



SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana

A wide-angle photograph of a rural landscape. A dirt road curves through a green field under a blue sky with wispy clouds. Two trees are visible on the horizon. The foreground shows tall grasses.

GREEN BOND FRAMEWORK

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1.	Introduction.....	3
2.	Use of Proceeds.....	5
3.	Process for Project Evaluation and Selection	6
4.	Management of Proceeds	7
5.	Reporting.....	7
6.	External review	9

1. INTRODUCTION

— BACKGROUND

SID Bank (SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana) is a promotional development and export bank, 100% owned by the Republic of Slovenia. With our banking and insurance services we promote sustainable development and improve the competitiveness of the Slovene economy.

SID Bank was established in 1992 as Slovene Export Corporation (Slovenska izvozna družba, d.d., Ljubljana) with the aim of providing insurance and financing of export for Slovene companies. SID Bank is the parent company of SID Bank Group, which provides its customers with a wide range of services for the promotion of competitiveness in international business cooperation.

As the sole shareholder, the Republic of Slovenia is irrevocably and without limitations responsible for SID Bank's liabilities deriving from the transactions concluded during the pursuit of activities from Articles 11 and 12 of the Slovene export and development bank act (ZSIRB). This arrangement allows SID Bank to borrow in the financial markets without having to obtain a guarantee by the Republic of Slovenia for each borrowing transaction.

The mission of SID Bank is to develop, provide and promote long-term financial services designed to supplement the financial markets for the higher competitiveness of the economy, to create new jobs and to strengthen the sustainable development of Slovenia.

SID Bank develops projects with emphasis on environmental protection, material and energy efficiency. Further objectives include appropriate waste management, appropriate use of natural resources, the promotion of investments in environmental protection infrastructure, the use of renewable energy sources and the efficient use of energy.

In the field of financing through financial intermediaries SID Bank uses the EIB Environmental and Social Principles and Standards¹ and in the field of export-finance insurance SID Bank follows the OECD Environmental and Social Policy². The EIB is an important creditor of SID Bank, which is committed to certain rules regarding the type of project that it can finance, that are applied to the final beneficiaries.

¹ <http://www.eib.org/en/infocentre/publications/all/environmental-and-social-principles-and-standards.htm>

² <http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/ECG%282016%293&doclanguage=en>

— RATIONALE TO ISSUE GREEN BONDS

SID Bank, by law, supports preserving the environment and energy efficiency, with the particular aim to provide funding for supporting actions to protect the environment, ensure proper waste management, proper consumption of natural resources, increasing investments in environment protection infrastructures, encouraging the use of renewable energy sources and encouraging efficient energy use³.

SID Bank has created this Green Bond Framework in accordance with the ICMA Green Bond Principles 2018 to be able to issue Green Bonds to finance and/or refinance⁴ loans granted to projects in the fields of renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, clean transportation, sustainable water and wastewater management, eco-efficient and/or circular economy adapted products, production technologies/processes and green buildings.

The ICMA Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. In alignment with the ICMA Green Bond Principles 2018, the SID Bank Green Bond Framework follows the key components:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**
- 5. External review**

For each Green Bond issued, (i) Use of Proceeds (ii) Project Evaluation and Selection (iii) Management of Proceeds, (iv) Reporting, and (v) External review will be adopted subject to and in accordance with this Green Bond Framework as amended from time to time.

This Framework will apply to any Green Bond issued by SID Bank after its publication.

³ Act Amending the Slovene Export and Development Act (ZSIRB, Article 11f)

⁴ The refinancing of the existing loans is possible for the loans which are not older than three years.

2. USE OF PROCEEDS

The eligible projects⁵ are to be funded in whole or in part by allocation of the Green Bond proceeds. Any financing not classified within this Green Bond Framework will not be financed or refinanced with the issue proceeds from a Green Bond.

SID Bank intends to allocate the net proceeds of the Green Bonds to the portfolio of new or existing projects (Eligible Green Projects Portfolio) in the following categories:

— Renewable energy:

- solar power,
- wind power,
- geothermal power (sources with < 100g CO₂/ kWh),
- hydropower (< 20 MW),
- waste to energy.

— Energy efficiency:

- in residential, public and commercial buildings (with minimum 20% energy efficiency improvement),
- in industrial processes, excluding industrial processes run on fossil fuels,
- installation of cogeneration plants (including cogeneration based on biomass from waste products and excluding generation based on fossil fuels).

— Pollution prevention and control:

- waste management,
- re-use and recycling, such as waste recycling projects that recover or reuse materials and waste as inputs into new products or as a resource.

— Environmentally sustainable management of living natural resources and land use:

- afforestation or reforestation of certified forests with certificates PEFC or FSC,
- certified organic agriculture,
- biological crop protection,
- drip-irrigation.

— Clean transportation:

- electric passenger vehicles,
- electric mass-passenger transport (trains, buses),
- bike infrastructure,
- electric light aircrafts
- electric freight transport, excluding freight dedicated to the transport of fossil fuels and transport based on fossil fuels.

— Sustainable water and wastewater management:

- wastewater treatment plants,
- infrastructure to improve water quality,

⁵ Eligible projects can be financed in format of loans, other types of financings (e.g. purchase of receivables) or green bonds of Slovenian companies.

- sustainable urban drainage systems and river training and other forms of flooding mitigation.

— **Eco-efficient and/or circular economy adapted products, production technologies and processes:**

- development and introduction of environmentally sustainable products, with an eco-label or environmental certification, such as EU Ecolabel ⁶,
- resource-efficient packaging (minimum 15% reduced resource use) and distribution (logistics systems).

— **Green buildings:**

- residential buildings with maximum energy consumption of 35 kWh/m²a,
- non-residential (public and commercial) buildings within the top 15% of the energy efficient non-residential buildings in Slovenia.

— **EXCLUDED SECTORS**

Business and projects that are involved in the following operations will be ineligible as Use of Proceeds of a SID Bank Green Bond issue:

- Nuclear power generation
- Military industry and weapons
- Alcohol
- Gambling / adult entertainment
- Fossil fuel-based sector

3. PROCESS FOR PROJECT EVALUATION AND SELECTION

The implementation of the Green Bond Framework is managed and controlled by the Credit Committee of SID Bank. For newly originated projects, i.e. projects which will be originated after SID Bank's inaugural issuance of the Green Bond and for already existing projects, the Credit Committee will oversee the process of evaluation and selection of eligible projects within the Eligible Categories and in accordance with internal policies.

Credit Committee will conduct a review on the selected projects to ensure ongoing compliance with the eligibility criteria at least annually.

All Eligible Green Projects have been and will be originated in line with SID Bank's credit risk policies.

SID Bank will expand the Eligible Green Projects Portfolio gradually. SID Bank also intends to use part of the proceeds to refinance existing eligible projects not older than three years. SID Bank can use the proceeds from the Green Bonds to invest into Slovenian corporate green bonds.

⁶ <http://ec.europa.eu/environment/ecolabel/eu-ecolabel-products-and-services.html>

4. MANAGEMENT OF PROCEEDS

The Proceeds from the Green Bonds will be allocated to Eligible Green Projects in the three years period. The unallocated balance of the Green Bonds proceeds is invested in SID Bank's general liquidity portfolio.

SID Bank intends to allocate the proceeds from the Green Bonds to a portfolio of projects that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above.

During the life of the Green Bonds, and upon becoming aware of, if a project ceases to fulfil the eligibility criteria, SID Bank will remove the project from the Eligible Green Project Portfolio and replace it as soon as feasible.

SID Bank will exercise its professional judgement, discretion and sustainability knowledge in determining eligibility of projects for the Use of Proceeds of a SID Bank Green Bond issue.

5. REPORTING

The Green Bond Principles require Green Bond issuers to provide information on the allocation of proceeds. In addition, the Green Bond Principles recommend to communicate the expected impact of the projects.

SID Bank will start reporting to investors after one year from the date of a Green Bond issuance and annually thereafter, until the proceeds from the Green Bond issuance have been fully allocated, in the form of a Green Bond Report, which will include information regarding the allocation and the expected impact.

— Allocation reporting includes:

- Amount of allocated proceeds
- Amount of allocated proceeds per Eligible Category
- Amount of unallocated proceeds

For each Eligible Category an appropriate indicator will be proposed in line with best market practices. The basis for determination of expected impacts will primarily be the project documentation or, if feasible, the Rules on methods for determining energy savings of the Ministry of Infrastructure of the Republic of Slovenia (<http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV12443>), or the professional judgement of external advisers.

— **Expected impact reporting:**

Eligible Categories	Expected Impact Metric
Renewable Energy	<ul style="list-style-type: none"> • Annual greenhouse gas (GHG) emissions reduced/avoided in tones of CO₂ equivalent • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tones of CO₂ equivalent • Percentage energy efficiency achieved
Pollution Prevention and Control	<ul style="list-style-type: none"> • Estimate of equipment's annual potential to reduce/avoid the emission or release of a given pollutant • Annual amount of waste reduced/avoided • Contaminated areas recovered in Metric tons of soil/contaminant/pollutants treated • Annual reduction in water consumption m³ • Annual reduction in water caption m³ • Treatment of water and effluents
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • CO₂ emissions avoided through planted forests • Total land area under sustainably certified forests • Amount organic sustainable agriculture land financed in m²
Clean transportation	<ul style="list-style-type: none"> • GHG emissions savings/tones of CO₂ equivalent avoided • Number of public trains/buses financed and location • Absolute annual reduction of pollutant (non-GHG) emissions
Sustainable water and wastewater management to improve water quality	<ul style="list-style-type: none"> • Liters of recycled water • Water quality of rivers
Eco-efficient and/or circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> • Number of circular economy projects
Green buildings	<ul style="list-style-type: none"> • number of green buildings • energy consumption (kWh/m²a)

6. EXTERNAL REVIEW

— Second party opinion

SID Bank will obtain an independent second party opinion from Sustainalytics to confirm the validity of the SID Bank Green Bond Framework. The independent second party opinion will be published on SID Bank's website.

— Verification post issuance

SID Bank may request on an annual basis, starting one year after Green Bond issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to Eligible Categories, provided by its external auditor (or any subsequent external auditor).