



April 29, 2025

Green Bond Framework for the third Green Bond of the State of Hesse

„We preserve an environment worth living in for future generations and protect the climate and nature. We do not play economy and ecology off against each other, but rather but combine the two - with innovation instead of ideology, with incentives instead of prohibitions. We invest in modern energy technologies, bring decentralised and renewable energies to the decentralised and renewable energies and actively support research into sustainable energy sources of the future. “

(Page 5 of the coalition agreement between CDU Hesse and SPD Hesse
for the 21st legislative period)

This framework represents a further development of the framework dated April 28, 2023 and applies exclusively to the third Green Bond of the State of Hesse. The framework dated April 28, 2023 continues to apply to the Green Bond issued in 2023. The framework dated April 28, 2021 continues to apply to the Green Bond issued in 2021.

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1 Climate protection targets of the State of Hesse

The State of Hesse (hereinafter "Hesse") regards climate protection to be an essential part of its policy. The principle of sustainability is anchored in the state's constitution as a central goal for the state's conduct (Staatsziel). With that, Hesse is pursuing its sustainable development with the ultimate goal for its preservation for current and future generations. Climate and environmental protection as well as sustainability are therefore the main criteria for the selection of Hesse's expenditures when it comes to assignment to its sustainable bonds.

In addition to creating an ecologically sustainable and energy-neutral working environment for its employees, Hesse has set itself the goal of making its policies ecologically sustainable for its citizens. By financing corresponding expenditures, Hesse wants to actively contribute to the reduction of greenhouse gases and CO₂ emissions and fulfil its responsibility towards its employees, citizens and society.

Since the issuance of the largest green benchmark bond of a German federal state to date in 2021, Hesse is taking a pioneering role among the German states in issuing Green Bonds. In 2023 Hesse issued the largest Green benchmark bond of a European region at the time. As one of the economically strongest federal states, Hesse is committed to its leadership in Europe, inspired by the EU-Strategy for sustainable growth (European Green Deal¹) and the Green Twin Bonds issued by the Republic of Germany.

Climate change is one of the biggest challenges of this century. With the international treaty on climate change adopted on December 12, 2015 at the COP21 (21st Conference of the Parties)² in Paris and various regional initiatives, a total of 197 countries, led by the United Nations, the European Union and the Federal Republic of Germany, have taken decisive steps to fight climate change.

1.1 Hessian economy: Facts and figures

Hesse is one of the 16 German states with 6.39 million inhabitants. The gross domestic product (GDP) of the state amounts to around 351 billion euros (2023) and thus exceeds the GDP of Finland. With a GDP of 54.810 euros per inhabitant, Hesse ranks between the Netherlands and Austria in an EU comparison. Hesse receives 17.6 percent of all foreign direct investments (FDI) in Germany.

Frankfurt am Main, the largest city in Hesse, is the financial centre of continental Europe with around 250 credit and insurance institutions, including the headquarter of the European Central Bank (ECB), the Single Supervisory Mechanism (SSM), the Authority for Anti-Money Laundering (AMLA) Deutsche Bundesbank, Deutsche Börse, the European Exchange (EUREX), the Leibnitz Institute for Financial Market Research and the International Sustainability Standards Board (ISSB).

Hesse is also a hub of European information and communication technology with 122,000 employees, 10,000 companies and a turnover of 40 billion euros (focus on corporate software, data centres and data security). The German Commercial Internet Exchange (DE-CIX) is an internet exchange point based in Frankfurt, which is the largest in the world in terms of data

¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_de

² https://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

throughput. Additionally, the satellite control centre of the European Space Agency (ESA) is located in Darmstadt.

Hesse is also an important location for creative industries such as advertising and marketing, public relations, press and film (17,600 companies with around 127,000 employees and sales of 15.4 billion euros). Frankfurt is outstandingly rich in tradition as a trade fair location in Germany and one of the most important trade fair locations in the world. Messe Frankfurt (Frankfurt Trade Fair) has one of the largest exhibition grounds in the world and usually hosts over 340 events (trade fairs, congresses / meetings, concerts, sporting events, etc.) every year.

In addition, Hesse is an important location for the pharmaceuticals industry. Hesse's most important export goods are from the chemical and pharmaceutical industry (31,9 % of Hesse's exports by volume).

1.2 Hesse's sustainability strategy

Hesse has had a sustainability strategy since 2008 and has been continuously developing its goals since then. The sustainability strategy of the state of Hesse is now firmly established under the motto "Hesse sustainable - learning and acting for our future". It organises dialogue-oriented processes with many people from business, science, administration, politics and society and initiates joint activities for a sustainable Hesse. In this context, the principle of sustainability must be taken into account in all decisions and actions of politics and administration in the city and state, thereby securing the future of the state ecologically, economically and socially. This has been stated in Article 26c of the Hessian Constitution since 2018.

The Hessian Alliance for Sustainability adopted a mission statement for the sustainability strategy in 2020. The mission statement includes 22 guiding principles, with which it transfers the global sustainability goals of the United Nations to Hesse and picks up on the target indicators of the sustainability strategy. The regularly published progress reports show where the state of Hesse stands on the path to sustainable development and which actions and measures contribute to achieving the goals. The last progress report was published in December 2022³ with a supplementary edition in December 2023⁴. The next progress report will be published in 2025.

In 2015, the Hessian state government committed to achieving climate neutrality as a long-term climate protection goal. As part of Hesse's sustainability strategy, the state government decided to define climate protection and climate change adaptation as a priority topic in 2015. In March 2017 the cabinet adopted the Integrated Climate Protection Plan Hesse 2025 (ICPP 2025)⁵, which includes 140 measures for climate protection and climate change mitigation.

In 2019, it was decided to reduce Hesse's greenhouse gas emissions by 55 percent by 2030, and by at least 90 percent by 2050, compared to the 1990 baseline level. The Climate Plan Hesse supports the EU and federal government's climate policy with Hesse's legally available resources including various measures aimed at promoting the implementation of federal and EU climate protection requirements in Hesse. In 2021, the greenhouse gas neutrality target

³ https://statistik.hessen.de/sites/statistik.hessen.de/files/2022-12/Hessen_nachhaltig_2022.pdf

⁴ https://www.hessen-nachhaltig.de/files/content/downloads/ziele_und_indikatoren/Hessen_nachhaltig_2022_Erg%C3%A4nzungsausgabe.pdf

⁵ https://lehrkraefteakademie.hessen.de/sites/lehrkraefteakademie.hessen.de/files/2022-12/integrierter_klimaschutzplan.pdf

was brought forward from 2050 to 2045, being in line with the federal government's target. The Hessian Act on the Promotion of Climate Protection and Adaptation to the Consequences of Climate Change (Hessisches Klimagesetz - HKlimaG) of 2023 provides for Hesse's contribution to limiting the rise in the average global temperature to well below two degrees Celsius, if possible 1.5 degrees Celsius, compared to pre-industrial levels. The law also sets stricter targets for reducing greenhouse gas emissions compared to 1990 levels. By 2030, a 65 percent reduction compared to 1990 levels is envisioned, while a new target is to reduce greenhouse gases by at least 88 percent by 2040 compared to 1990. Net greenhouse gas neutrality is to be achieved by 2045 at the latest and negative greenhouse gas emissions are the target after 2050⁶.

The new Climate Plan Hesse⁷ was adopted by the Cabinet in January 2023 and, in accordance with § 4 of the HKlimaG, serves to achieve the climate policy goals in Hesse. The new Climate Plan sharpens climate protection and climate change adaptation measures and sets the necessary path towards greenhouse gas neutrality by 2045. The Climate Plan Hesse contains 57 new measures and addresses all relevant fields of action. These measures complement those already underway and, in some cases, already completed in the ICPP 2025, which is now being superseded. The Climate Plan Hesse will run until 2030. Every five years, a monitoring and projection report will evaluate the implementation success of the Climate Plan Hesse (§ 9 HKlimaG). In case of target deviations according to the HKlimaG, further measures for the necessary path correction will be implemented.

Furthermore, a sophisticated environmental management system in accordance with the EMAS (Eco Management and Audit Scheme) standard is applied and continuously developed in four departments in the Finance Ministry's business area, including the Ministry of Finance as the first Hessian ministry. In 2024, two further departments began introducing the environmental management system, the application of which will be extended to even more departments in the future, not least due to the Energy Efficiency Act (EnEfG), which came into force in 2023. It serves to improve environmental performance in general and thus also contributes to the goal of greenhouse gas neutrality. By analysing environmental data on a site-specific basis, quantifiable targets can be set at site level and backed up with measures.

Hessian universities also create scientific, economic, social and cultural innovations and knowledge that support sustainable social development. By the end of the term of the Hessian Higher Education Pact 2021-2025⁸, the universities have set themselves the goal of achieving a real and sustainable reduction in greenhouse gas and CO₂ emissions (CO₂ equivalents) of at least 2 percent per year or at least 10 percent through operational and organisational measures alone, amounting to a total of at least 10,000 tonnes of CO₂. In May 2024, the university managements, together with the Hessian Minister of Science and Research, Art and Culture, began negotiations on the Higher Education Pact 2026 - 2030. The state is also working together with the municipalities in the 'Hessen aktiv: Die Klima-Kommunen' alliance. After all, climate protection can only succeed through action at all political levels, especially as the municipalities are the state's most important partners for local implementation. There are now 399 Hessian municipalities represented in the alliance.⁹

In fall 2022, the Hessian Energy Act (HEG) was amended and updated with the aim of advancing the energy turnaround and thus further reducing emissions. Accordingly, renewable

⁶ <https://www.rv.hessenrecht.hessen.de/bshe/document/jlr-KlimaSchGHEp7>

⁷ <https://www.klimaplan-hessen.de/>

⁸ <https://wissenschaft.hessen.de/studieren/hessens-hochschulstrategie/hessischer-hochschulpakt>.

⁹ <https://www.klima-kommunen-hessen.de/startseite.html>.

energies are given special status and, according to Section 1 (5) HEG, are "in the overriding public interest and serve public safety". This facilitates approval and enforceability in court proceedings. Above certain usable areas, photovoltaic systems must be installed on state-owned properties, but also in new parking lots. The Energy Act also requires cities and municipalities with 20,000 or more inhabitants to draw up municipal heating plans. This is intended to secure the energy supply and enable a more efficient and climate-neutral heat supply in the long term.¹⁰

The Centre for Climate Change and Adaptation of the Hessian State Agency for Nature Conservation, Environment and Geology¹¹ investigates climate change and its consequences for Hesse in numerous projects and provides suitable information and advisory service on measures for climate change adaptation to different target groups. The State Energy Agency¹² takes over central tasks in the implementation of the energy transition and climate protection on behalf of the Hessian state government. The state's climate support directive¹³ supports municipalities in implementing their climate protection and adaptation measures. With the CO₂-neutral state administration project, the state government has set itself the goal to become climate-neutral by 2030.¹⁴ This goal is also enshrined in law with the Hessian Climate Act.

The Hessian state government is a member of „Under2 Memorandum of Understanding“¹⁵. The signatories, including regions and municipalities, work together on solutions for climate protection. The Hessian Minister for Environment and Climate Protection Priska Hinz signed the Memorandum of Understanding for Hesse on December 9, 2015 at the Climate Change Conference in Paris.

The coalition agreement between CDU Hessen and SPD Hessen for the 21st legislative period says:

‘We are preserving an environment worth living in for future generations and protecting the climate and nature. We do not play economy and ecology off against each other, but combine the two - with innovation instead of ideology, with incentives instead of prohibitions. We are investing in modern energy technologies, bringing decentralised and renewable energies to the area and actively supporting research into sustainable energy sources of the future.’¹⁶

1.3 Green and Sustainable Finance

Hesse considers green and sustainable finance as a key driver in the transition towards a more sustainable economy. The Hessian state government wants to support that capital flow from the private sector towards climate-friendly and sustainable economic activities. Therefore, Hesse is engaged in the Green and Sustainable Finance Cluster Germany e.V.¹⁷, the central financial market initiative in the field of green and sustainable finance, which Hesse launched in 2017 together with actors from academia and the financial industry and is supported by leading financial market participants.

¹⁰ <https://www.rv.hessenrecht.hessen.de/bshe/document/jlr-EnGHE2012rahmen>.

¹¹ <https://www.hlnug.de/themen/klimawandel-und-anpassung>.

¹² <https://www.lea-hessen.de/>.

¹³ <https://umwelt.hessen.de/klimaschutz/klimarichtlinie>.

¹⁴ <https://co2.hessen-nachhaltig.de/>.

¹⁵ <https://www.under2coalition.org/under2-mou>.

¹⁶ Koalitionsvertrag zwischen CDU Hessen und SPD Hessen für die 21. Legislaturperiode, S. 5.

¹⁷ <https://gsfc-germany.com/>.

The Green and Sustainable Finance Cluster Germany is intended to drive the transformation process towards a "green and sustainable economy" by bringing together the various players in Frankfurt's financial centre and providing targeted support on sustainability and climate-related issues. This will also further the urgently needed transformation of the real economy.¹⁸

On a national level, the management of the cluster is an active member of the advisory board of the federal government and advises it on the development and implementation of Germany's Sustainable Finance Strategy. At the European level, the cluster participated through the Technical Expert Group in the drafting of recommendations provided to the EU Commission on the design of the EU taxonomy, an EU-wide classification system to clearly categorise economic activities as environmentally sustainable. At the international level, the cluster is a member of the international network of Financial Centres for Sustainability.

In addition, the cluster does important practice-relevant work to support companies in their transformation. It is worth to highlight the guidance on TCFD¹⁹ provided by the cluster, which supports financial institutions in designing their business models to become more future-oriented and crisis-resilient by taking climate risks and opportunities into account²⁰. It also acts as a platform for the implementation of the climate protection commitment²¹, helping players of the German financial sector to align their product and service portfolio with targets on climate change. In addition, the cluster focuses on the development of the infrastructure for sustainable finance data and foster the dialogue with the real economy.

Another achievement of the state government in building a successful ecosystem for sustainable finance was the recent establishment of the International Sustainability Standards Board (ISSB)²² in Frankfurt. With the support of the G20 countries, the ISSB has set itself the task of developing uniform, global basic standards for corporate sustainability reporting. In the future, companies will be able to report on the sustainability aspects of their activities on the basis of these standards. The location of the ISSB's key site in Frankfurt will further strengthen the international importance of the financial centre.

In order to make provisions for the future growing burdens in the area of pensions for civil servants in the state, Hesse set up the special pension reserve in 1999, the so-called Hesse retirement savings book. Since 2005, in addition to the statutory allocations, the state has been making voluntary allocations from the state budget to gradually build up a partially funded civil servant pension scheme. Hesse pursues a sustainable investment strategy when investing the state's pension reserve. Since 2012, the composition of the equity portfolio has been based on a sustainable equity index. In 2019, the requirements for equity investments were further tightened and, among other things, the extraction of fossil fuels was excluded. The proportionate carbon footprint of equity investments was reduced by 75 per cent compared to 2012. In 2019, Hesse was the first federal state to join the UN Principles for Responsible Investment (UN PRI) with regard to the investments of the pension reserve. Since then, sustainability criteria have been successively developed for all asset classes (shares, property, government and corporate bonds). The share index was revised again in 2023 with the aim of also meeting the strict requirements of the Paris Climate Agreement (1.5-degree target) in

¹⁸ See request of the group of CDU and BÜNDNIS 90/DIE GRÜNEN in the State Parliament of Hesse, Drs. 20/8532 dated 24.5.2022.

¹⁹ Task Force on Climate-related Financial Disclosures.

²⁰ <https://gsfc-germany.com/tcfd/>.

²¹ <https://www.klima-selbstverpflichtung-finanzzsektor.de/>.

²² <https://www.ifrs.org/groups/international-sustainability-standards-board/>.

future. In future, the strictest European standard for climate-neutral financial investments (Paris Aligned Benchmark) will apply as the minimum sustainability requirement for investments.

1.4 Ecologically sustainable funding of Hesse

In addition, Hesse will continue to contribute to making its refinancing also ecologically sustainable. By issuing the third Green Bond, Hesse wants to meet the growing need of investors to invest financial resources in an ecologically sustainable way again. After all, investors have increasingly recognised risks resulting from environmental pollution and climate change and are increasingly taking this into account when making investment decisions. By issuing Green Bonds, Hesse tries to meet its policy goal of reducing global warming.

The applicable Green Bond Framework forms the basis for issuing the Green Bond in compliance with international climate standards. The updated Green Bond Framework for the third Green Bond intends to provide the desired and necessary transparency for this type of financial product to investors.

Based on this framework, Hesse is about to issue its third Green Bond. The bond proceeds will be allocated to eligible green expenditures, which comply with internationally recognised climate standards and address environmental issues. Details on eligible green expenditures and the Second Party Opinion are available on Hesse's website (<https://finanzen.hessen.de>).

Hesse has identified seven focus areas and ascribed strategic priorities to each of them:

- Eco-friendly public transport
- Measures concerning forests
- CO₂-neutral state administration / energy efficiency of public buildings
- Organic farming and nature conservation
- Climate Plan
- Sustainable (waste) water management
- Further climate and environmental protection measures

2 Presentation of the refinancing concept

By issuing the third Green Bond Hesse refinances itself retrospectively; the funds raised contribute to the financing of two budget years immediately preceding the respective issuance of (green) state treasury bills (expenditures 2023 and 2024). The proceeds from the issuance of the state treasury bills will be used within the framework of state's central debt management system, and the proceeds from the issue of the state treasury bills will contribute to the financing of the state budget as a whole. There is only a non-material assignment to eligible green expenditures corresponding to the amount of proceeds. This is in line with recognised market standards.

All state treasury bills issued as Green Bonds rank *pari passu* with any other conventional instrument of the respective asset class. These issued liabilities correspond to a sufficient volume of eligible green expenditures. Refinancing through the third Green Bond may only occur to the extent that the state has made eligible green expenditures.

3 Hesse's third Green Bond 2025

3.1 Use of Proceeds

3.1.1 Possible uses

Eligible green expenditures are expenditures out of Hesse's state budget which are considered ecologically sustainable ("green") due to their environmental or climate relevance in the seven focus areas (eco-friendly public transport, measures concerning forests, CO₂-neutral state administration / energy efficiency of public buildings, organic farming and nature conservation, Climate Plan, sustainable (waste) water management, further climate and environmental protection measures).

3.1.2 Exclusion of harmful expenditures

Expenditures for armaments, oil and coal as fossil fuels, shale gas / fracking, nuclear energy (e.g. production, transport, storage and power generation) or tobacco were and are excluded from being eligible.

3.1.3 Implementation of and orientation towards internationally recognised market standards

This Green Bond Framework is aligned with the internationally recognised market standards (Green Bond Principles [ICMA²³ GBP, 2021]²⁴) and includes the following four core components:

- (i) Use of Proceeds
- (ii) Process for Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting

In addition, the following key recommendations for heightened transparency are considered:

- (i) Green Bond Frameworks
- (ii) External Reviews




²³ International Capital Market Association.

²⁴ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf (with June 2022 Appendix).

Hesse supports the European Union's efforts in strengthening the foundations for sustainable investments. Key points of the EU Green Bond Standard²⁵ as well as the EU taxonomy for sustainable finance²⁶ have been considered when formulating this framework in order to also reflect the environmental goals of the EU taxonomy. Hesse will closely monitor further developments of the Green Bond Principles, the EU Green Bond Standard and the EU taxonomy for sustainable finance intensively and will take them into adequate consideration in future developments of the Green Bond Framework.





3.1.4 Mapping of eligible green expenditures








The following list of categories of expenditure is based on Hesse's strategic priorities of the seven focus areas. In addition, the Green Bond Framework takes into account the categories of the ICMA GBP, the United Nations Sustainability Development Goals (UN SDGs) as well as the EU Environmental Objectives:

Strategic priorities of the focus areas	Eligibility criteria	Description of eligible green expenditures
Eco-friendly public transport  ICMA GBP categories <i>Clean Transportation</i> UN SDGs  EU environmental objectives and corresponding activities <i>Climate change mitigation</i> <ul style="list-style-type: none"> - 6.1. Passenger interurban rail transport - 6.3. Urban and suburban transport, road passenger transport - 6.13. Infrastructure for personal mobility, cycle logistics - 6.14. Infrastructure for rail transport - 6.15. Infrastructure enabling low-carbon road transport and public transport 	<p>Expenditures to promote and to improve sustainable and environmentally friendly transportation systems</p> <ul style="list-style-type: none"> • Railways and passenger road transport, including the following areas: <ul style="list-style-type: none"> - Trains and passenger cars not directly causing CO2 emissions - Buses that do not cause direct CO2 emissions • Infrastructure intended for any of the following purposes: <ul style="list-style-type: none"> - Rail transport - Public and low-CO2 road transport - Active mobility <p>The infrastructure is not intended for the transport of fossil fuels</p>	<ul style="list-style-type: none"> - Financing of public transport associations to ensure comprehensive passenger transport in Hesse - Financing of specific public transport projects (e.g., station modernization, rail network expansion) - Expenditures to promote more climate-friendly means of transport and its usage (e.g., job tickets, student tickets) - Funding and promotion of municipal measures to improve infrastructure for pedestrian and bicycle traffic
Measures concerning forests  ICMA GBP categories <i>Environmentally sustainable management of living natural resources and land use</i> UN SDGs	<p>Expenditures promoting reforestation and restoration of forest damage in order to strengthen the climate resilience of Hessian forests</p> <ul style="list-style-type: none"> • Sustainable forest management in line with regional and national laws • Protection, conservation and restoration of biodiversity and ecosystems 	<ul style="list-style-type: none"> - Expenditures to finance the 12-point plan for the reforestation of Hessian forests and to restore forest damage - Expenditures for environmental protection in the state forest (e.g., for the preservation of species and development of biotopes)

²⁵ Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

²⁶ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

 <p>EU environmental objectives and corresponding activities</p> <p><i>Climate change mitigation</i></p> <ul style="list-style-type: none"> - 1.2. Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event - 1.3. Forest management <p><i>Protection and restoration of biodiversity and ecosystems</i></p> <ul style="list-style-type: none"> - 1.1 Conservation, including restoration, of habitats, ecosystems and species 		<ul style="list-style-type: none"> - Expenditures for nature conservation and landscape management in the national park - Expenditure on improving water retention in forests - Reforestation, pre-growing and substructure expenditure on site-appropriate flora
<p>CO2-neutral state administration / energy efficiency of public buildings</p>  <p>ICMA GBP categories</p> <ul style="list-style-type: none"> • Energy efficiency • Green buildings <p>UN SDGs</p>  <p>EU environmental objectives and corresponding activities</p> <p><i>Climate change mitigation</i></p> <ul style="list-style-type: none"> • 7.2. Renovation of existing buildings • 7.3. Installation, maintenance and repair of energy efficiency equipment • 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) • 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings 	<p>Expenditures to reduce energy consumption and emissions from public buildings</p> <ul style="list-style-type: none"> • Green buildings: <ul style="list-style-type: none"> - Energy-efficient refurbishments of university buildings should at least comply with the statutory standards for new buildings in accordance with the building energy act (Gebäudeenergiegesetz, GEG 2020). - Funding is also provided for the energetic modernization of municipal non-residential buildings that are in an energetically unsatisfactory condition, as well as for replacement new buildings and new buildings as model projects with particularly high energy standards (e.g., for existing buildings complying to the KfW Efficiency Building 100 standard or new building standard according to the GEG, or for new buildings, e.g., complying to the passive house standard). - Energy efficiency measures: investment measures to increase energy efficiency and innovative pilot and demonstration projects with particularly high energy standards are funded. 	<ul style="list-style-type: none"> - Expenditures to increase energy efficiency and to promote the use of renewable energy, as well as to promote energetic renovation of public buildings - Investment program to implement the goals of the Hessian Energy Act - Charging infrastructure for e-vehicles at national offices, construction of additional bicycle parking areas for bicycles and pedelecs - Installation of photovoltaic systems (PV systems) and solar thermal systems on roofs of state buildings
<p>Organic farming and nature conservation</p>  <p>ICMA GBP categories</p> <p><i>Environmentally sustainable management of living natural resources and land use</i></p>	<p>Expenditures to promote organic farming land</p> <ul style="list-style-type: none"> • Sustainable farming according to regional and national laws • Measures and advisory services to promote sustainable farming and climate friendly and organic practices 	<ul style="list-style-type: none"> - Expenditures to promote low-carbon farming and climate-friendly and organic practices - Expenditures to finance advisory and information events for low-emission farming and horticultural businesses

<p>UN SDGs</p>  <p>EU environmental objectives <i>protection and restoration of biodiversity and ecosystems</i></p>		
<p>Climate Plan</p>  <p>ICMA GBP categories</p> <ul style="list-style-type: none"> • Energy efficiency • Environmentally sustainable management of living natural resources and land use • Clean transportation <p>UN SDGs</p>  <p>EU environmental objectives</p> <ul style="list-style-type: none"> • Climate change mitigation • Protection and restoration of biodiversity and ecosystems 	<p>Expenditures to finance the Integrated Climate Protection Plan Hesse (ICPP 2025) and Climate Plan Hesse (2030) to achieve the climate targets and adapt to the consequences of climate change</p> <p>Measures:</p> <ul style="list-style-type: none"> • CO2-free electric mobility • Strengthening walking and cycling (Center of Excellence "School Mobility Management (Schulisches Mobilitätsmanagement)" and Working Group on Urban Mobility (Arbeitsgemeinschaft Nahmobilität AGNH)) • Biotope composite for climate-sensitive species 	<ul style="list-style-type: none"> – Projects for the development and ramp-up of electric drives in public transport – Expenditures for the creation of concepts and strategies in the field of sustainability and biodiversity – Projects to implement the local mobility strategy to strengthen pedestrian and bicycle traffic – Expenditures for ecological flood protection and floodplain restoration – Measures to preserve and further develop biotope network systems
<p>Sustainable (waste) water management</p>  <p>ICMA GBP categories</p> <ul style="list-style-type: none"> • Climate change adaptation • Sustainable water and wastewater management <p>UN SDGs</p>  <p>EU environmental objectives</p> <ul style="list-style-type: none"> • Climate change adaptation • Sustainable use and protection of water and marine resources 	<p>Expenditures for the preservation and restoration of natural waters, improvement of the water quality and the development of flood protection</p> <ul style="list-style-type: none"> • Water and waste water management, including the below areas: <ul style="list-style-type: none"> - Infrastructure and technology for clean water and water efficiency - Infrastructure and technologies for waste water treatment - Construction or maintenance of water catchment and water and urban drainage infrastructure, including stormwater management and sewerage separation - Measures to protect and restore natural waters and ecosystems 	<ul style="list-style-type: none"> – Measures to preserve and restore natural waters – Expenditures for the development of flood risk management plans and the construction of appropriate protection systems
<p>Further climate and environmental protection measures</p>  <p>ICMA GBP categories</p> <ul style="list-style-type: none"> • Climate change adaptation • Energy efficiency • Clean transportation <p>UN SDGs</p>  <p>EU environmental objectives</p>	<p>Other expenditures related to environmental and climate protection in Hesse</p> <ul style="list-style-type: none"> • Consultancy services • Measures according to the Hessian Climate Change Directive • Gigabit infrastructure expansion • Support program "Energy Efficiency in Rental Housing (Energieeffizienz im Mietwohnungsbau)" (Promotion of investment projects - energy-efficient modernisation and climate-friendly new construction in rental apartment buildings) 	<ul style="list-style-type: none"> – Establishment of the State Energy Agency with the tasks of consulting, education and public relations on the topics of energy efficiency, renewable energies and climate protection – Expenditures related to climate protection (e.g. implementation of climate protection projects, promotion of climate analyses and studies) – Further development of the existing broadband infrastructure and creation of gigabit-capable infrastructures

<ul style="list-style-type: none"> • <i>Climate change adaptation</i> • <i>Climate change mitigation</i> 		<ul style="list-style-type: none"> – Expenditures for the support program „Energy Efficiency in Rental Housing (Energieeffizienz im Mietwohnungsbau)“
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Figure 1: Strategic priorities of the focus areas

3.2 Process for project evaluation and selection

In connection with the Hessian Green Bond, a so-called Interministerial Working Group (IMWG) has been established.

The IMWG combines expertise of multiple ministries and – chaired by the Hessian Ministry of Finance – consists of representatives from the debt management office as well as appointed ministerial representatives from the departments responsible for the respective relevant budget titles. They include:

- digitalisation / innovation
- economics / energy / transport / housing / rural area
- agriculture / environment / winegrowing / forestry / hunting / homeland
- interior / security / homeland protection
- science / research / arts / culture
- construction / finance

The IMWG makes relevant decisions including, among others, the validation of the Green Bond Framework for the third Green Bond of the State of Hesse, the assessment of the eligibility criteria as well as the selection of eligible green expenditures and the validation of the corresponding allocation and impact reports. The IMWG reviews eligible green expenditures in principle on an annual basis.

Employees of the debt management office record all necessary input on projects that were subject of the first and second Green Bond as well as on new projects with a particular scale of environmental expenditures received from the respective ministries and pre-screen past expenditures to determine their eligibility for the portfolio of eligible green expenditures in coordination with the IMWG. On that basis, the employees of the debt management office establish an initial list of potential eligible green expenditures. This list of green expenditures is reviewed by the IMWG and eligible green expenditures are selected based on the eligibility criteria defined for the use of proceeds in section 3.1 of this framework. In addition, the eligible green expenditures should be assignable to one of the ICMA GBP categories and the funded projects should contribute to at least one of the UN SDGs. The qualification of the use of proceeds as eligible green expenditures as well as the allocation to the respective sustainability field are recorded and managed by the State in an internal tabular overview. Apart from this, reference is made to the state budget.

3.3 ESG risk management

It should be emphasized that Hesse is bound by the legal obligation of the administration (Art. 20 Basic Law for the Federal Republic of Germany) to comply with national legislation as well as international standards and conventions, which require a minimum standard of environmental protection and social norms. These principles are taken into account when making budget expenditures. By doing so, the State of Hesse considers and manages potential environmental risks associated with the eligible green expenditures. The IMWG will also consider - if necessary - ESG controversies that could call into question the quality of the corresponding past-related Green Bond expenditures.

In addition, the international labour standards of the International Labour Organization (ILO) are an integral part of the EU legal system. Therefore, by complying with this EU legislative requirement, the eligible green expenditures of the State of Hesse also meet requirements for minimum social standards. The State of Hesse monitors the state's expenditures to ensure that they comply with existing laws and regulations and that they can achieve the intended environmental impacts.

In addition, the Public Corporate Governance Code (PCGK) of the State of Hesse²⁷ sets out key rules and recommendations for the control, management and monitoring of companies in which the State of Hesse holds a stake. These rules are based on statutory regulations and recognised standards of good and responsible corporate governance.

3.4 Management of proceeds

The Hessian Ministry of Finance is responsible for the issuance of the Green Bond. The allocation and monitoring of the proceeds is based on the state budget planning adhering to the principle of non-committed total coverage. This means that by virtue of the statutory principles all state income is used to cover all state expenditures and that all cash inflow is used to cover all cash outflow. The virtual allocation of the proceeds from the green state treasury bills to the eligible green expenditure is carried out by IMWG and recorded in an internal tabular overview.

All net proceeds raised through the third Green Bond of the State of Hesse will be allocated, as described in the appendix of the framework, towards eligible green expenditures made in 2023 and 2024 (look back period of two budget years).

The total amount of eligible green expenditures will exceed the total amount of net proceeds raised from the green issuance. A bond-by-bond approach is followed in managing the proceeds. Hesse intends to fully allocate the proceeds within one year after the issuance of the respective Green Bond. Unallocated proceeds will be managed according to the general liquidity guideline until full allocation. Eligible green expenditures can be added, revised, or replaced to the extent necessary as part of the allocation process.

Financing or funds from the EU and federal government are excluded from this framework and there is no double counting of Hesse's green expenditures.

²⁷ <https://finanzen.hessen.de/Ueber-Uns/Beteiligungen/Public-Corporate-Governance-Kodex>.

3.5 Reporting

Hessen will publish a Green Bond Report on its website (<https://finanzen.hessen.de>), which will be published annually no later than during the year following the issue until the bond proceeds have been fully allocated. The Hessian Ministry of Finance is responsible for the reporting provided to investors.

3.5.1 Allocation Reporting

Hesse is committed to provide a transparent reporting on the allocation regarding eligible green expenditures (allocation report). The allocation report will include details regarding the allocation of the Green Bond proceeds to the eligible green expenditures at project category level. The following information will be provided within the reporting: Allocated proceeds, unallocated proceeds, outstanding amount of green bond, and the contribution to the EU Environmental Objectives and UN SDGs.

3.5.2 Impact Reporting

The reporting will also contain a separate impact report, which will provide quantified assessed and published environmental impact metrics. The impact report may be valid for several years and may be updated if appropriate. It contains the allocation of the expenditures and impact metrics (CO2 savings or other climate-relevant impact figures) on an aggregated basis for each expenditure category. The impact report may include the following information: quantitative information on environmental impacts or relevant performance indicators (as exemplified on page 12), analytical reports on the environmental performance of the selected expenditure and the presentation of expenditures. Hesse takes into considerations, as much as possible, the recommendations of the guidelines from the ICMA Harmonized Framework for Impact Reporting (June 2023), as well as updates to this guideline.

<u>Strategic priorities of the focus areas</u>	<u>Impact and performance indicator (examples)</u>
Eco-friendly public transport	<ul style="list-style-type: none"> ▪ Train-km performance in local rail passenger transport ▪ Number of measures funded per year ▪ Number of issued state tickets per year ▪ Number of tickets sold per year
Measures concerning forests	<ul style="list-style-type: none"> ▪ Number of disbursed applications forest owners and timber marketing organizations (HVO) per year ▪ Amount allocated in EUR per ha operational area state forest ▪ Amount allocated in EUR per ha national park area
CO₂-neutral state administration / energy efficiency of public buildings	<ul style="list-style-type: none"> ▪ CO₂ savings in tons per year ▪ Number of measures funded per year ▪ Capacity in planning in kWp
Organic farming and nature conservation	<ul style="list-style-type: none"> ▪ Number of customer contacts per year ▪ Hectares of extensive grassland management per year (commitment area)
Climate Plan	<ul style="list-style-type: none"> ▪ Number of measures funded per year
Sustainable (waste) water management	<ul style="list-style-type: none"> ▪ Number of measures funded per year ▪ Length of developed waters in km
Further climate and environmental protection measures	<ul style="list-style-type: none"> ▪ Number of consultations per year ▪ Number of measures funded per year ▪ Percentage of households in Hesse with fiber optic connection (FTTB/H) with a performance of over 1.000 Mbit/s

Figure 2: impact- and output indicators

3.6 External review

For the third Green Bond issuance, Hesse has again engaged an independent provider to prepare an external review on its Green Bond Framework prior to the issuance. This Second Party Opinion (SPO) is published on the website of the State of Hesse (<https://finanzen.hessen.de>).

4 Conclusion

Hesse is aware of the influence of its actions on the environment and climate protection as well as its responsibility for society and its future. The issuance of Green Bonds is a manifestation of this responsibility. Durch die Finanzierung Geeigneter Grüner Ausgaben in den Bereichen Umweltfreundlicher ÖPNV, Maßnahmen für den Wald, CO₂-neutrale Landesverwaltung / Energieeffizienz öffentlicher Gebäude, Klimaplan, Nachhaltiges (Ab-)Wassermanagement, Ökologische Landwirtschaft und Naturschutz, Weitere Klimamaßnahmen und Umweltschutzmaßnahmen mithilfe der Emission der Grünen Anleihe unterstützt Hessen als Multiplikator alle staatlichen und gesellschaftlichen Ebenen. Hessen fördert messbar die Reduzierung der CO₂-Emissionen und das umweltbewusste Verhalten in der Gesellschaft. Das Rahmenwerk für Grüne Anleihen schafft die von Investoren geforderte Transparenz.

Appendix 1: Breakdown

The following breakdown of eligible green expenditure is based on the strategic priorities of the focus areas:

in €m	2023	2024
Expenditures	Expenditures	Expenditures
Eco-friendly public transport	634.01	672.43
Measures concerning forests	71.63	56.95
CO2-neutral state administration / energy efficiency of public buildings	46.53	57.08
Organic farming and nature conservation	8.23	9.04
Climate Plan	13.63	16.62
Sustainable (waste) water management	26.4	28.2
Further climate and environmental protection measures	66.78	106.71
Eligible green expenditures made	867.21	947.03
Total		1,814.24

Table 3: Breakdown by strategic priorities of the focus areas

Appendix 2: Disclaimer

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The Hessian Green Bond is not an EU Green Bond standard instrument. It is aligned with the ICMA Green Bond Principles at the time of issuance of the State Treasury Bond, but not necessarily in any further development. The SPO's peer review of the Green Bond Framework is no guarantee or assurance with regard to any specific status or understanding on the part of the investor regarding the question what constitutes a Green Bond. The SPO is not, and shall not be deemed to be, a part of this document. The SPO is no recommendation to buy, sell, or hold State Treasury Bonds. Currently, providers of these types of assessments and certifications are not subject to any specific regulation, another regime or another supervision. Potential investors must determine for themselves the relevance of the SPO and/or the information contained therein and/or the provider of the SPO for the purpose of investing in State Treasury Bonds.

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