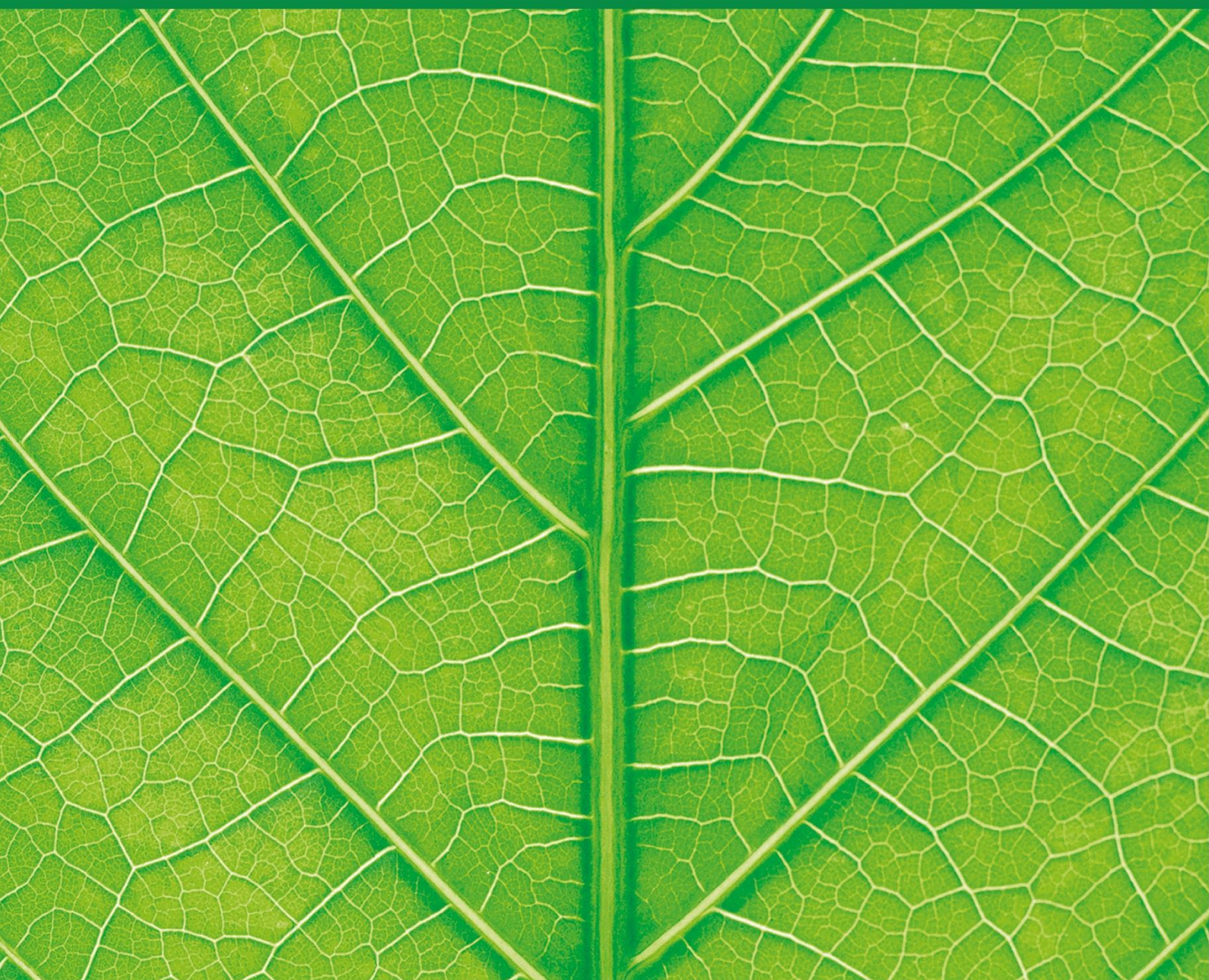


# Framework for the Issuance of Sovereign Green Bonds



**BTP  
Green**

February 2021



Ministero  
dell'Economia e delle Finanze



**REPUBLIC  
OF ITALY**



## Index

---

<b>Section 1: Presentation of Italy's environmental and sustainable finance strategies and objectives</b>	<b>3</b>
1.1 Environmental strategy of the Republic of Italy	3
1.1.1 Foreword	3
1.1.2 A long-term commitment to tackling climate change and solving environmental challenges through international cooperation	4
1.1.3 A long-term commitment to the development of a financial sector and suitable financial practices to support the fight against climate change and the resolution of environmental challenges	5
1.2 Reasons for the issue of SGBs and establishing the SGB Framework	6
1.3 Environmental objectives pursued through the issue of Green Government Bonds	7
<b>Section 2: Selection and traceability of expenses eligible for the issuance of SGBs</b>	<b>8</b>
<b>Section 3: Eligible green expenditures</b>	<b>9</b>
3.1 Categories of eligible expenses	9
3.2 Types of eligible expenses	9
<b>Section 4: Use of funds raised through the issuance of SGBs</b>	<b>17</b>
<b>Section 5: Reporting of eligible green expenses</b>	<b>18</b>
5.1 The "Italian Sovereign Green Bond Allocation and Impact Report"	18
5.2 Publicity of reporting	18
<b>Section 6: Second opinion on the Framework</b>	<b>19</b>
<b>Section 7: Validity of the Framework</b>	<b>20</b>
<b>Section 8: Legal status and documentation of Italian Sovereign Green Bond issue</b>	<b>21</b>

## Section 1: Presentation of Italy's environmental and sustainable finance strategies and objectives

---

### 1.1 Environmental strategy of the Republic of Italy

#### 1.1.1 Foreword

Italy is endowed with a globally renowned landscape and unparalleled biodiversity that are protected by stringent legislation and effective regulatory controls. The Republic of Italy recognises the vital environmental, economic and societal benefits that these assets generate and is therefore fully committed to the protection of the environment and the fight against climate change, both nationally and globally.

To this end, the Republic of Italy has fully endorsed and is committed to the European Commission's framework for achieving climate neutrality by 2050<sup>1</sup> and the goals set out in the European Green Deal<sup>2</sup>. To help achieve these policy objectives, in December 2019, Italy published its Integrated National Plan for Energy and Climate<sup>3</sup> (INPEC), establishing national targets for 2030 on energy efficiency, renewable energy (30% of final energy demand) and for the reduction of CO<sub>2</sub> emissions (33% reduction for plants not covered by the EU Emission Trading System compared to 2005). The INPEC includes additional objectives for energy security, energy interconnections, and a single energy market, as well as competitiveness, sustainable development, and mobility.

Furthermore, the Republic of Italy recognises that the transition to a climate-neutral economy by 2050 means transforming its energy and transport infrastructure together with the need for a substantial investment in its stock of existing buildings and its industry. Neither the public nor the private sector can meet this investment challenge alone. Therefore, to achieve these common objectives, large volumes of sustainable finance will need to be mobilised by the public and private sectors working together more closely than ever. This is a key rationale for launching the first Italian Sovereign Green Bond (SGB) in 2021, to help provide further momentum in a market which, to date, has been developed mainly by private companies.

Finally, with Law 124 of 14/2/1994, Italy ratified and implemented, since the beginning, the Convention on Biological Diversity (CBD); with the Strategic Plan for Biodiversity 2011-2020, Italy is committed to reach the Aichi Targets and now is active in the negotiation phase of the new Global Framework on Biodiversity for the post-2020 era, in preparation for the fifteenth Conference of the Parties (CBD-COP15).

---

<sup>1</sup> European Commission, 2020. COM (2020) 80 final. Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law). Available at: [https://ec.europa.eu/info/sites/info/files/commission-proposal-regulation-european-climate-law-march-2020\\_en.pdf](https://ec.europa.eu/info/sites/info/files/commission-proposal-regulation-european-climate-law-march-2020_en.pdf)

<sup>2</sup> European Commission, 2019. COM (2019) 640 final. The European Green Deal. Available at: [https://ec.europa.eu/info/sites/info/files/european-green-deal-communication\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf)

<sup>3</sup> Ministero dello sviluppo economico, 2019. Energia e Clima 2030. Available at: [https://www.mise.gov.it/images/stories/documenti/it\\_final\\_necp\\_main\\_en.pdf](https://www.mise.gov.it/images/stories/documenti/it_final_necp_main_en.pdf)

### ***1.1.2 A long-term commitment to tackling climate change and solving environmental challenges through international cooperation***

The position taken by the Republic of Italy in both international climate and environmental fora and during the negotiation and agreement of international environmental treaties has always been to maximise international co-operation and, where possible, to adopt a multilateral approach. In practice, Italy's policy formulation takes account of the best available and most recent scientific evidence at international level. This includes the latest reports of the Intergovernmental Panel on Climate Change (IPCC), as well as international developments and efforts undertaken to achieve the long-term objectives of the Paris Climate Agreement and United Nations Framework Convention on Climate Change (UNFCCC), namely to ensure temperature rise remains well below 2°C above pre-industrial levels and to pursue efforts to limit the global temperature increase to just 1.5 °C.

Since signing the Paris Agreement, the Republic of Italy has been at the forefront of international developments in the field of sustainable finance and the implementation of Article 2.1c of the Paris Agreement, committing itself to making finance flows commensurate with a pathway towards low greenhouse gas emissions and climate-resilient development. During the G7 in 2016, Italy made a commitment with other parties to "remove inefficient subsidies to fossil fuels by 2025", encouraging other countries to follow their lead. This commitment was reiterated in the G20 Climate and Energy Action Plan for growth published in 2017. That same year, the Italian Presidency of the G7 Environment put a number of related topics up for discussion, including eco-sustainable tax reform, the role of multilateral banks in climate finance, and the role of the financial sector as a whole in addressing environmental emergencies. More recently, these topics, together with the role of carbon pricing and ecological taxation, were discussed in the European Economic and Financial Affairs Council in December 2019.

Furthermore, in the green taxation field, art. 68 of the Law of 28 December 2015, n. 221, containing environmental provisions to promote green economy measures and to limit the excessive use of natural resources, has established, for the first time, that the Ministry of Environment must prepare, annually, the "Catalogue of environmentally harmful subsidies and environmentally friendly subsidies". Subsidies are defined in a wide approach, including exceptions, rebates, reductions, differentiations.

Also in the green taxation field, Italy established at the Ministry of Environment (implementing the provisions of Article 1, paragraph 98 of Law No. 160/2019 - Budget Law 2020) the Commission for the study and development of proposals for the ecological transition and for the reduction of environmentally harmful subsidies. The work of the Commission is aimed at converting existing environmentally harmful subsidies (SAD) into environmentally friendly subsidies (SAF) through the shift of resources towards green and sustainable solutions, without affecting the current recipients of benefits. All interventions follow, in fact, a "zero balance logic" because they are redistributed to the same categories. Since its inauguration, the Commission has developed six regulatory proposals that have already been subject to two rounds of stakeholders' consultation.

At the same time, the Republic of Italy has integrated the 2030 Sustainable Development Goals (SDGs)<sup>4</sup> into its economic, social and environmental programming in the current drafting of its

---

<sup>4</sup> UN, 2015. Transforming our World: The 2030 Agenda for Sustainable Development. Available at: <https://sustainabledevelopment.un.org/post2015/transformingourworld/>

“National Sustainable Development Strategy” (NSDS)<sup>5</sup>. This Strategy seeks to shape a new vision of a circular, low-emission economy that is resilient to climate impacts and to other global changes endangering local communities, while also prioritising the fight against biodiversity loss, the alteration of the fundamental biogeochemical cycles (carbon, nitrogen, phosphorus) and land-use change. All strategies, programs and plans will have to be inspired and in harmony with the UN SDGs and the NSDS. The update of the NSDS is foreseen in 2021.

The Italian commitment to mitigate climate change will also materialise in at least the 37% of the investment in the Italian National Recovery and Resilience Plan within the framework of the Next Generation EU Funds.

Together with the above policy frameworks, other reference documents important for informing this SGB Framework include:

- Italy’s Government Budget Law 2020<sup>6</sup> and subsequent budget laws as adopted;
- The European Union’s 2030 Climate & Energy Package<sup>7</sup>;
- Decree Law No. 111/2019 (Climate Decree), transformed by Parliament in the Law No.141/2019;
- National Plan for Energy and Climate (INPEC), December 2019.

Italy, as other EU countries, is preparing a National Plan for Recovery and Resilience (NPRR).

### ***1.1.3 A long-term commitment to the development of a financial sector and suitable financial practices to support the fight against climate change and the resolution of environmental challenges***

Italy joined the programme “National Dialogue on Sustainable Finance” established by UNEP (today UN Environment) in 2016 and contributed in late 2016 to the Financing the Future<sup>8</sup> report that identified 18 options to foster sustainable finance. The report already recommended the establishment of a green bond development committee that could help design a roadmap for the expansion of the market in Italy.

On this basis, Italy established the Committee for Bioeconomics and Sustainable Taxation (Ministerial Decree no. 338/2019) and, in support, the Working Group on Sustainable Finance (Ministerial Decree no. 75 /2020) to promote studies, research and initiatives in the green finance’s field.

Thanks to the work carried out by these groups, the Ministry of Environment has established, in accordance with EU Regulation n. 852/2020 on the taxonomy of sustainable investments, a system of “Environmental Sustainability Certification”.

---

<sup>5</sup> Ministero dell’Ambiente e della Tutela del Territorio e del Mare, 2017. Strategia Nazionale per lo Sviluppo Sostenibile. Available at: [https://www.minambiente.it/sites/default/files/archivio/allegati/sviluppo\\_sostenibile/Italy\\_in\\_a\\_glance\\_VNR.pdf](https://www.minambiente.it/sites/default/files/archivio/allegati/sviluppo_sostenibile/Italy_in_a_glance_VNR.pdf)

<sup>6</sup> Art.1. par. 92 of Law 27 December 2019 n. 160 containing the “State budget for the financial year 2020” provides for the recourse to the issuance of green bonds by central public administrations. Available at <https://www.gazzettaufficiale.it/eli/id/2019/12/30/19G00165/sq>.

<sup>7</sup> European Commission, 2013. 2030 climate & energy framework. Available at: [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en).

<sup>8</sup> Ministry of Environment, Land and Sea and UN Environment Inquiry, 2016. Financing the Future. Report of the Italian National Dialogue on Sustainable Finance. Available at: [https://www.minambiente.it/sites/default/files/archivio/allegati/sviluppo\\_sostenibile/Financing\\_the\\_Future\\_EN.pdf](https://www.minambiente.it/sites/default/files/archivio/allegati/sviluppo_sostenibile/Financing_the_Future_EN.pdf)

In addition, in order to promote further green investments, Italy approved the Decree Law No. 111/2019 (Climate Decree) then transformed by Parliament in the Law No.141/2019, an urgent measure concerning all sectors assumed vulnerable to climate change, which has introduced measures to encourage environmentally virtuous behaviours and actions. Among these, it is worth mentioning two initiatives: the transformation of the Inter-ministerial Committee for Economic Planning (CIPE) into the Inter-ministerial Committee for Economic Planning and Sustainable Development (CIPESS), in order to enhance environmental aspects in economic and financial policy decisions and the establishment of “Environmental Economic Zones”.

According to article 4-ter of Climate Law, each national park has been transformed into an environmental economic zone (ZEA). The ZEA provides for forms of economic support to companies that carry out entrepreneurial activities or investments aimed at promoting the fight against climate change, energy efficiency, circular economy, protection of biodiversity and social and territorial cohesion.

This rule allows to enhance the value of the Parks as attractors of green investments, combining the promotion of ecosystems with the relaunch of entrepreneurial activities, in order to promote the ecological transition.

To date, Italy has been at the forefront of the sustainable finance market, mainly through its leading Green and Social Bond Issuers in the public and private sectors. The growth in private-sector issuance of Green Bonds means that corporate Green Bonds are fast becoming an important segment of the Italian bond market. At the end of 2020, this category reached over 15 billion Euro outstanding. If one looks at all sustainable bonds issued in Italy, the total volume of issuance in 2019 and 2020 exceeds 20 billion Euro (more than 12 billion Euro in 2019 and more than 8 billion Euro in 2020).

The Republic of Italy now wishes to foster a partnership between the public and private sectors to further develop the supply of sustainable finance. To that end, initiatives are being taken by: (1) the Government, through the implementation of the Non-Financial Reporting Directive and the issuance of SGB, for example; (2) the Bank of Italy, through favouring greater purchases of green assets; and, (3) Borsa Italiana, through listing climate-friendly and social bonds.

Moreover, all future Green Bonds issued under this framework will be also listed and traded on Italian regulated markets for government securities such as MTS Italy and MOT (Borsa Italiana).

## 1.2 Reasons for the issue of SGBs and establishing the SGB Framework

The Republic of Italy has decided, through the Budget Law for 2020, to extend its commitment to the environment by issuing SGBs. This document (hereinafter the "Framework") collects and summarises the characteristics of the SGBs that will be issued by the Italian Treasury, as well as the commitments that will be fulfilled in relation to the expenses in relation to which these bonds are issued and the related reports that will be made available.

This Framework aligns with the “Green Bonds Principles”<sup>9</sup> issued by the International Capital Market Association (ICMA) in June 2018 and, as much as possible, with the draft EU Green Bond Standard<sup>10</sup>.

<sup>9</sup> ICMA, 2018. Green Bond Principles. Available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>.

<sup>10</sup> EU Technical Expert Group on sustainable finance, 2020. Usability Guide EU Green Bond Standard. Available at: [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teg-green-bond-standard-usability-guide\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.pdf)

### **1.3 Environmental objectives pursued through the issue of Green Government Bonds**

Through the issue of SGBs, Italy will finance public expenditures intended to contribute to the achievement of one or more of the following environmental objectives of the EU Sustainable Finance Taxonomy:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control; and,
6. Protection and restoration of biodiversity and ecosystems.

The use of proceeds will help Italy support the 2030 SDGs, by contributing to:

- Goal 6: Clean Water and Sanitation;
- Goal 7: Affordable and Clean Energy;
- Goal 11: Sustainable Cities and Communities;
- Goal 12: Responsible Consumption and Production;
- Goal 13: Climate Action;
- Goal 14: Life below Water; and,
- Goal 15: Life on Land.



## Section 2: Selection and traceability of expenses eligible for the issuance of SGBs

---

**For the purpose of the Sovereign Green Bonds, an Inter-ministerial Committee (hereinafter "the Committee")<sup>11</sup> has been set up and it is responsible for setting out the information concerning expenses that will be eligible in relation to the issuance of SGBs (hereinafter "eligible expenses").**

The functioning of the Committee, which includes representatives from the Prime Minister Office, Ministries of the Environment, of Economic Development, of the Economy and Finance (who also acts as President and Secretary of the Committee), of the Infrastructures and Transportation, of the University and Research, of Tourism and Cultural Goods, of Agriculture, is governed by a specific Decree of the President of the Council of Ministers issued on the 9<sup>th</sup> of October 2020.

Regarding the process for the selection of the eligible expenses, the Department of the Treasury (MEF) identifies the set of potential expenses based on an initial screening of budget data received from the General Accounting Department (MEF); then bilateral interactions with the relevant Ministries are carried out to verify the eligibility of individual expenses. A portfolio of eligible expenditures is then shared with the Committee for information and review.

The traceability and verification of the selection and evaluation of the expenditures is ensured throughout the following process:

- The Committee is responsible for ensuring a correct monitoring of the effective use of the funds annually and throughout the lifetime of the bond. This entails both the traceability of the allocation of the proceeds and the monitoring of the continuing application of eligibility criteria throughout the lifetime of the bond.
- In case an expense is no longer compliant, the Committee will take action to replace that expense with another eligible expense.
- In case a legal controversy associated to an eligible expense is identified by the relevant Ministry, the MEF would start a specific analysis in cooperation with the relevant Ministry aiming at establishing whether that expense should be maintained or removed.

The eligibility of expenses will be assessed using the following three criteria:

- a. Significance of the contribution of the expense towards achieving one or more of the six environmental objectives (as identified in section 1.3 above);
- b. (In)significance of the contribution of the same expense towards hindering any of the six environmental objectives; and,
- c. Conformity with minimum social protection criteria of the legal framework within which the expense is made.

The Committee will also establish the process through which the State administrations responsible for managing the eligible expenses will provide the information needed for drafting the annual report described in Section 5 below.

---

<sup>11</sup> Established by art. 1, co. 93 of the Budget Law for 2020 and its implementing Decree.



## Section 3: Eligible green expenditures

---

### 3.1 Categories of eligible expenses

Eligible expenses must be included in the Italian State budget. **For each issuance under this Framework, eligible expenses will be selected from a period between three years before and one year after the bond issuance.**



Eligible expenses include tax expenses, capital expenditures, current expenses and transfers (such as subsidies) in favour of subjects external or internal to the public administration. They must be financed by general taxation and contribute to the achievement of the environmental objectives (as identified in section 1.3 above). The assets that are the object of the expenditure can be either tangible or intangible.



Eligible expenses also exclude expenses, or portions of expenses, for which the Italian State has dedicated forms of revenues or financing (such as the share of expenditure financed with the proceeds from the auctions of CO<sub>2</sub> emission quotas).

The SGBs' proceeds will benefit to private or public companies, public agencies, local authorities, education and research institutes, as well as by households. However, any of those expenditures already covered by the issuance of green securities is excluded from the Framework.

### 3.2 Types of eligible expenses

To be eligible under this Framework, expenses must fall within the definition of one of the Green Sectors below:

Green sector & EU environmental objective(s)	<b>1. Renewable electricity and heat</b>  <i>Climate change mitigation.</i>
Eligible Sub Categories	<p>Expenditures focused on the development of renewable and other low-carbon energies such as wind, solar, hydropower, geothermal, hydrogen and other (e.g. heat pumps).</p> <p>All assets have to respect a 100 gCO<sub>2</sub>e/kWh threshold.</p> <p>Hydrogen will be produced by the electrolysis with an average carbon intensity for producing the electricity that is used for hydrogen manufacturing that is at or below 100 gCO<sub>2</sub>e/kWh.</p> <p>This category excludes expenditures meant to produce energy from high carbon stock land, high biodiversity value land as well as conversion from forest and arable land.</p>
Objectives & examples of eligible expenses & indicative impact indicators	<p><b>Objective:</b> Enabling the transition towards a carbon neutral electricity grid and heating network through the development of renewable and other low-carbon energies such as wind, solar, hydropower, geothermal, hydrogen and other (e.g. heat pumps).</p> <p><b>Example of eligible expenses:</b></p> <ul style="list-style-type: none"> <li>• Expenses for supporting the production and distribution of energy from renewable sources</li> <li>• Tax expenses (e.g. deduction of investments or ancillary charges)</li> <li>• Non-repayable capital or interest subsidies</li> </ul> <p><b>Indicative impact reporting:</b></p> <ul style="list-style-type: none"> <li>• GHG emissions avoided (tCO<sub>2</sub>e)</li> <li>• Power capacity installed (MW)</li> <li>• Annual power output (MWh)</li> </ul>
UN SDG	<div data-bbox="582 1254 790 1467"> <b>7</b> AFFORDABLE AND CLEAN ENERGY   </div> <div data-bbox="798 1254 1005 1467"> <b>13</b> CLIMATE ACTION   </div>

Green sector & EU environmental objective(s)	<b>2. Energy efficiency</b> <i>Climate change mitigation</i>
Eligible Sub Categories	<p>Investment expenditures that bring at least a two levels improvement on the Italian energy efficiency scale.<sup>12</sup></p> <p>Smart grids to manage a higher renewable energy production will be considered and SF6 gas leakage prevention measures will be included.</p> <p>Eligible heating networks use at least 50% renewable energy, excluding biomass.</p> <p>Thresholds set by Law<sup>13</sup> are applied when selecting expenditures related to energy efficiency of buildings.<sup>14</sup></p>
Objectives & examples of eligible expenses & indicative impact indicators	<p><b>Objective:</b> Reducing primary and final energy consumption in public and private sectors with material potential for savings such as buildings, energy distribution and heating networks.</p> <p><b>Example of eligible expenses:</b></p> <ul style="list-style-type: none"> <li>• Tax expenses (e.g. deduction of investments or ancillary charges)</li> <li>• Tax allowances for energy efficiency measures</li> <li>• Non-repayable capital or interest subsidies</li> </ul> <p><b>Indicative impact reporting:</b></p> <ul style="list-style-type: none"> <li>• GHG emissions avoided (tCO<sub>2</sub>e)</li> <li>• Expected energy savings (MWh/year)</li> </ul>
UN SDG	<div data-bbox="584 1115 1011 1326"> <div data-bbox="584 1115 794 1326"> <b>7</b> AFFORDABLE AND CLEAN ENERGY   </div> <div data-bbox="798 1115 1011 1326"> <b>13</b> CLIMATE ACTION   </div> </div>

<sup>12</sup> <https://www.certificato-energetico.it/en/epc.html>

<sup>13</sup> <https://www.energiaenergetica.enea.it/media/attachments/2020/06/19/d.-lgs-n.-48-del-10-giugno-2020.pdf>




<sup>14</sup> [https://www.mise.gov.it/images/stories/normativa/DM\\_Linee\\_guida\\_APE.pdf](https://www.mise.gov.it/images/stories/normativa/DM_Linee_guida_APE.pdf)




Green sector & EU environmental objective(s)	<b>3. Transport</b> <i>Climate change mitigation</i>
Eligible Sub Categories	<p>Expenditures related to Railway and Road Public Transportation that comply with the following thresholds.</p> <ul style="list-style-type: none"> <li>For diesel passenger trains, emissions must be less than 50g CO<sub>2</sub>e per passenger-kilometer (gCO<sub>2</sub>e/pkm) until 2025 (subsequently only electric or hydrogen locomotives will be allowed). For freight trains, the emissions per tonne-kilometer (gCO<sub>2</sub>e/tkm) must be less than 50% of the reference average indicated in the "Heavy Duty CO<sub>2</sub> Regulation" and will be updated in 2025.</li> <li>For road related public transportation, expenditures related to the acquisition of new local Road Transport will follow the EU Directive on Alternative Fuels Infrastructure (DAFI) which requires that the energy supply of vehicles to be at least 25% from electricity, methane, liquified natural gas and hydrogen.</li> </ul> <p>Incentives for the acquisition of hybrid or electric cars by private individuals or companies are also included</p> <p>Expenditures related to Maritime Transport:</p> <ul style="list-style-type: none"> <li>expenditures for electrical infrastructures in ports to reduce ship fossil fuel use</li> </ul> <p>expenditures to finance maritime transport complying with the IMO legislation which requires (from 1 January 2020) the use of fuels for ships with a limit of 0.5% m / m to sulphur emissions<sup>15</sup>, the reduction of GHG emissions, and of CO<sub>2</sub> produced</p>
Objectives & examples of eligible expenses & indicative impact indicators	<p><b>Objective:</b> Supporting the modal shift towards sustainable modes of transport (i.e., public ground transportation, electric and hybrid vehicles) and supporting the development of inter-modality and public transport networks</p> <p><b>Example of eligible expenses:</b></p> <ul style="list-style-type: none"> <li>Contributions or non-refundable transfers to the operating account, capital account or interest account</li> <li>Tax expenses (e.g. deduction of investments or ancillary charges)</li> <li>Shore-to- ship power (SSP) port infrastructure to develop the cold ironing process</li> </ul> <p><b>Indicative impact reporting:</b></p> <ul style="list-style-type: none"> <li>Expected energy savings (MWh/year)</li> <li>GHG emissions avoided (tCO<sub>2</sub>e<sub>2</sub> per passenger/tonne-km)</li> <li>Number of electrical vehicles financed annually</li> </ul> <p>Kilometres of public transport constructed or renovated</p>
UN SDG	<div data-bbox="582 1590 790 1803">  </div> <div data-bbox="798 1590 1005 1803">  </div>

<sup>15</sup> <https://www.assagenti.it/it/news/16447/L%E2%80%99aggiornamento della disciplina normativa dell%E2%80%99Annex VI della MARPOL>; ISPRA, Relazione annuale sul tenore di zolfo dell'olio combustibile pesante, del gasolio e dei combustibili utilizzati per uso marittimo nel 2019, Roma 2020.

<p><b>Green sector &amp; EU environmental objective(s)</b></p>	<p><b>4. Pollution prevention and control and circular economy</b></p> <p><i>Sustainable use and protection of water and marine resources</i></p> <p><i>Transition to a circular economy</i></p> <p><i>Pollution prevention and control</i></p> <p><i>Protection, restoration and improvement of biodiversity, ecosystems and ecosystem services.</i></p>
<p><b>Eligible Sub Categories</b></p>	<p>Expenditures targeted to</p> <ul style="list-style-type: none"> <li>• promote sustainable consumption and production modes and aimed at developing pollution monitoring and control systems.</li> <li>• wastewater management</li> </ul> <p>Incineration, landfill, waste-to-energy and desalination assets are excluded from this category.</p>
<p><b>Objectives &amp; examples of eligible expenses &amp; indicative impact indicators</b></p>	<p><b>Objective:</b> Increasing efforts to reduce waste in sectors with high potential for recycling and transition to a circular economy (e.g. packaging, plastics)</p> <p><b>Example of eligible expenses:</b></p> <ul style="list-style-type: none"> <li>• Expenses for supporting water purification, sanitation, recycling, treatment</li> <li>• Expenses for collecting, treating and recycling waste</li> <li>• Expenses for reducing packaging or for reducing the related environmental impact, recycling goods and raw materials</li> <li>• Tax credit to incentivise an increased use of recyclable packaging</li> <li>• Tax credit for enterprises buying recycled and reused products</li> <li>• Tax expenses (e.g. deduction of investments or ancillary charges)</li> </ul> <p><b>Indicative impact reporting:</b></p> <ul style="list-style-type: none"> <li>• Volume of treated water (m<sup>3</sup>/year)</li> <li>• Volume of treated waste (m<sup>3</sup>/year)</li> <li>• Amount of recyclable goods produced (tons)</li> <li>• Amount of wastewater for reuse (%): Total volume of wastewater treated and reused / Total volume of wastewater treated</li> <li>• Amount of sludge used (tons/year) (%): t/year reused sludge / t/year produced</li> </ul>
<p><b>UN SDG</b></p>	<div> <div> <p><b>6</b> CLEAN WATER AND SANITATION</p>  </div> <div> <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>  </div> <div> <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  </div> <div> <p><b>14</b> LIFE BELOW WATER</p>  </div> </div>

<p><b>Green sector &amp; EU environmental objective(s)</b></p>	<p><b>5. Protection of the environment and biological diversity</b></p> <p><i>Adaptation to climate change</i></p> <p><i>Sustainable use and protection of water and marine resources</i></p> <p><i>Protection, restoration and improvement of biodiversity, ecosystems and ecosystem services.</i></p> <p><i>Protection of the environment and biological diversity.</i></p>
<p><b>Eligible Sub Categories</b></p>	<p>Expenditures focused on</p> <ul style="list-style-type: none"> <li>sustainable land use and protection as well as protection and restoration of terrestrial and marine biodiversity and ecosystems</li> <li>water collection and saving.</li> </ul> <p>Primary investments in the security of water supply. Expenditures on sustainable management of water resources</p> <p>Investments aimed at reducing losses in water distribution networks.</p>
<p><b>Objectives &amp; examples of eligible expenses &amp; indicative impact indicators</b></p>	<p><b>Objective:</b> Promoting biodiversity and natural landscapes such as sustainable land use and preservation of living natural resources</p> <p><b>Example of eligible expenses:</b></p> <ul style="list-style-type: none"> <li>Tax credit for certified organic agriculture (EU or Organic)</li> <li>Expenses for reforestation or protection interventions of forest and forestry, wildlife and fish heritage (e.g. Natura 2000)</li> <li>Expenses for the conservation and restoration of threatened marine, river and swamp ecosystems</li> <li>Expenses for protection interventions of the environmental heritage against fire, drought, floods</li> <li>Non-repayable capital or interest subsidies</li> <li>Tax expenses (e.g. deduction of investments or ancillary charges)</li> <li>Payments for ecosystem services</li> <li>Expenses for water collection and for supporting water-saving interventions;</li> <li>Expenses for monitoring water quality</li> </ul> <p><b>Indicative impact reporting:</b></p> <ul style="list-style-type: none"> <li>Hectares of sustainable agriculture</li> <li>Hectares of sustainable forest</li> <li>Number of Natura 2000 sites</li> <li>Hectares of protected areas restored / maintained</li> <li>Number of interventions on reservoirs and water supply systems and number of complex water systems whose safety is increased</li> <li>Restoration of reservoir storage capacity (m3)</li> <li>Number of interventions on water networks M1 indicators of water losses defined by the Italian Authority for the Regulation of Energy, Networks and Environment (ARERA). They are expressed in cubic meters/km/day and percentage of losses related to the total volume entering the aqueduct system</li> </ul>
<p><b>UN SDG</b></p>	<div> <div> <p><b>6</b> CLEAN WATER AND SANITATION</p>  </div> <div> <p><b>14</b> LIFE BELOW WATER</p>  </div> <div> <p><b>15</b> LIFE ON LAND</p>  </div> </div>



Green sector & EU environmental objective(s)	<b>6. Research</b> <i>All the objectives</i>
Eligible Sub Categories	<p>Expenditures on research projects on:</p> <ul style="list-style-type: none"> <li>linear to circular paradigm;</li> <li>policy measures to prompt the achievement of the UN SDG targets (such as policy tools related to nudging, subsidies, incentives schemes, public private partnership, etc.);</li> <li>innovative production processes to reduce water and carbon footprint;</li> <li>new technologies that help the preservation and enhancement of natural capital, biodiversity, and ecosystems;</li> <li>new technologies aimed at improving energy efficiency, weather forecast, meteorology and climatology.</li> </ul> <p>Expenditures related to climate research centres and institutes.</p>
Objectives & examples of eligible expenses & indicative impact indicators	<p><b>Objective:</b> Supporting knowledge production and technological innovation in all domains of the EU environmental objectives; Supporting Italian participation in international research projects connected to climate change, weather forecasts, sea and waters protections, and new sources of clean energy.</p> <p><b>Example of eligible expenses:</b></p> <ul style="list-style-type: none"> <li>Contributions or non-refundable transfers to the operating account, capital account or interest account</li> <li>Tax expenses (e.g. deduction of investments or ancillary charges)</li> <li>Expenses for financing research projects in the above eligible categories</li> </ul> <p><b>Indicative impact reporting:</b></p> <ul style="list-style-type: none"> <li>Number of funded projects</li> </ul>
UN SDG	

Furthermore, the Committee has worked to exclude from this Framework any expenditure mainly related to the following sectors:

- Exploration, manufacturing and transport of fossil fuels;
- Nuclear power (fission);
- Energy plants (including biomass) with CO<sub>2</sub> emission level of more than 100g CO<sub>2</sub>/kWh;
- Manufacturing and production of alcoholic beverages;
- Military contracts;
- Gambling;
- Arms manufacturing;
- Manufacture and production of tobacco products; and,
- Mining.

## Section 4: Use of funds raised through the issuance of SGBs

---

The SGB proceeds are treated exactly the same way as all other government securities, e.g., transferred to a general Treasury Cash account kept by the MEF at the Bank of Italy. Therefore, these proceeds and green eligible expenditures are tracked “virtually”, i.e., as an accounting entry initially credited with the bond amount and gradually debited as projects require funding. The actual transfers to the projects take place through the issuer’s own financial management system, with the virtual green account reconciling equivalent debits to the original bond amount.

Pursuant to Art. 1, par. 92 of the Budget Law for 2020, all expenditures in support of this programme that are incurred by central State administrations and meet the characteristics described in this Framework can be included by the Ministry of Economy and Finance among the expenses relevant to the issuance of SGBs, for an amount at least equal to that collected through the issuance of the Green Bonds (the net proceeds).

**The Republic of Italy plans to select the specific expenditures related to bonds issued (eligible portfolio) as soon as possible and in any case within six months after the issuance.**

**Moreover, the Republic of Italy is committed to allocate the net proceeds to the selected expenditures as early as possible, and in any case within 24 months (allocation period).**

The eligible portfolio will be bigger than the amount of the bond issuance to ensure that the balance of tracked net proceeds matches allocations to eligible expenditures and facilitate reallocation if needed. For example, in case of expenditure postponement, cancelation, divestment or ineligibility, the no longer Eligible Expenditure will be replaced by a new Eligible Expenditure within twelve months.



## Section 5: Reporting of eligible green expenses

---

### 5.1 The “Italian Sovereign Green Bond Allocation and Impact report”

A report, entitled the “Italian Sovereign Green Bond Allocation and Impact Report”, will be published annually.

This report will firstly show the allocation of proceeds arising from the SGBs issued in the previous year, as well as in the years prior to the last reporting year. It will include information on the progress of the disbursement of the proceeds, at least at the sector level, and will contain a summary sheet of the progress of the implementation of the financed interventions. Prior to publication, the report will undergo an independent and external verification.

The same report will provide information on the environmental impact of green expenditures. This information will refer to all expenditures that at the time of the release of the report have reached an implementation stage suitable to assess their environmental impact. The information above will be based on data and analysis provided by State administrations<sup>16</sup>, in order to ensure the effective monitoring of the impacts of the SGBs proceeds. This section of the report will also refer to the environmental objectives of regulation EU 852(2020) and it will provide information on contribution of each project to the indicators of sustainability and the achievement of the objectives.

The Table under section 3.2 of this Framework provides an indicative overview of the type of impact indicators that will be used to inform the environmental impact assessment of the SGBs.

The Report may also include:

- a description of the Green Projects;
- the Environmental Objectives pursued by the Green Projects;
- a breakdown of Green Projects by the nature of what is being financed (e.g. assets, capital expenditures, operating expenditures, etc.), the share of financing (i.e. the number of Green Projects financed after the bond issuance) and the share of refinancing (i.e. the number of Green Projects financed before the bond issuance); and,
- information on the methodology and assumptions used to evaluate impacts arising from the Green Projects.

The report will also be forwarded to the *Comitato Interministeriale per la Politica Economica e lo Sviluppo Sostenibile* (CIPESS) in its capacity as the body responsible to coordinate the national policy agenda for sustainable development.

### 5.2 Publicity of reporting

The above report, named the ‘Italian Sovereign Green Bond Allocation and Impact Report’ will be published in English on the website of the Ministry of Economy and Finance.

---

<sup>16</sup> In accordance with Art. 1, par 94 of the Budget Law for 2020 and the relevant implementing Decree.

## Section 6: Second opinion on the Framework

---

This Framework received an external review from Vigeo Eiris. The Framework and any external review report will be available at the following address: [http://www.dt.mef.gov.it/en/debito\\_pubblico/presentazioni\\_studi\\_relazioni](http://www.dt.mef.gov.it/en/debito_pubblico/presentazioni_studi_relazioni) before or at the time of the first issuance.

**This review constitutes an ex ante validation of the consistency of the approach used in this Framework with the environmental objectives of the Republic of Italy, as well as conformance of this Framework with ICMA's Green Bond Principles. This Framework will also be verified against the EU Green Bond Standard, which is currently under development by the European Commission, when finalised.**

## **Section 7: Validity of the Framework**

---

This Framework will be reviewed on a regular basis, including its alignment to updated versions of the Green Bond Principles, the EU Taxonomy for Sustainable Activities and, when it becomes available, the future EU Green Bond Standard. Any updates to this Framework will be clearly marked by a version control system and it will undergo the same external review as the initial version.

Any future versions will be published on the website of the Ministry of Economy and Finance and will replace this Framework. Unless otherwise indicated, any changes will only affect subsequent bond issuances.

## Section 8: Legal status and documentation of Italian Sovereign Green Bond issue

---

The assets financed by the State against the issue of green government securities do not constitute any type of guarantee in favour of the investor. Investors in Italian Green Bonds will not bear any project-related risks in respect of Eligible Green Projects. The Italian SGBs will rank *pari passu* with each other and with other Italian Government securities.

In all the documents announcing the issuance or reopening of an Italian SGB (whether this will take place through a syndicated format or an auction) as well as the related results, the Republic of Italy will specify that the expenditures equivalent to the net proceeds of the issue are included in the Italian Budget Laws for the years indicated in this Framework (SGB Framework) and to the six categories listed in par. 3.2 above. The same information will be included in the Issuance Decree of the bond and in the additional offering documentation, if any.