

Republic of Slovenia

Type of Engagement: Social Bond Pre-Issuance Review

Date: August 16, 2024

Engagement Leader: Siina Matihaldi, siina.matihaldi@morningstar.com

Introduction

The Republic of Slovenia (“Slovenia” or the “Issuer”) developed the Slovenian Sovereign Sustainability Bond Framework (the “Framework”)¹ aimed at financing and refinancing projects that support Slovenia’s transition to a low-carbon economy and promote socioeconomic development. Sustainalytics provided a Second-Party Opinion on the Framework in June 2021.² In January 2023, the Issuer updated the Framework (the 2023 Framework), for which Sustainalytics also provided a Second-Party Opinion.^{3,4}

Under the 2023 Framework, Slovenia intends to issue a social bond (the “2024 Social Bond”) and finance or refinance projects that, among others goals, aim at supporting the social inclusion of persons who: i) seek international protection in Slovenia; ii) have obtained an international protection status; or iii) have obtained a temporary protection status in Slovenia in accordance with the International Protection Act,⁵ the Aliens Act,⁶ the Act on Temporary Protection of Displaced Persons⁷ and by-laws.

In August 2024, Slovenia engaged Sustainalytics to review the projects funded through the 2024 Social Bond (the “Nominated Projects”) to provide an assessment as to whether these projects comply with the Use of Proceeds, Project Selection and Management of Proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects as to whether:

1. They are aligned with the use of proceeds eligibility criteria in the Framework
2. The commitments to select projects, manage proceeds and report on allocation and impact are aligned with the ones described in the Framework.

Appendix 2 provides a summary of the Nominated Projects.

Issuing Entity’s Responsibility

Slovenia is responsible for providing accurate information and documentation relating to the Nominated Projects, including a description of the projects. This information was provided to Sustainalytics to support its review. Slovenia is also responsible for confirming to Sustainalytics that the processes for project selection and management of proceeds will remain aligned with the commitments in the Framework.

Independence and Quality Control

¹ Government of Slovenia, “Slovenian Sovereign Sustainability Bond Framework 2021”, at:

<https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Dolg-RS/Slovenian-Sovereign-Sustainability-Bond-Framework.pdf>

² Sustainalytics, “Second-Party Opinion, Slovenian Sovereign Sustainability Bond Framework”, (2021), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/slovenian-sovereign-sustainability-bond-framework-second-party-opinion/slovenian-sovereign-sustainability-bond-framework-second-party-opinion>

³ Government of Slovenia, “Slovenian Sovereign Sustainability Bond Framework 2023”, at:

<https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Trajnostna-obveznica-ang/Slovenian-Sovereign-Sustainability-Bond-Framework-January-2023.pdf>

⁴ Sustainalytics, “Second-Party Opinion, Slovenian Sovereign Sustainability Bond Framework”, (2023), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/slovenian-sovereign-sustainability-bond-framework-second-party-opinion-\(2023\)/slovenian-sovereign-sustainability-bond-framework-second-party-opinion-\(2023\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/slovenian-sovereign-sustainability-bond-framework-second-party-opinion-(2023)/slovenian-sovereign-sustainability-bond-framework-second-party-opinion-(2023))

⁵ European Database of Asylum Law, “EN – Slovenian International Protection Act”, at: <https://www.asylumlawdatabase.eu/en/content/en-slovenian-international-protection-act>

⁶ OSCE-ODIHR, Legislationline, “Aliens Act of the Republic of Slovenia (1999, as amended 2002) (English)”, at:

<https://legislationline.org/taxonomy/term/12215>

⁷ Government of Slovenia, “Temporary Protection of Displaced Persons Act”, at: <https://uradni-list.si/glasilo-uradni-list-rs/vsebina/2022-01-0648/sklep-o-uvodbi-zacasne-zascite-za-razseljene-osebe-iz-ukrajine>

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the sustainability. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from representatives of Slovenia that the use of proceeds, processes for project selection and management of proceeds for the sustainability will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by Slovenia with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Slovenia.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment.

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects are not aligned with the Framework.

⁸ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects and assets, including description, estimated and realized costs, and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Slovenia’s Use of Proceeds Eligibility Criteria

Table 1: Eligibility Criteria as per the Framework

Use of Proceeds Category	Eligibility Criteria	Target population
Access to Essential Services – Social Inclusion	Provide access to essential services to vulnerable populations ⁹ by: <ul style="list-style-type: none"> a) Providing access to essential infrastructure and services to vulnerable population b) Providing financial assistance to vulnerable population 	Vulnerable population groups including but not limited to: <ul style="list-style-type: none"> a) young people b) elderly people c) people with disabilities d) low-income population e) marginalised ethnic groups f) people at higher risk of social exclusion g) migrants and/or displaced persons

⁹ Slovenia has confirmed to Sustainalytics that vulnerable populations include: low-income groups; youth (up to 29 years); elderly (up to 50 years); people with disabilities; marginalized ethnic groups (Italian, Hungarian and Roma); population at a higher risk of social exclusion, including: i) low-income groups dependent on social benefits (e.g. unemployed, single-parent families, elderly single people, older single women, homeless); ii) people with severe disabilities or unemployed; iii) Roma people facing unemployment, low level of education or in poor housing conditions; iv) migrants, refugees and asylum seekers (language ignorance barriers, employment, housing conditions); v) other vulnerable groups, such as victims of violence, addicts, children and adolescents facing hardship, people with mental health problems.

Appendix 2: Summary of the Nominated Projects

Table 2: Projected Allocation per project type

Project Type	Use of Proceeds activity	Year-wise estimated allocation (EUR)		Total estimated allocation (EUR)
		2023	2024	
Asylum centre: maintenance costs	Providing access to essential infrastructure and services to vulnerable population	1,492,821.64	503,811.15	1,996,632.79
Food supply		2,426,139.83	1,171,152.41	3,597,292.24
Security, cleaning, clothing, shoes, hygiene, and sanitation materials		1,372,050.11	622,785.15	1,994,835.26
Rental costs: land for the additional capacity of the asylum centre		3,292,373.81	2,207,838.52	5,500,212.33
Financial assistance for the private accommodation	Providing financial assistance to vulnerable population	24,088,491.69	13,991,313.66	38,079,805.35
Pocket money		546,350.30	310,238.38	856,588.68
Costs of the staff working at the orphanage centre transferred from Ukraine	Providing access to essential infrastructure and services to vulnerable population	45,668.18	N/A	45,668.18
Medical costs		3,074,586.78	2,036,741.51	5,111,328.29
Total		36,338,482.34	20,843,880.78	57,182,363.12

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine if they are projects aligned with the use of proceeds eligibility criteria outlined in the Framework.	<p>All projects reviewed (Appendix 2) complied with the use of proceeds eligibility criteria.</p> <p>Sustainalytics notes that some expenditures may take the form of direct financial transfers to individuals, and as such there can be no assurance as to the end use of the proceeds, which represents a distinction from other commonly financed projects in social bonds. Nevertheless, based on the criteria, Sustainalytics recognizes the overall positive social impact of these schemes for the targeted individuals.</p>	None
Project Selection and Management of Proceeds Criteria	Verification of the Nominated Projects to determine if the processes for project selection and management of proceeds were consistent with the Framework.	Slovenia has confirmed to Sustainalytics that the processes for project selection and management of proceeds for the sustainability bonds are consistent with the commitments described in the Framework.	None

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an “expert opinion” or “negative assurance letter” as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.

