



Federal Ministry
of Finance

Green Bond Framework 2020

FRAME WORK

Green Bond Framework

Federal Republic of Germany

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1. Presentation of Germany's environmental and sustainable finance objectives

1.1 The transition towards a sustainable economy

Germany and the European Union have embarked on a journey towards a low-carbon, more resource-efficient and sustainable economy. A successful transition in Germany will not only help to combat climate change and environmental degradation but will also contribute to strengthening the innovation capacity and the competitiveness of Europe's economy as a whole. The coronavirus pandemic is placing unprecedented strain on society. The European Green Deal¹, the EU's strategy for sustainable growth, provides a robust framework for economic recovery and for a long-term transition to the world's first climate-neutral continent by 2050.

At a global level, Germany is fully committed to the Paris Climate Agreement² and to the achievement of the 17 United Nations ("UN") Sustainable Development Goals ("SDGs"). Germany dedicates important budgetary resources to the achievement of these goals.

Climate action and energy transition

Germany has committed itself to being almost climate-neutral by 2050. In November 2016, the German Federal Government adopted the Climate Action Plan 2050³, making the country one of the first to submit a long-term greenhouse gas

emission strategy to the UN, as required under the Paris Agreement. Germany's Climate Action Plan 2050 outlines the basic principles for implementing the country's climate change mitigation strategy to reach an 80 to 95 percent reduction in greenhouse gas emissions by 2050, compared to 1990 levels. Furthermore, it provides guidance to all principal sectors and areas of action to achieve these targets, including energy, buildings, transport, industry, and agriculture. Key elements of this climate change mitigation plan include intermediary targets documented in the Climate Protection Act (*Bundes-Klimaschutzgesetz*⁴) and Climate Action Programme 2030⁵.

Germany is in the process of overhauling its energy system, moving away from nuclear and fossil fuels towards renewable energy sources and enhancing energy efficiency. This transition is an unparalleled and very demanding challenge for the German economy, but also an opportunity to innovate. Furthermore, Germany is committed to phasing out coal-fired power generation, at the latest in 2038, and to expand the share of renewable energies in gross electricity consumption to 65 percent by 2030.

Germany's energy production is not only becoming increasingly greener, energy is also being used more efficiently and economically. For instance, in the transport sector, Germany's Energy Concept (2010)⁶ established targets for reductions in

1 European Green Deal: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

2 Paris Climate Agreement: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

3 Climate Action Plan 2050: <https://www.bmu.de/en/topics/climate-energy/climate/national-climate-policy/greenhouse-gas-neutral-germany-2050/>

4 Climate Protection Law: <https://www.bmu.de/gesetz/bundes-klimaschutzgesetz/>

5 Climate Action Programme 2030: <https://www.bundesregierung.de/breg-en/issues/climate-action/klimaschutzprogramm-2030-1674080>

6 CO2 Emissions Reduction in the Transport Sector on Germany: https://www.umweltbundesamt.de/sites/default/files/medien/461/publikationen/texte_05_2010_co2minderung_verkehr_kurzfassung_englisch1_0.pdf

final energy consumption of 10 percent by 2020 and 40 percent by 2050 (compared to 2005 levels). In June 2013, the German Federal Cabinet adopted the Mobility and Fuel Strategy⁷ as a major tool for implementing this transformation of the energy system in the transport sector, keeping in line with the National Sustainable Development Strategy⁸. Additionally, the priorities of the 2030 Climate Action Programme in the transport sector include: upgrading vehicle charging and hydrogen refuelling infrastructure, ramping up the use of synthetic fuels (which requires a high level of investment), boosting rail transport, local public transport and cycling, and exploiting opportunities presented by the digital revolution.

■ Climate change adaptation

The German Federal Government is paying close attention to addressing the effects of climate change. Across the world, more frequent heatwaves, droughts in rural areas and heavy rain and flooding with major damage to buildings and infrastructures are just some of the impacts already being observed. The German Adaptation Strategy⁹ aims to reduce vulnerability to the impact of climate change, sustaining or enhancing the adaptive capacity of natural, social and economic systems. Scientific research programmes, participation and consultation processes as well as the establishment of on-going reporting systems have been set up to facilitate this. On a national level nearly all federal ministries are represented in the “Inter-ministerial Working Group on Adaptation to Climate

Change”¹⁰, led by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

■ Biodiversity preservation

Despite numerous national and international countermeasures, biological diversity is dwindling dramatically worldwide¹¹. Germany is undertaking substantial efforts to make meaningful progress in the protection of biological diversity, and to implement the UN Convention on Biological Diversity. The German Federal Government adopted the National Strategy on Biological Diversity (NBS)¹² in 2007. This is an ambitious strategy for implementing the UN Convention on Biological Diversity with 330 goals and 430 measures on all biodiversity-related issues, covering a variety of approaches and sectors. Measures to implement the Biodiversity Strategy are diverse, covering e.g. protected areas, species protection, green infrastructure, restoration of ecosystems outside protected areas, integration of nature and biodiversity aspects into other policy fields (e.g. agriculture, fisheries, transport), international cooperation, research and education.

7 The Mobility and Fuels Strategy of the German Federal Government (MFS): https://www.bmvi.de/SharedDocs/EN/Documents/MKS/mfs-strategy-final-en.pdf?__blob=publicationFile

8 Germany's National Sustainable Development Strategy: <https://www.bundesregierung.de/breg-en/issues/sustainability/germany-s-national-sustainable-development-strategy-354566>

9 German Strategy for Adaptation to Climate Change: https://www.bmu.de/fileadmin/bmu-import/files/english/pdf/application/pdf/das_gesamt_en_bf.pdf

10 Adaptation at the Federal Level: <https://www.umweltbundesamt.de/en/topics/climate-energy/climate-change-adaptation/adaptation-at-the-federal-level#the-development-of-the-german-strategy-for-adaptation-to-climate-change>

11 UN Report: Nature's Dangerous Decline “Unprecedented”: <https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/>

12 <https://www.bfn.de/en/activities/biodiversity/national-biodiversity-strategy.html>

1.2 Sustainable finance and Green Bonds as a driver of the transition

Climate change and the transition towards a more sustainable global ecosystem imply a variety of risks for the economy including physical and transitional risks, but they also create chances and investment opportunities. It is thus important that the financial industry implements sustainability into decision-making processes. By doing so, the industry will improve financial stability and contributes towards achieving the 17 SDGs as well as compliance with the Paris Agreement. Transparency is paramount to the development of sustainable finance and Green Bonds are a key tool to improve such transparency.

The German Federal Government has supported the development of sustainable finance at a European - as well as global - level for many years. In Germany, the development of a Sustainable Finance Strategy within the country's overarching

Sustainable Development Strategy is a testament to this, aiming to make Germany a leading sustainable finance centre. In 2019, the German Federal Government set up the Sustainable Finance Advisory Council consisting of various stakeholders to facilitate dialogue between government, financial industry, real economy, civil society and academics - and to advise the government on sustainable finance.

Against this backdrop, the German Federal Government has decided to issue the first German Sovereign Green Bond in 2020 ("Green German Federal security"), which will provide a liquid and solid benchmark for the European green fixed income markets, as explained in section III below. This development also comes as a natural next step, since German issuers have already played an important role in developing the Green Bond market globally - in particular, the promotional bank Kreditanstalt für Wiederaufbau (KfW), as well as many other issuers including local authorities and private companies.

2. Organisational set-up for the management of Green German Federal securities

2.1 Inter-Ministerial Working Group

An Inter-Ministerial Working Group (“IMWG”) has been established to oversee and validate key decisions about the Green German Federal securities, including validation of this Green Bond Framework (“GBF”), the selection of Eligible Green Expenditures (as defined below), and consequent allocation and impact reporting established from it.

Under the responsibility of the Federal Ministry of Finance, this IMWG pools all the expertise needed for a thorough and robust selection and evaluation of Eligible Green Expenditures. The IMWG includes:

- the Federal Ministry of the Interior, Building and Community,
- the Federal Ministry for Economic Affairs and Energy,
- the Federal Ministry of Food and Agriculture,
- the Federal Ministry of Transport and Digital Infrastructure,
- the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety,
- the Federal Ministry of Education and Research and
- the Federal Ministry for Economic Cooperation and Development.

The high representation (8 out of the 14 ministries) of the German Federal Government in this IMWG further shows the importance of climate considerations, the environment and sustainability within Germany’s budget.

2.2 Core Green Bond Team

A Core Green Bond Team (“CGBT”) has also been created to manage all operational tasks related to Green German Federal securities and the elements described in this GBF. Under the responsibility of the Federal Ministry of Finance, this CGBT also includes the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety as well as the Federal Republic of Germany – Finance Agency (“German Finance Agency”)¹³.

The CGBT works with relevant ministries for the selection of green expenditures under this GBF (“Eligible Green Expenditures”) and for preparation of the reporting. The CGBT also may draw on KfW’s expertise when relevant.

For further details on the connectivity between the IMWG and the CGBT, see section **4.2 Process for expenditure evaluation and selection**.

¹³ The German Finance Agency, which is wholly-owned by the Federal Republic of Germany, represented by the Federal Ministry of Finance, is the central service provider for the Federal Republic of Germany’s borrowing and debt management. It operates in the international financial markets solely and exclusively in the name of and for the account of the Federal Republic of Germany. Hence, the German Finance Agency, which is a limited liability company incorporated under German law, merely acts as an agent for the Federal Republic of Germany, represented by the Federal Ministry of Finance.

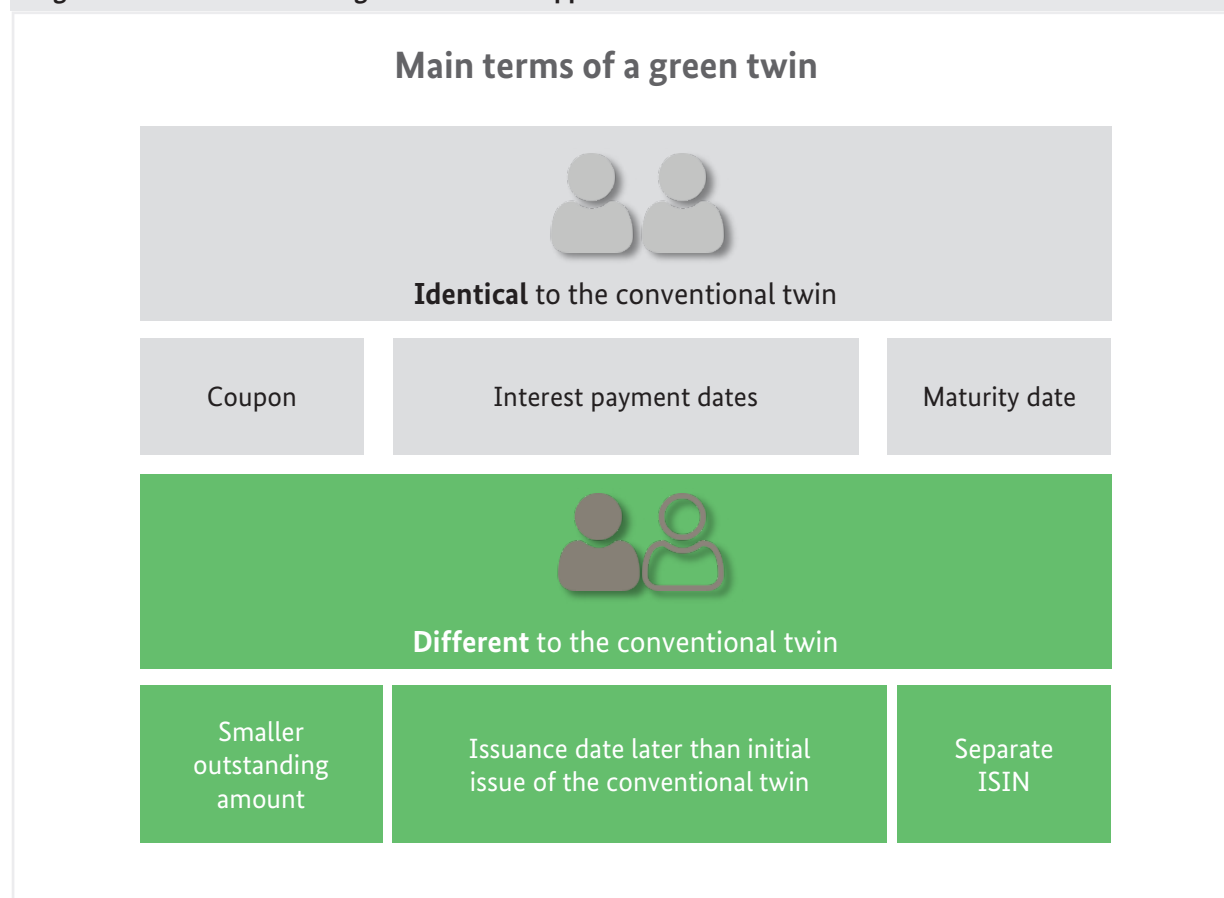
3. German green twin bond approach

The number of capital market participants considering climate change and environmental pollution in their list of key risk factors for investment analysis is steadily increasing. Consequently, investors' demand for green and sustainable products has seen a significant rise and the markets for these products have shown impressive growth rates since 2015.

With the issuance of Green German Federal securities, the German Federal Government intends to promote and support this development in the financial markets. Conventional German Federal securities serve as interest rate benchmarks for the entire euro area. The introduction of a Green

German Federal security will be a milestone and is suitable to substantially strengthening and developing the market for green and sustainable forms of investment, both globally and in Germany. It is therefore the German Federal Government's ambition to establish Green German Federal securities as the interest rate benchmark for the euro green finance market within a short period of time. In practice, Germany plans to establish a green yield curve for the euro area, with the same standard maturities as on the conventional curve. Market participants with different investment horizons will have at their disposal a green, transparent investment opportunity with first-class credit quality.

Figure 1: Presentation of the green twin bond approach



For that purpose, a unique issuance approach has been adopted: any new Green German Federal security will always be issued alongside an existing, conventional German Federal security, with exactly the same characteristics, i.e., same maturity and coupons – creating de facto “twin bonds” or “twin German Federal securities”. The issuance volume, however, will be different, with the conventional German Federal security being placed at a significantly larger volume than the green twin. Furthermore, the twin bonds will have different ISIN codes (see Figure 1). With this unique twin bond approach for the issuance of Green German Federal securities, combined with the objective to issue green twins for all standard maturities on the conventional curve, the German Federal Government will address the various maturity requirements of different investor types and therefore reach the broadest spectrum of potential green investors.

To ensure secondary market tradability comparable to conventional German Federal securities, the German Finance Agency will strongly support the liquidity of the green twins through its activities in the secondary market. These secondary market trading activities of the German Finance Agency enable banks that are members of the Bund Issues Auction Group to conduct combined sale-and-purchase transactions (switch transactions) or single sale or purchase transactions directly with the issuer on a daily basis.

4. Key components of the Green German Federal securities

4.1 Use of proceeds

4.1.1 Scope

Green Eligible Expenditures are the German Federal expenditures that can qualify as ‘green’ under this GBF. They can potentially include any type of Federal expenditure. Green Eligible Expenditures at present include those related to real assets such as infrastructure, buildings, as well as landscapes and forests. They can also be related to intangible assets, such as talent and organizations, research and innovation and scientific knowledge. In principle, Green Eligible Expenditures will, however, exclude any expenditure already known to be used by other public German issuers in their own Green Bonds. This aspect has been discussed with other public German issuers. For instance, the subsidies for energy-efficient buildings, which are currently used in KfW Green Bonds, will not be taken into account.

Furthermore, any expenditure that is mainly related to the following activities or sectors will be excluded from Green Eligible Expenditures under this GBF: armaments, defence, tobacco, alcohol, gambling, and any activity that is principally based on, or related to, fossil fuels (including coal) or nuclear energy (e.g., production, transport, storage and power generation). Naturally, any expenditure that violates the EU Charter of Fundamental Rights¹⁴ (e.g., activities that involve children’s labour or modern slavery) are excluded from the federal budget.

4.1.2 Description of the Eligible Green Expenditures

The Green German Federal securities are in line with the Green Bonds Principles (2018 edition)¹⁵ (“GBP”) published by the International Capital Market Association (“ICMA”). Moreover, they are designed to be in compliance with important elements of the draft EU Green Bond Standard; notably that the categories are mapped with the six environmental objectives of the EU Sustainable Finance Taxonomy, and that the Framework has a Second Party Opinion. Eligible Green Expenditures have also been defined to echo the main objectives stated in the Climate Action Programme¹⁶.

Eligible Green Expenditures will fall within the definition of any one of the Green Sectors below:

14 EU Charter of Fundamental Rights: https://ec.europa.eu/info/aid-development-cooperation-fundamental-rights/your-rights-eu/eu-charter-fundamental-rights_en

15 Green Bond Principles: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

16 Climate Action Programme: <https://www.bundesregierung.de/breg-en/issues/climate-action/klimaschutzprogramm-2030-1674080>

Green Sector	Description, key examples and indicative impact indicators
Transport	<p>Objective: improve and promote clean and more environmentally friendly transportation systems</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> • Grants for the maintenance or development of Federal rail infrastructures for freight and passenger transportation • Grants favouring the modal shift to climate-friendly modes of transport (e.g., reduction of rail route pricing, support programs for inland waterways) • Support for the development of electric mobility, including the installation of infrastructure for electric vehicle charging and hydrogen refuelling • Investment in bicycle roads/paths/networks and for the promotion of bicycle traffic • Grants for the financing and purchase of “zero-emissions vehicles” • Support for recycling of materials esp. batteries <p>Indicative impact reporting: greenhouse gas emissions avoided (when possible), length of electrified railroad-km, length of newly built railway-km, length of newly built bicycle lanes, final reports about and descriptions of projects</p>
International cooperation	<p>Objective: assist emerging market and developing countries in their transition towards a more environmentally friendly economy and support international cooperation in that field (i.e., mitigation of and adaptation to climate change, transition towards more renewable energies, protection of habitats and biodiversity, sustainable use of natural resources and energy, including developing renewable energy generation facilities and sustainable agriculture)</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> • Expenditure for development projects, especially in the framework of bilateral technical and financial cooperation, when such projects are earmarked for environmentally or climate-related topics • Expenditure for climate and environmentally-related topics, provided through contributions to international funds, such as the Green Climate Fund, Global Environment Facility, Adaptation Fund, multilateral institutions and international organisations • Bi- and multilateral partnerships to support the energy transition and enhance renewable energy usage/projects including cross-border co-operation projects with other EU Member States <p>Indicative impact reporting: greenhouse gas emissions avoided (when possible), adaptation and capacity building indicators, specific reports about the environmental efficiency of the German international cooperation (see section 4.5) and the mobilization of private capital, listing of main initiatives and projects and presentation of key examples, and/or a description of mandates of financed multilateral institutions as well as international organisations and funds</p>
Research, innovation and awareness raising	<p>Objective: support and facilitate knowledge and innovation about climate and environmental matters</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> • All expenditure enabling research for all renewable energies and energy storage (e.g., “green” hydrogen), energy efficiency, power grid and renewable energy integration, energy transition • All expenditures enabling research related to climate change, biodiversity, nature protection and the environment • All expenditures enabling research on coasts, oceans and polar areas • Grants to local initiatives on environmental protection • Grants assisting the development of protected areas • Grants to associations active in environmental protection <p>Indicative impact reporting: standard research indicators, such as, when possible, total funding or number of funded projects, number of researchers, listing of main initiatives or presentation of key examples</p>















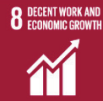









Green Sector	Description, key examples and indicative impact indicators
Energy and industry	<p>Objective: accelerating the transition towards an economy that largely runs on renewable energies and towards a more environmentally efficient use of energy and other resources</p> <p><i>Example of eligible expenditures:</i></p> <ul style="list-style-type: none"> • Applied research and innovation in renewable energies and energy efficiency • Measures to increase sustainable heating and cooling, heat usage, heat insulation and waste heat usage (industry and private sectors) • Measures to enhance the energy transition, e.g., renewable energy generation and integration in power grids, smart grids, citizen dialogue, development of power grids • Increase energy efficiency in buildings except the expenses associated to KfW Green Bonds • Expenses to increase the usage of hydrogen in industrial productions incl. sustainable hydrogen production and storage • Expenses to develop more energy efficient industry processes and production, incl. green IT <p><i>Indicative impact reporting: greenhouse gas emissions avoided (when possible), specific reports about the climate and environmental efficiency of the subsidies</i></p>
Agriculture, forestry, natural landscapes and biodiversity	<p>Objective: promotion of climate-resilient forests and natural landscapes, and development of organic and environmentally-friendly farming practices</p> <p><i>Example of eligible expenditures:</i></p> <p>Most of these expenditure items are in the Joint Task for the Improvement of Agricultural Structures and Coastal Protection (Gemeinschaftsaufgabe Agrarstruktur & Küstenschutz¹⁷, "GAK") and in biodiversity promotion programs (e.g., Bundesprogramm Biologische Vielfalt or chance.natur¹⁸)</p> <ul style="list-style-type: none"> • Grants to promote low-carbon farming and encourage climate-friendly and organic practices • Grants to promote farming practices increasing land carbon storage capabilities • Funds (to both private and public) bodies to adapt forests to the consequences of climate change and to avoid greenhouse gas emissions, as well as to safeguard and increase the carbon storage of forests and use of wood products • Grants for the management of extreme weather events and floods in natural landscapes and coastal areas • Grants for research on climate change adaptation in farming areas and forests • Funds to promote the implementation of the German National Strategy for Biological Diversity <p><i>Indicative impact reporting: specific reports about the climate and environmental efficiency of the GAK</i></p>

4.1.3 Mapping of Eligible Green Expenditures

The mapping of Eligible Green Expenditures with the European Environmental Objectives and with the UN SDGs is proposed on the next page.

17 Gemeinschaftsaufgabe Agrarstruktur & Küstenschutz: <https://www.bmel.de/DE/themen/laendliche-regionen/foerderung-des-laendlichen-raumes/gemeinschaftsaufgabe-agrarstruktur-kuestenschutz/gak.html>

18 chance.natur – Bundesförderung Naturschutz: <https://www.bmu.de/themen/natur-biologische-vielfalt-arten/naturschutz-biologische-vielfalt/foerderprogramme/chancenatur/>

Green Sector	Objectives and Expenditure Examples 	European Environmental Objectives ¹⁹ 	UN SDGs 
Transport	<p>Improve and promote clean transportation systems and reduce vehicles carbon intensity / emissions</p> <p><i>Expenditures related to:</i> e.g., federal railways, electric mobility, bicycle paths</p>	<p>Climate change mitigation</p> <p>Climate change adaptation</p> <p>Pollution prevention and Control</p>	    
International cooperation	<p>Assist emerging market and developing countries in their transition towards a more environmentally sustainable economy</p> <p><i>Expenditures related to:</i> e.g., bilateral technical and financial cooperation, initiatives, multilateral funds, investments to protect the climate and biodiversity</p>	All EU objectives	     
Research, innovation, and awareness raising	<p>Support and facilitate knowledge and innovation about climate and environmental matters</p> <p><i>Expenditures related to:</i> e.g., research in renewable energies, renewable raw materials, on climate change adaptation, mitigation as well as environmental protection</p>	All EU objectives	  
Energy and industry	<p>Accelerating the transition towards an economy that largely runs on renewable energies and towards a more efficient general use of energy</p> <p><i>Expenditures related to:</i> e.g., energy research, promotion of renewable energies, energy efficiency incentive programme</p>	Climate change mitigation	  
Agriculture, forestry, natural landscapes and biodiversity	<p>Promotion of forests and natural landscapes, and the development of organic and environmentally friendly farming practices</p> <p><i>Expenditures related to:</i> e.g., flood protection systems, projects promoting environmentally friendly land management, coastal protection</p>	<p>Biodiversity</p> <p>Water and marine resources</p> <p>Climate change mitigation</p> <p>Climate change adaptation</p>	   

¹⁹ The six environmental objectives are climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. In this table, wordings are summarised.

4.2 Process for expenditure evaluation and selection

The selection of Eligible Green Expenditures presented in this GBF has been performed by the CGBT, and validated by the IMWG. For each Eligible Green Expenditure, the CGBT has worked with the relevant ministry to assess the eligibility of the selected expenditures in light of the GBF, the existing public taxonomies, and based on existing public documentation on every Federal expenditure²⁰. The Eligible Green Expenditures will be reviewed annually by the CGBT, or more often if necessary, for example when the nature of the underlying expenditures has changed significantly.

The amount equal to the proceeds from the issuance of Green German Federal securities issued in any given year will be fully allocated to Eligible Green Expenditures from the previous year. The final composition and exact amount for the Eligible Green Expenditures ("Final Eligible Green Expenditures") will be prepared by the CGBT and validated by the IMWG in the course of the following year, based on actual expenditures (*IST-Ausgabe*). For any given year, any Green German Federal security issued (or tapped) in that year will receive a proportional allocation of all the previous year's Final Eligible Green Expenditures.

In any given year, the German Finance Agency will be able to issue Green German Federal securities, in the name of and for the account of the Federal Republic of Germany, after a sufficient amount of previous year Eligible Green Expenditures is known.

4.3 Management of Proceeds

The proceeds from the issuance of Green German Federal securities will be part of the overall funding of the Federal Republic of Germany. Consequently, the German Finance Agency will manage proceeds of the issued Green German Federal securities in

line with the treasury policy of the German Federal Government. The allocation of an amount equal to the proceeds of the issued Green German Federal securities to Eligible Green Expenditures will thereafter be tracked by the CGBT.

Issues of individual Green German Federal securities can be increased (tapped). The increase of a bond is immediately fungible with the previously issued outstanding bond. However, in terms of management of proceeds and reporting a tap is treated like a new issuance. As a result, the issuer might report different use of proceeds and impact between the initial offering and the respective increase if the initial offering of Green German Federal securities and any respective increase fall into different calendar years.

4.4 Legal documentation

The press releases announcing the issue of, and inviting to bid for, Green German Federal securities as well as summarising the auction result, and, in case of a syndicated issue, the relevant press releases announcing the issue and containing the issue details, respectively, shall contain the following wording:

"The Federal Republic of Germany spent an amount equal to the proceeds derived from the issue of the respective German Federal securities (whereby the amount may be converted into euro, as the case may be) for expenditures that comply, on the date of the issue of these German Federal securities, with the requirements stipulated by the Federal Republic of Germany in its Green Bond Framework dated [•]."

(German-language legally binding version: "Die Bundesrepublik Deutschland hat in Höhe eines Betrages, welcher der Summe der Emissionserlöse dieser Bundeswertpapiere entspricht (wobei dieser Betrag gegebenenfalls in Euro getauscht werden kann), Ausgaben getätigt, die zum Zeitpunkt der Emission dieser Bundeswertpapiere die Anforderungen erfüllen, welche die Bundesrepublik Deutschland in ihrem Green Bond Framework vom [•] festgelegt hat.").

20 Bundeshaushalt: <https://www.bundeshaushalt.de/#>

4.5 Reporting

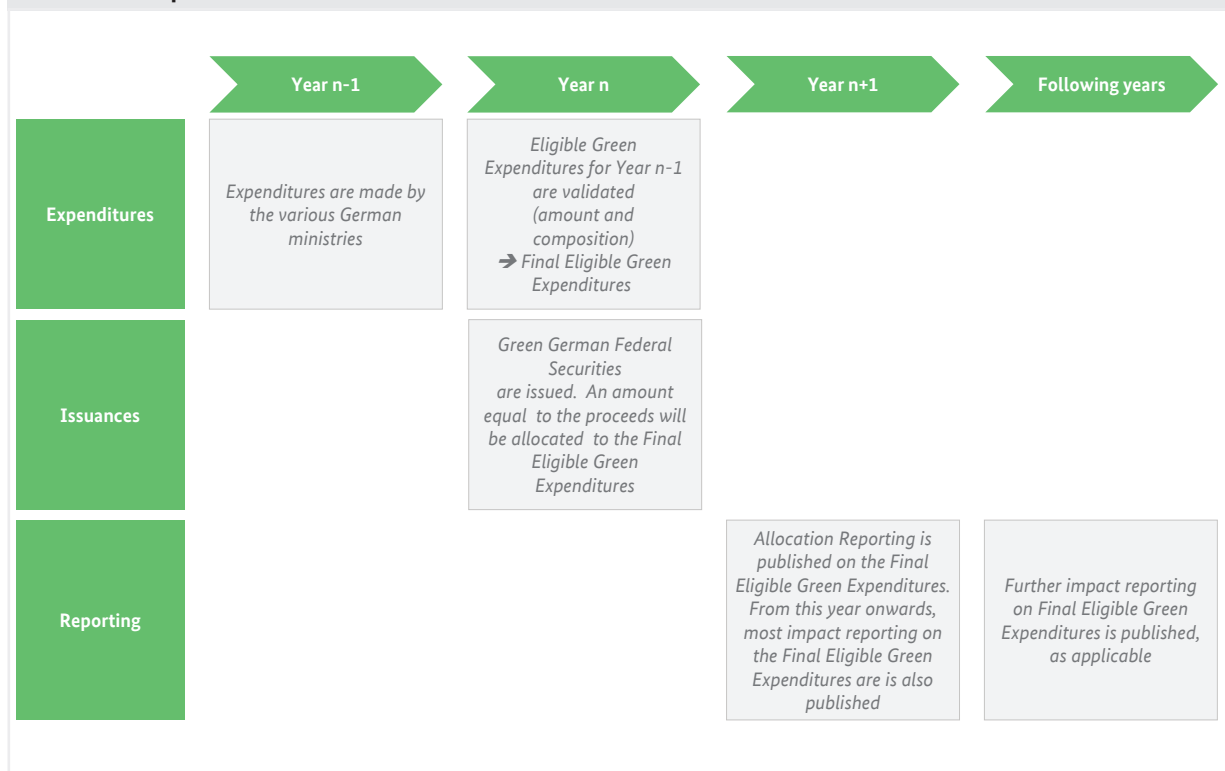
The Federal Republic of Germany commits to providing investors with transparent reporting on the allocation of proceeds to Eligible Green Expenditures, as well as on the environmental impact of those expenditures.

Every calendar year, starting in 2021, an allocation report will be published providing details on the composition and exact amounts of the Final Eligible Green Expenditures for the preceding year, as described in the Figure 2 below.

This full allocation reporting will be performed once, unless there is material change, and will be valid for all Green German Federal securities (including taps) issued in the preceding year.

An impact report will be published for each green sector. This impact report will usually be published between one and three years following the respective issuance, and in any case at least once in each bond's lifetime as recommended in the current draft of the EU Green Bond Standard, and which is more practical for some sovereign related expenditures (e.g., research, international cooperation). For each green sector, one impact report may be valid for several years. In such cases, this will be indicated in the respective report. Any impact report may however be updated over time, when required.

Figure 2: Timeline for the disbursement, validation, allocation and reporting of Final Eligible Green Expenditures



This impact reporting may include, depending on the type of expenditures and on the sector, and as relevant and available:

- quantified metrics of environmental impacts (e.g., greenhouse gas emissions avoided for rail infrastructure; length of newly built noise barriers) or key performance indicators (e.g., new area in sq.km of organic farming supported by government subsidies, or amount of total funding and number of funded projects for research),
- analytical reports about the environmental efficiency and performance of the selected expenditure (e.g., for research and development in renewable energy production, for awareness-raising programs: the actual impact and environmental performance of the federal expenditure will be described and reported in sector-specific reports and analyses rather than with standardised metrics),
- listing of the individual or exemplary projects (e.g., presentations of all supports provided to international initiatives for environmental protection) or

- a detailed description of representative or exemplary projects or institutional contributions.

The information and data used for the impact reporting will be provided by the relevant ministries. When available, the methodologies used to calculate or evaluate impact indicators will be published alongside the impact data.

The Federal Ministry of Finance will be responsible for the publication of the allocation and impact reporting. The CGBT will be responsible for the coordination of data collection and the drafting of allocation and impact reports. These reports will be validated by the IMWG.

Allocation and impact reporting will be published and made available online at:

[www.bundesfinanzministerium.de/
gruenebundeswertpapiere](http://www.bundesfinanzministerium.de/gruenebundeswertpapiere)

www.deutsche-finanzagentur.de

5. External review

5.1 Second Party Opinion on the Green Bond Framework

The Federal Republic of Germany has engaged ISS ESG to provide an independent Second Party Opinion on this GBF prior to the first issuance of a Green German Federal security under the framework. Second Party Opinion documents are available online at:

[www.bundesfinanzministerium.de/
gruenebundeswertpapiere](http://www.bundesfinanzministerium.de/gruenebundeswertpapiere)

www.deutsche-finanzagentur.de

5.2 External verification of allocations

The Federal Republic of Germany will engage an independent external body to provide third-party verification on the allocation reports and their conformity with the Green Bond Framework. This process will be undertaken on an annual basis and the results will be published alongside the respective reporting.

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Furthermore, no assurance can be given that the use of proceeds from the Green German Federal securities for any Eligible Green Expenditures will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required or intended to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any projects or uses, the subject of or related to, any Eligible Green Expenditures.

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