovenia is committed to reporting on relevant impact metrics on a biennial basis. These reports will be made available to investors on the Ministry of Finance's website. Sustainalytics views the Republic of Slovenia's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other *(please specify):*

Amount allocated per eligible category

Information reported:

☒ Allocated amounts
☐ Green Bond financed share of total investment
☐ Other *(please specify):*

- Remaining unallocated total amount
- The amount of financing vs. refinancing, where possible, on a best effort basis

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Impact reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other (please specify):

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☒ Energy Savings
☐ Decrease in water use
☒ Other ESG indicators (please specify):

Categories	Examples of Potential Impact Indicators

Sustainable Water and Wastewater Management	Additional population served by improved wastewater treatment Number of waterbodies with improved status due to implemented rehabilitations of watercourses through re-naturalisation actions
Air quality	PM2.5 average exposure PM2.5 exceedance PM10 exceedance
Nature and biodiversity	Habitat types in a favourable or inadequate conservation status (according to Habitats EU Directive) Species in a favourable or inadequate conservation status (according to Birds EU Directive) Surface area of habitats supported in order to attain a better conservation status Surface of nature protection areas arranged for public access High-quality interpretation of biodiversity conservation and cultural heritage protection
Environmentally sustainable management of living natural resources and land use	Reconstruction, conservation and improvement of ecosystems related to agriculture and forestry Renewal, conservation and improvement of biodiversity
Climate change adaptation	Risk prevention and management: Population benefiting from flood protection measures Number of buildings at risk of flooding
Sustainable transport	Rail freight transport (kilometre in million) Rail passengers transport (Number of passengers in million) Number of new park and ride facilities in urban areas Number of sustainable mobility measures Number of public electric vehicle charging stations with remote control of the charging process Number of private electric vehicle charging stations with remote control of the charging process Share of passenger kilometres in bus transport in relation to overall land transport CO2 emissions due to road usage by cars
Renewable energy	Share of renewable energy sources (RES) in gross final energy consumption by heating sector Number of additional energy users connected to smart grids (final consumers, RES producers) Renewables: Additional capacity of renewable energy production Share of RES in gross final energy consumption by electricity sector
Energy efficiency	Annual energy savings in households /public buildings GHG reduction: Estimated annual decrease of GHG from electricity and heating Decrease of annual primary energy consumption of public buildings kWh/year Number of implemented energy renovation demonstration projects for different categories of public buildings

Means of Disclosure

☐ Information published in financial report
☐ Information published in sustainability report
☒ Information published in ad hoc documents
☐ Other (please specify): Annual Allocation Report & Eligible Green Project Impact Report
☐ 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.)

http://www.vlada.si/fileadmin/dokumenti/si/projekti/2017/srs2030/en/Slovenia_2030.pdf

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 environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green 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 Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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