

Republic of Slovenia

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Introduction

The Republic of Slovenia (“Slovenia” or the “Issuer”) issued its inaugural EUR 1 billion sustainability bond (the “Sustainability Bond”) in June 2021 under the Slovenian Sovereign Sustainability Bond Framework (the “Framework”).¹ The Sustainability Bond was tapped in February 2022 for an additional amount of EUR 50 million, equating to a total issuance amount of EUR 1.05 billion. Sustainalytics provided a second-party opinion on the Framework in June 2021² and conducted an annual review in June 2022.³ The Sustainability Bond was subsequently tapped for EUR 89.94 million and EUR 100 million in June 2022 and October 2022 respectively, leading to a total issuance amount of approximately EUR 1.239 billion. The sustainability bond is aimed at financing and refinancing projects that support the Issuer’s efforts and ambitions to transition to an environmental and socially sustainable society. The Framework was updated in January 2023 for which Sustainalytics also provided second-party opinion.^{4,5} Slovenia engaged Sustainalytics in June 2023 to review the projects funded by proceeds raised from the issuance of the Sustainability Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework. The assessment covers issuances that occurred before the Framework was updated in 2023 and refers to the Framework dated June 2021.⁶

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded by proceeds from the issuance of the Sustainability Bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds category outlined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Low- Carbon Transport	<ul style="list-style-type: none"> • Public transport • Infrastructure for low carbon transport • Mobility management measures • Measures to promote multimodality 	<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

¹ Slovenian Sovereign Sustainability Bond Framework 2021: <https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Dolg-RS/Slovenian-Sovereign-Sustainability-Bond-Framework.pdf>

² Sustainalytics, Slovenian Sovereign Sustainability Bond Framework Second-Party Opinion (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 Sustainalytics, Republic of Slovenia Annual Review (2022), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/republic-of-slovenia-annual-review-\(2022\)/republic-of-slovenia-annual-review-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/republic-of-slovenia-annual-review-(2022)/republic-of-slovenia-annual-review-(2022))

⁴ Slovenian Sovereign Sustainability Bond Framework 2023: <https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Trajnostna-obveznica-slo/Okvir-Republike-Slovenije-za-trajnostno-obveznico-Januar-2023-dostopno-v-angleskem-jeziku.pdf>

⁵ 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-\(2023\)](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))

⁶ Slovenian Sovereign Sustainability Bond Framework 2021: <https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Dolg-RS/Slovenian-Sovereign-Sustainability-Bond-Framework.pdf>

	<ul style="list-style-type: none"> • Sustainable regional, local and urban mobility • Supporting measures to encourage co-travel - providing system support and increasing the occupancy rate of commuting vehicles by at least 30% • Use of ICT to support sustainable mobility 	<ul style="list-style-type: none"> • Number and type of sustainable mobility measures • Other relevant indicators depending on the considered projects <p>Possible additions/modifications</p> <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
<p>Access to Essential Services - Education</p>	<p>Providing access to essential educational and science infrastructure and services for all by:</p> <ul style="list-style-type: none"> • Strengthening the accessibility of pre-school education programs • Ensuring better educational conditions for socially disadvantaged pupils • Extending the public educational capacities • Improving the quality of the existing • Educational infrastructure and equipment 	<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
<p>Access to Essential Services Healthcare</p>	<p>Provide access to essential healthcare infrastructure and services for all populations by:</p> <ul style="list-style-type: none"> • Extending healthcare capacities • Improving the quality of the existing healthcare facilities and equipment • Shortening waiting times • Preventive and curative action to deal with pandemic and other natural catastrophes • Increasing the number of post-graduate healthcare workers • Improving the quality of healthcare services • Improving the quality of disease prevention services 	<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

	<ul style="list-style-type: none"> • Providing Covid 19 preventive and curative services. 	
Access to Essential Services - Social Inclusion	<p>Provide access to essential services to vulnerable populations by:</p> <ul style="list-style-type: none"> • Providing access to essential infrastructure and services to vulnerable population • Providing financial assistance to vulnerable population 	<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
Employment Generation and Socioeconomic Advancement and Empowerment	<p>Support employment generation and socio-economic advancement and empowerment, including but not limited to:</p> <ul style="list-style-type: none"> • Employment generation and retention initiatives • Extending capacities and improving quality of vocational education • Support to social and solidarity economy • Equitable participation and integration into the market and society • Empowerment and companionship for the affected by COVID 19 • Support to SMEs in the event of extreme events 	<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

Issuer's Responsibility

Slovenia is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Slovenia's Sustainability Bond. The work undertaken as part of this engagement included collection of documentation from Slovenia and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Slovenia. 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Slovenian Sovereign Sustainability Bond Framework dated June 2021. Slovenia has disclosed to Sustainalytics that the proceeds from the Sustainability Bond and subsequent tapped issuances were fully allocated as of October 28, 2022.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Slovenian Sovereign Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Slovenian Sovereign Sustainability Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁷ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their 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.

Appendices

Appendix 1: Allocation and Reported Impact

Slovenia initially raised a total of EUR 1.05 billion through its issuance of a Sustainability Bond and a subsequent tap issue in June 2021 and February 2022. The Issuer fully allocated the net proceeds to eligible expenditures by December 2021. Slovenia published a Sustainability Bond Report in June 2022, which showed that 58% of net proceeds were used to finance new projects, while 42% were used to refinance existing projects.⁸ The allocation of proceeds and impact of projects was reviewed by Sustainalytics in June 2022.⁹ Table 3 below provides a summary of the allocation of net proceeds by category for the investments made until June 2022.

Slovenia raised a total of EUR 189.94 million via two tap issues in July 2022 and October 2022. The Sustainability Bond and three subsequent tap issues had a total value of EUR 1,239,946,000 as of October 2022. Table 4 below provides a summary of the allocation of net proceeds by category for the investments made until October 2022.

Table 3: Summary of allocation of net proceeds for investments made until June 2022

Project Category	Sub-category	Year		Total (€)
		2020 (€)	2021 (€)	
Low carbon transport	Rolling stock	14,001,000	14,001,000	28,002,000
	Railway infrastructure	147,262,791	225,687,967	372,950,758
	Cycling infrastructure	1,849,982	2,747,045	4,597,027
	Measures to promote multimodality	64,226	108,618	172,844
	Total	163,177,999	242,544,630	405,722,629
Access to essential services - Education	Pre-school	18,828,681	24,915,768	43,744,449
	Primary school	22,043,421	24,496,372	46,539,793
	Secondary school	4,532,849	4,564,222	9,097,071
	Construction projects	3,416,637	158,721	3,575,358
	Total	48,821,588	54,135,083	102,956,672
Employment generation and socioeconomic advancement and empowerment	Employment promotion and job training	6,696,095	7,954,192	14,650,287
Access to essential services - Social Inclusion	Social activation	1,591,257	2,033,457	3,624,714
Access to essential	Health institutions construction, renovation, and equipping	10,186,531	35,560,994	45,747,526

⁸ Government of Slovenia, "Slovenian Sustainability Bond Report", (2022), at: https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Trajnostna-obveznica-slo/Slovenian-Sustainability-Bond-Report-June-2022_final.pdf

⁹ Sustainalytics, Republic of Slovenia Annual Review (2022), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/republic-of-slovenia-annual-review-\(2022\)/republic-of-slovenia-annual-review-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/the-republic-of-slovenia/republic-of-slovenia-annual-review-(2022)/republic-of-slovenia-annual-review-(2022))

services - Healthcare	Health care system development	9,583,956	2,549,950	12,133,906
	Health services	23,521,912	5,092,151	28,614,064
	Health professionals training	80,000,000	87,168,965	167,168,965
	Covid 19 related measures	97,281,005	173,124,408	270,405,413
	Total	220,573,405	303,496,469	524,069,874
Net allocation		440,860,344	610,163,831	1,051,024,175

Table 4: Summary of allocation of net proceeds for investments made between July 2022 and October 2022

The last two taps issued by Slovenia in July and October 2022 were used to refinance budget expenditures in 2021 in the Access to Essential Services – Healthcare category.

Access to essential services - Healthcare	Project Category	2021 (€)
	Health care system development	126,075,225
	Covid 19 related measures	63,864,775
	Total	189,940,000

Table 5: Summary of allocation of net proceeds for investments made until October 2022

Table 5 is a summation of the allocation figures for an amount of EUR 1.05 billion raised through Slovenia's issuance of a Sustainability Bond and a subsequent tap issue in June 2021 and February 2022, and an amount of EUR 189.94 million via two tap issues in July 2022 and October 2022.

Project Category	Year		Total (€)
	2020 (€)	2021 (€)	
Low carbon transport	163,177,999	242,544,630	405,722,629
Access to essential services - Education	48,821,588	54,135,083	102,956,672
Employment Generation and Socio-economic Advancement and Empowerment	6,696,095	7,954,192	14,650,287
Access to Essential Services -Social Inclusion	1,591,257	2,033,457	3,624,714
Access to Essential Services - Healthcare	220,573,404	493,436,469	714,009,874
Total	440,860,344	800,103,832	1,240,964,175

Appendix 2: Impact Reporting based on Eligibility Criteria

Table 6: Impact reporting for proceeds invested until June 2022

Project Category	Sub- category	Impact in 2020 and 2021
Low-Carbon Transportation	Rolling stocks	Number of new rolling stocks in 2021: 23
	Railway infrastructure	Passenger kilometers/year: 20,387,075
	Cycling infrastructure	Tonne kilometers/year (in mio): 47,103

		Total Annual GHG reduction (in tCO ₂ e p.a): 16,080¹⁰ Total length of new cycle route (in km): 335 Total length of new railway track (in km): 27
	Measures to promote multimodality	-
Access to Essential Services- Education	Pre-school: subsidies for kindergarten students	16,682 students (18.5% of all students) in kindergarten received subsidies.
	Primary school: co-financing lunch and dinner subsidies for primary school students	Lunch subsidy: 53% of registered pupils (or 52% of enrolled pupils) Dinner subsidy: 29% of registered pupils (or 23% of enrolled pupils).
	Secondary school - co-financing lunch and dinner subsidies for secondary school students	Lunch subsidy: 63% of registered students (or 40% of enrolled students) received a subsidy.
	Construction projects	563 m² of construction projects completed and 13.000 m² in the initial stages of the project in 2020-2021 in 2 educational institutions
Access to essential services - Social Inclusion	Social activation ¹¹	Number of participants in social activation projects (in numbers) in 2021: 1579 Number of participants in social activation projects (in numbers) in 2020: 1384 Number of activities (in numbers) in 2021: 188 Number of activities (in numbers) in 2020: 244
Access to essential services - Healthcare	Health institutions construction, renovation, and equipping	Number of institutions benefitting from the investment (in numbers): 40
	Health care system development	Number of new medical equipment installed (in numbers): 18
	Health services	Expected increase in bed capacity (in numbers): 39
	Health professionals training	Number of healthcare professional trained: 6,059
	Covid 19 related measures	Number of public tenders/campaigns/ activities: 10,189,657

¹⁰ The calculations are made on the assumption that due to the implemented & reported investments there will be in 2030 more railway pkm/a and tkm/a in comparison to 2019.

¹¹ Under Social activation, Slovenian sovereign has funded activities and programmes targeting inclusion of population groups at risk of social exclusion including elderly, unemployed youth, person with disability and ethnic minorities. Under this category, refurbishment of ethnic centres were also funded.

		Number of beneficiaries from different healthcare programmes: 511,823
Employment generation and socioeconomic advancement and empowerment	Employment promotion and job training	<p>No of counsellors in 2020 and 2021 (in numbers): 40</p> <p>Number of people benefiting from the eligible employment generation and retention initiatives in 2020 (in numbers): 9,624</p> <p>Number of people benefiting from the eligible employment generation and retention initiatives in 2021 (in numbers): 29,920</p>

Table 7: Impact reporting for proceeds invested between July 2022 and October 2022

Access to essential services - Healthcare	Health care system development	Number of beneficiaries benefitting from programme: 1
	Covid 19 related measures	Number of beneficiaries benefitting from programme: 3,782,217

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