

Irish Sovereign Green Bond

Type of Engagement: Annual Compliance Review

Date: May 8, 2019

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Introduction

In October 2018, Ireland issued its inaugural sovereign green bond aimed at financing projects and programmes that promote the country's transition to a low-carbon, climate-resilient and environmentally sustainable economy; namely, in the areas of built environment/energy efficiency, clean transportation, climate change adaptation, environmentally sustainable management of living natural resources and land use, renewable energy, and sustainable water and wastewater management. In April 2019, Ireland engaged Sustainalytics to provide the compliance review and verification referred to in section 4 of the Irish Sovereign Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the Eligible Green Projects/Programmes which received funding allocations in 2017 and 2018 based on whether they meet the Use of Proceeds and Eligibility Criteria outlined in the Framework. Ireland has committed to impact reporting on an at-least biennial basis, and therefore impact reporting has not been provided or evaluated as part of this engagement.

Table 1 lists the Eligible Green Categories as set out in the Use of Proceeds section of the Framework.

Table 1

Eligible Green Categories	Examples of Eligible Green Projects / Programmes
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Clean water and wastewater treatment projects.
Clean Transportation	<ul style="list-style-type: none"> Public transportation initiatives, low emission vehicles incentives and infrastructure, and alternative fuels. Public programmes incentivizing modal shift away from private car use.
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Grants, subsidies, and support schemes designed to reduce agricultural environmental impacts. Afforestation, restoration and conservation programmes.
Renewable Energy	<ul style="list-style-type: none"> Support schemes for renewable heat use and energy storage Research and development for the commercialization of renewable energy technologies.
Built Environment /Energy Efficiency	<ul style="list-style-type: none"> Support schemes for residential energy efficiency programmes (including heating, retrofit, insulation). Support schemes for energy efficiency programmes for the commercial, public and industrial sector.
Climate Change Adaptation	<ul style="list-style-type: none"> Flood relief and other risk mitigation programmes.

Issuing Entity's Responsibility

For the purposes of this report, Ireland is responsible for providing Sustainalytics with accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Ireland's Green Bond Use of Proceeds. The work undertaken as part of this engagement included the collection of documentation from the Irish Sovereign Green Bond Working Group and the review of documentation to confirm conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Ireland with respect to the Eligible Green Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Ireland.

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 of the review.

Conclusion

Based on the limited assurance procedures conducted,¹ nothing has come to Sustainalytics' attention that causes us to believe that Ireland has not allocated €1,949.0 million to Eligible Green Projects from net proceeds of €2,983.4 million from the ISGB Issuance as of 31 December 2018 in compliance, in all material respects, with the Eligible Green Project criteria set forth in the Framework.

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the Eligible Green Projects/Programmes that have received funding allocations, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Irish Sovereign Green Bond Working Group. The Working Group is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to Eligible Green Projects/Programmes.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2017 and 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria. ^{2 3}	None
Reporting Criteria	Ireland's Framework commits to providing an Eligible Green Project Impact Report on a biennial basis, therefore no impact reporting has been conducted or evaluated at this time.		

² Sustainalytics notes that some clean transportation projects include plug-in hybrid electric vehicles; due to their low emissions profile, Sustainalytics considers them to be aligned with the overall objectives of the green bond.

³ Sustainalytics notes that certain expenditures funded by the green bond are related to supporting the operation and administration of government agencies and other institutions, including the Environmental Protection Agency, the Sustainable Energy Authority of Ireland, and other climate change initiatives. While it is recognized that these programmes are less directly linked to environmental impacts, Sustainalytics views the development of institutional capacity as necessary for the delivery of effective environmental programmes and will indirectly promote the transition to an environmentally sustainable economy.

Appendix 1: Allocation amounts by programme/scheme

The Irish Sovereign Green Bond Allocation Report has disclosed that the following programmes received allocation from the green bond.

Eligible Green Category	Project / Programme	ISGB Proceeds Allocated amount (€m)
Built Environment/ Energy Efficiency	Sustainable energy programmes	142.1
Built Environment/ Energy Efficiency	SEAI admin and general expenses	12.7
Built Environment/ Energy Efficiency	Estate regeneration - social housing improvement	54.6
Clean Transportation	Carbon reduction	0.7
Clean Transportation	LEV Incentivisation	31.0
Clean Transportation	Public service provision payment	351.6
Clean Transportation	Public and Sustainable transport investment programme	485.1
Clean Transportation	Greenways	2.6
Climate Change Adaptation	Flood risk management	73.7
Environmentally Sustainable Management of Living Natural Resources and Land Use	Forestry and bioenergy	91.0
Environmentally Sustainable Management of Living Natural Resources and Land Use	Environmental Protection Agency	39.1
Environmentally Sustainable Management of Living Natural Resources and Land Use	International climate change commitments	5.0
Environmentally Sustainable Management of Living Natural Resources and Land Use	Landfill remediation	11.4
Environmentally Sustainable Management of Living Natural Resources and Land Use	Climate initiatives	0.3
Environmentally Sustainable Management of Living Natural Resources and Land Use	National heritage (National Parks and Wildlife Service)	17.4
Environmentally Sustainable Management of Living Natural Resources and Land Use	Peatlands restoration and management	0.6
Renewable Energy	Energy research programmes	9.7
Sustainable Water and Wastewater Management	Rural water programme	42.2
Sustainable Water and Wastewater Management	Irish Water capital expenditure	578.2
TOTAL⁴		1,949.0

⁴ Totals may not sum due to rounding

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support 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.

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