



Public issuers' frameworks for green, social, and sustainable bond issuances

FOUR YEARS OF BOND ISSUANCE IN EUROPE – EXPERT ANALYSES

February 2025

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1. Executive summary: public issuers, a key role in upgrading the green, social, sustainable bond markets in Europe

In recent years, the European public sector has played a prominent role in scaling up the Green, Social, and Sustainable (GSS) bond market, reflecting both increasing investors' demand for impact-driven instruments and strong policy support for sustainable finance.

Issuers such as municipalities, regions, public services and development banks are leveraging GSS bonds to finance projects that address environmental and social challenges, ranging from renewable energy infrastructure to affordable housing and healthcare. And thus, in return, are positively impacting the development of sustainable finance.

However, while GSS bonds are a key contribution to the development of this market, the quality itself of these issuances can differ.

EthiFinance is regularly mandated by European public issuers for Second Party Opinions on their issuance frameworks and thus well positioned to investigate this issue. Our report presents the analysis of several dozens of frameworks published by local public issuers (local authorities, public services and public financial institutions) in Europe between 2021 and 2024 on the quality of the various issuance frameworks.

The results of this research are clear: The quality of the public issuers' frameworks has steadily improved in recent years, in terms both of accuracy and relevance. This increased transparency and an enhanced quality are key levers of confidence for investors.

Given the current macro-economic and geopolitical landscape and the associated uncertainties facing sustainable finance, the commitment of public issuers therefore appears to be a crucial pillar for the medium-term solidity of these markets.

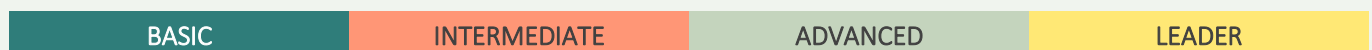
For this study, EthiFinance has analysed the frameworks of green, social and sustainable (GSS) bond issuances from public institutions in Europe (*see 2.A Sample*) between 2021 and 2024, according to an analytical grid focusing on two key aspects:

- 1) **Alignment of the framework with the ICMA Principles** - As a reminder, the ICMA Principles consist of four main pillars:
 - Use of Proceeds:** the funds must be used for eligible green/social/sustainable projects, with clear environmental/social benefits.
 - Project's Evaluation and Selection:** the issuer must disclose the projects' selection criteria and process, along with actions taken to mitigate social and environmental risks.
 - Management of Proceeds:** the funds must be monitored in a transparent manner, ideally with external controls.
 - Reporting:** issuers must report annually on the use of funds and the environmental impact of the projects financed

2) **Assessment of the level of impact of the financed project(s)**

(*See 2.B. Methodological Approach*)

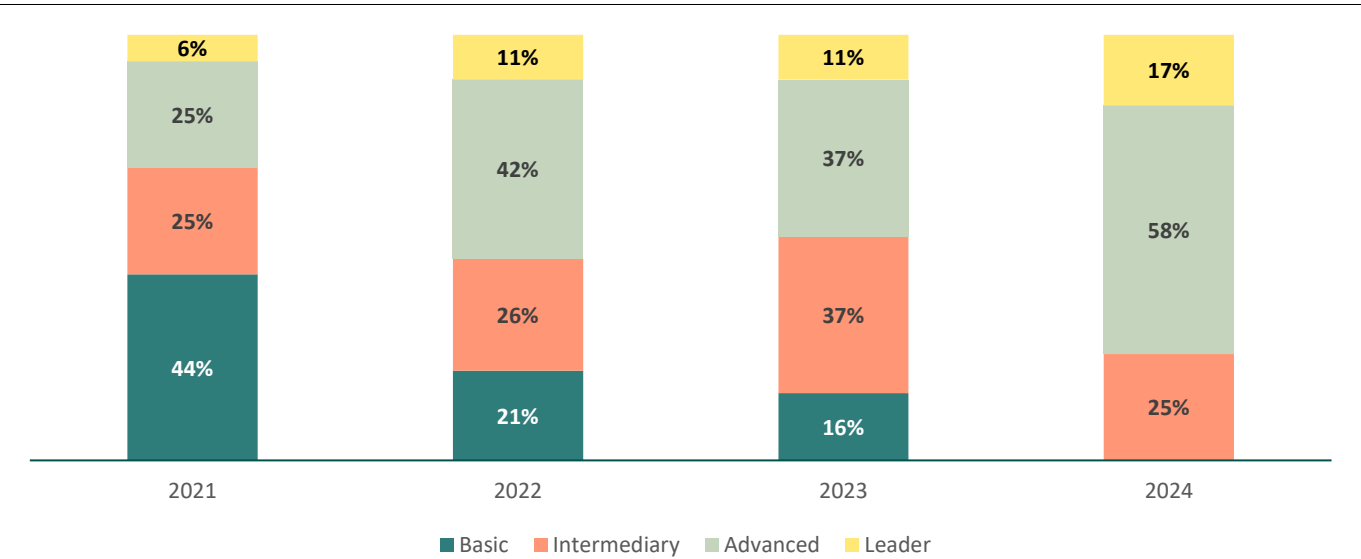
EthiFinance ranked these frameworks on a quality scale, categorizing them as:



KEY TAKE-AWAYS

The quality of GSS bond frameworks has significantly improved over the years. In 2024, frameworks with “basic” quality level have disappeared, with the majority now categorized as "advanced" or "leader". The average quality level of GSS bond frameworks from European public institutions, based on the ICMA Principles, has risen to 56/100 in 2024. However, quality levels still vary across different ICMA pillars.

Evolution of the level of frameworks’ quality

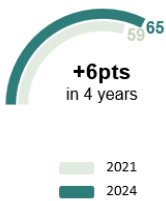


Use of proceeds: Enhanced project descriptions

This pillar concerns the expectation of clarity in the description of the projects funded and expected benefits.

The Use of Proceeds (UoP) pillar saw an average quality score increase from 59/100 in 2021 to 65/100 in 2024. Most frameworks now provide detailed and clear project descriptions and align with ICMA categories contributing to social and/or environment objectives.

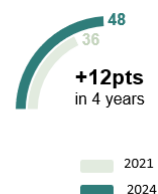
Refinancing is still prevalent in 94% of frameworks and improvements in defining look-back periods have driven up the quality level of frameworks. In 2024, 50% of all the frameworks had a look-back period of 12 months or less.



Selection and evaluation process: Inclusion of ESG experts in project selection committees

In this pillar, issuers are expected to outline the process by which they determine how the projects fit within the categories of eligible projects described in the UoP pillar.

Although it is currently the lowest scored ICMA pillar in this survey, it has improved from a score of 36/100 in 2021 to 48/100 in 2024. EthiFinance has noted progress in two key areas: 75% of issuers now address social and environmental risk management (up from 13% in 2021), and 80% of project selection committees include ESG experts, compared to 56% in 2021.

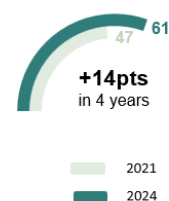


However, there is room for improvement, as only 30% of issuers monitor controversies during project lifetimes, and only 12% conduct external audits of their evaluation and selection processes, with no notable increase since 2021.

Management of the funds: Significant improvement in traceability

This pillar ensures that funds from GSS bonds are allocated strictly to eligible projects, with traceability in tracking and management of the funds.

The average score rose from 47/100 in 2021 to 61/100 in 2024, as 86% of issuers now specify fund-tracking methods, and 53% have shifted to dedicated portfolios since 2023. Transparency in allocation periods also improved, with 58% of issuers meeting ICMA's recommended 12-month period, up from 38% in 2021.



However, only 25% of issuers commit unallocated funds to SRI or ESG accounts, though this has doubled since 2021. While 58% indicate having reallocation plans in case of divestment, only 17% provide details on their reallocation plan. Additionally, 67% now commit to annual external fund verification, up from 50% in 2021.

Reporting: Steady progress in market practices

The reporting pillar requires annual updates on GSS bond proceeds allocation and impact reporting.

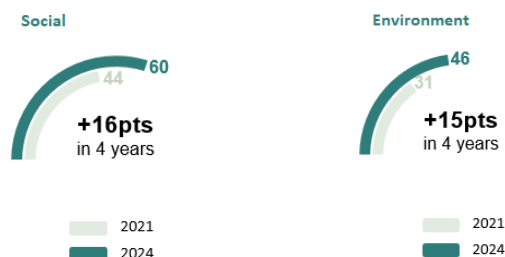
This pillar's score rose slightly from 48/100 in 2021 to 50/100 in 2024. In 2024, 97% of issuers commit to producing annual fund allocation and impact reports, often accessible directly on their websites. Although most issuers include allocation and impact indicators, only 11% provide detailed methodologies. External audits of reports doubled, rising from 25% in 2021 to 50% in 2024 while pre-validation of impact measurements by third parties remains rare (11%).



Social and environmental impact: Progress in impact reporting with limited target setting

EthiFinance has also evaluated the transparency (and clarity) over expected impact of eligible projects, both for social and green projects.

Both social and green frameworks have significantly improved over the years, with public issuers now being more transparent and increasingly planning to report the actual impacts of their projects.



There is generally strong transparency in social impact reporting, with 78% of social and sustainability frameworks identifying project beneficiaries and 87% defining impact indicators for at least some categories. In 2024, all social and sustainability bonds included indicators for every social category, but none set specific quantitative impact targets or trajectories.

Frameworks for green projects are increasingly integrating EU Green Taxonomy requirements, with 83% of issuers using its technical screening criteria for some or all projects in 2024, compared to 75% in 2022. Most public issuers disclose key performance indicators (KPIs) for green project impact assessments, but only one has disclosed quantified impact targets.

2. Sample and methodology

EthiFinance is one of the main European headquartered providers of second-party opinions (SPO) on green, social and sustainable (GSS) bond issuances¹. In this study, we have analysed the evolving commitments of public issuers active in the GSS bond market over the past four years. To achieve this, we have developed a comprehensive analytical grid to evaluate a selection of frameworks.

A. Sample

A1 - Sample definition

For our study, we have limited the analysis to public institutions (excluding corporates), the data for which is provided by the International Capital Markets Association (ICMA)². The analysed institutions are categorised as follows:

- Local authorities (cities, regions, etc.)
- Public services (hospitals, public railway companies, etc.)
- Public financial institutions (state-owned banks, development banks, etc.)

We have used the following criteria to select the frameworks associated with green, social and sustainable bond issuances by these types of institutions:

- Frameworks listed in the ICMA database and published between January 1, 2021, and August 6, 2024.
- Frameworks published by European institutions at large (including the EU, the UK, Switzerland and non-EU Nordics).

Based on these filters, our analysed sample includes 66 frameworks.

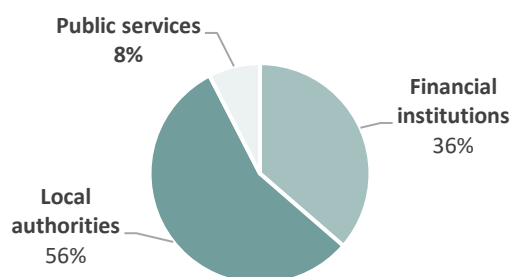
A2 - Sample description

The 66 GSS bond frameworks composing our sample have been published between 2021 and mid-2024³. For 66% of the analysed frameworks, it was the issuer's first published framework (all others represent updated frameworks). The most frequent types of frameworks in our sample are green bond frameworks with 29 frameworks, followed by 27 sustainable bond frameworks and 10 social bond frameworks.

Distribution of frameworks by type of issuer:

Frameworks published by local authorities represent most frameworks within our sample (56% / 37 frameworks), followed by financial institutions (36% / 24 frameworks) and public service entities (8% / 5 frameworks).

The nature of financed projects varies significantly by issuer type. Local authorities and public service issuers



¹ Only use of proceeds type of bonds are considered. Sustainability-linked bonds were not considered in the study.

² <https://www.icmagroup.org/sustainable-finance/sustainable-bonds-database/>

³ The latest framework considered is from the 6th of August 2024

typically finance projects directly related to their own operations, often as part of their annual budgets dedicated to green or social aligned projects (e.g. community welfare or environmental protection).

Public financial institutions primarily raise funds to lend to other entities, supporting external sustainable projects.

Different practices are observed regarding the number of project categories to be financed within a framework: Local authorities list an average of 8, financial institutions 6, and public service issuers, with a more focused mandate, typically include only one. Local authorities tend to have a broader scope of responsibilities which can address community welfare, environmental protection, and territorial sustainability and public financial institutions often lend to projects in a wide range of sectors. In contrast, public service entities generally have a specific mission (e.g., public transport, healthcare) and funds are necessarily directed towards projects linked to their main mission.

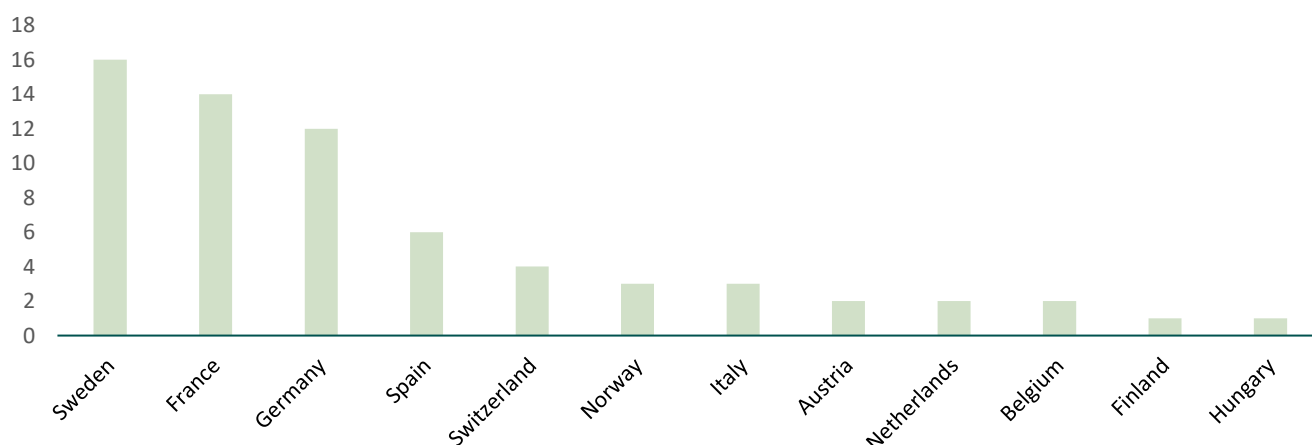
Distribution of frameworks by year and by geography

The analysed frameworks have been published over the past 4 years as follows:

- ◆ 16 in 2021
- ◆ 19 in 2022
- ◆ 19 in 2023
- ◆ 12 in 2024

In terms of geography, issuers in our sample are concentrated as shown in the below graph. Countries most represented are Sweden, France and Germany, each having more than 10 different issuers, shortly followed by Spain.

This is not surprising as these countries count the among the most mature on the GSS markets. For example, the Swedish public sector has been one of the pioneers on the green bond market with a first issue by a municipality as early as 2013⁴. Since then, issuers from the country have been important issuers of sustainable debt. Germany was the 3rd country with the largest number of issuers of green debt, France the 2nd country with the largest number of issuers for social and sustainable debt worldwide in 2023⁵.



⁴ The City of Gothenburg opened the Swedish green bond market in 2013. See: [A maturing Nordic sustainable bond market: lessons learned and expectations for the future | Nordea](#)

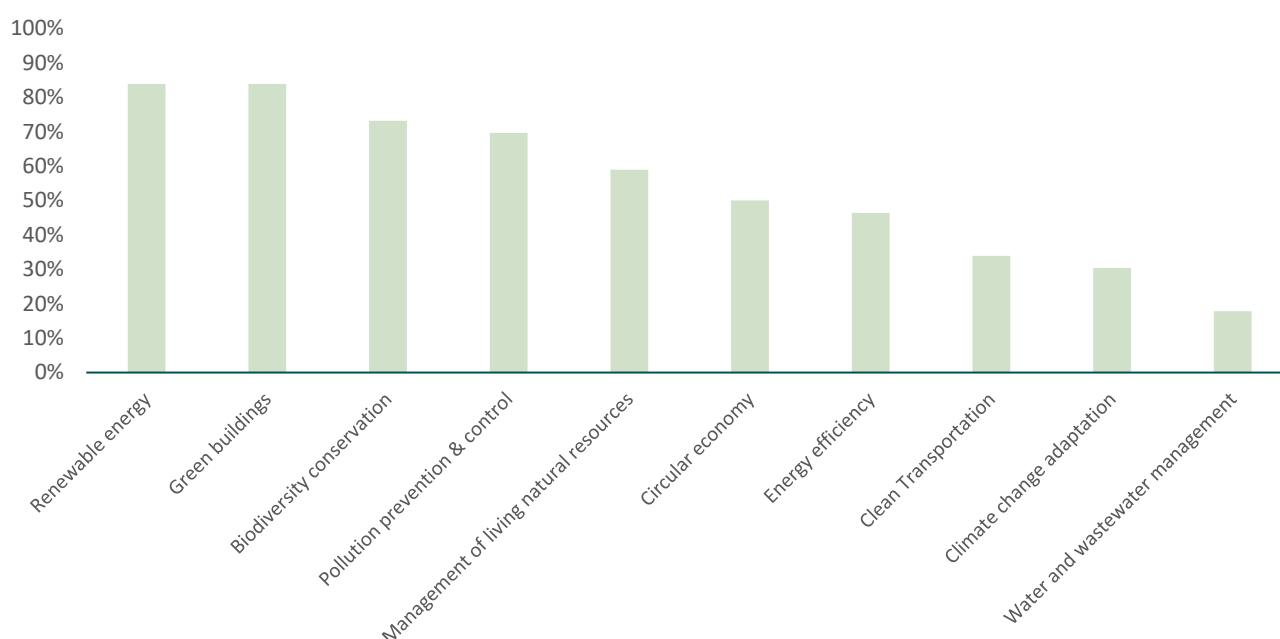
⁵ Climate Bond Initiatives, (2023), [Sustainable Debt Global State of the Market](#)

Distribution of environmental project categories in the frameworks

ICMA has defined a non-exhaustive list of eligible project categories, i.e. potentially contributing to one or several environmental and/or social objectives.

On average for this sample, an issuer of a green bond finances five different environmental project categories and nine for sustainable bonds.

As shown in the below graph, within our sample, climate change mitigation is the most frequent topic used for project selection in green and sustainable bond frameworks. For example, more than 80% of the issuers plan on financing or re-financing renewable energy or green building projects. However, only 30% of frameworks include climate change adaptation projects.

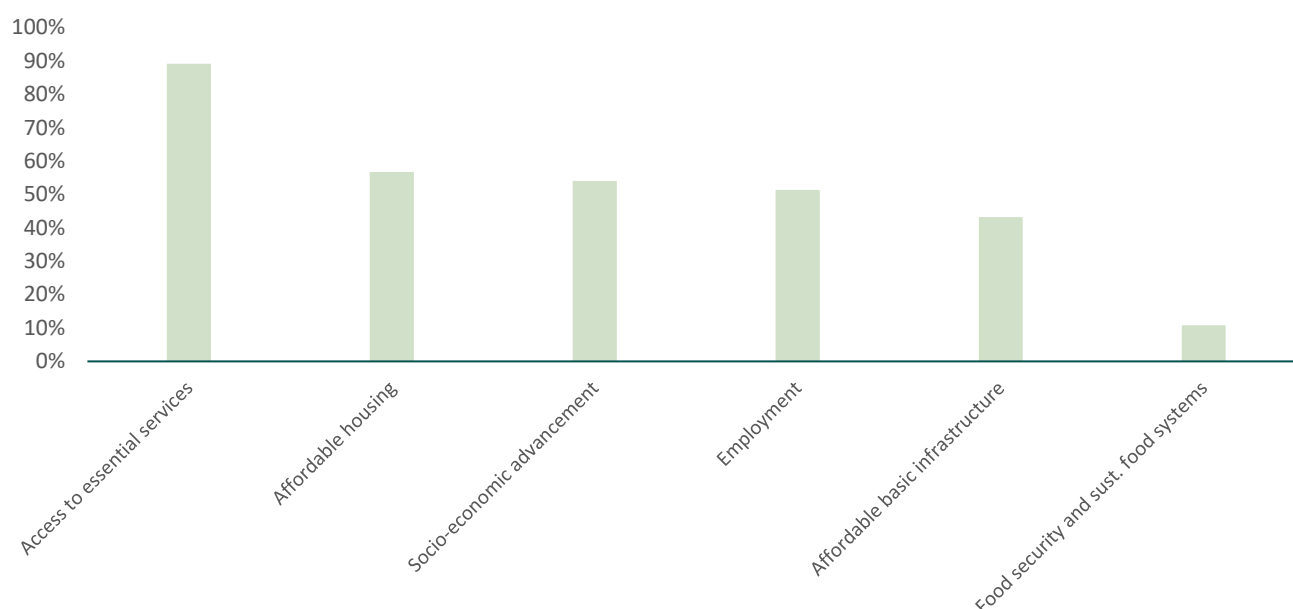


Distribution of social project categories in social and sustainable bond frameworks

On average for this sample, an issuer of a social bond finances two different social project categories and nine for sustainable bond issuers.

Among social and sustainable bonds frameworks, 89% of the issuers plan on financing or re-financing projects falling into the category “access to essential services”, which comprises projects facilitating the access to healthcare, education and/or basic financial services for example.

In addition, “affordable housing”, “socio-economic advancement” (e.g.: projects towards the inclusion of women, senior citizens, people with underprivileged background) and job creation related projects are also popular with the issuers studied with respectively 57%, 54% and 51% of the projects financed under social and sustainable bonds. The eligible project category “food security and sustainable food systems” is the less frequently applied one, with only 11% of appearance in social and sustainable bond frameworks.



B. Methodology

EthiFinance has developed an analytical grid to assess the selected frameworks, focusing on two key aspects:

► Compliance - Alignment of the framework with the ICMA Principles

ICMA is an organisation promoting the development of the international capital markets. It publishes principles for green and social bonds with the objective to improve transparency in the sustainable bond markets (Green Bond Principles 2021, Social Bond Principles 2023, Sustainability Bond Principles 2021). Even if these principles are not mandatory for issuing GSS bonds, they are widely adopted in the structuring of frameworks by issuers to share clear and comparable information on financed projects.

The ICMA principles comprise four main pillars:

- ◆ Use of Proceeds
- ◆ Project Evaluation and Selection
- ◆ Management of Proceeds
- ◆ Reporting

For our study, issuers' commitments have been ranked from "standard market practices" to "best market practices" for each of the four ICMA pillars (*see criteria in the appendix*). Based on our observations, a grade out of 100 has been attributed to each pillar. The overall grade corresponds to the average grade of the four pillars with equal weights.

► Impact - Assessment of the transparency over the expected impacts of the financed project(s)

In addition to the compliance of the issuers' framework with the ICMA Principles, we have assessed the transparency over the expected impact of the financed project(s), i.e. their concrete contribution to one or several social and/or environmental objectives.

For green bond projects, we have considered the expected contribution to the Sustainable Development Goals and the expected contribution to one of the six environmental objectives listed in the EU Green Taxonomy (meaning the use of EU taxonomy technical screening criteria for the selection of projects in anticipation of the new EU Green Bond standards). The definition of precise impact indicators, making it possible to accurately measure the environmental benefits generated by the projects, and the definition of relevant targets, are also a key element evaluated in this study.

For social bond projects, Ethifinance considered the contribution to the Sustainable Development Goals and the clear identification of beneficiaries. The definition of precise impact indicators, enabling the accurate measurement of the social benefits generated by the projects, and the establishment of relevant targets are also key elements evaluated.

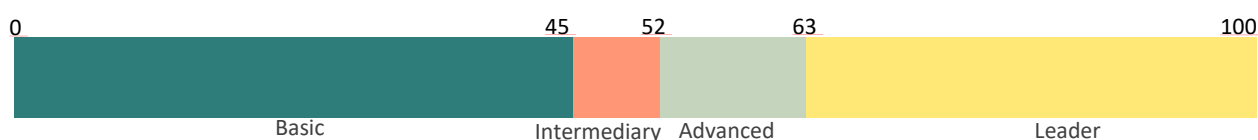
For sustainable bond projects, the social impact and the environmental impact have been assessed separately according to the principles mentioned above.

To be noted that the impact component was assessed separately and was not included in the overall quality score as it is not part of the ICMA principles. Yet, the scoring system and associated quality levels follow the same logic of calculation and ranking (see “metrics” below).

► Metrics - Quality levels

Ethifinance has defined quality criteria for each pillar, based on ICMA criteria and our expertise in SPOs: each criterion met earns points for the issuance framework analysed in the pillar in question (see *Ethifinance’s analysis grid in appendix*). Based on the overall distribution of scores within our sample of 66 frameworks, different frameworks quality levels have been defined. The score 52/100 represents the median score (= 50% of the 66 frameworks get quality scores under 52).

Rating scale



Frameworks with scores strictly below 45 are qualified as “*basic*”, they represent the bottom 20% of the distribution. They are characterised by an overall low level of transparency (e.g.: in case of refinancing, the look-back period is not indicated), issuers overall provide little to no information on their projects risk management and no third-party auditing on the allocation of proceeds nor the reporting is planned.

Frameworks with scores above or equal to 45 and strictly below 52 are defined as “*intermediary*”. These frameworks are characterised by an increased level of details compared to their previous counterparts especially on their project selection process but still lack precisions on their methodologies, and the use of third-party auditing is still exceptional.

Frameworks with scores above or equal to 52 and strictly below 63 are defined as “*advanced*”. They are characterised by an advanced level of transparency with issuers having a robust project selection process. Nevertheless, the monitoring of controversies is still practised only rarely, while third-party auditing on fund allocation and/or reporting is common practice.

Frameworks with scores above or equal to 63 are defined as “*leader*”. They represent only the top 10% of the frameworks. The issuers with “leader” frameworks exceed market practices and generally apply the key recommendations of ICMA. They are characterised by an overall high level of transparency on their fund tracing methods and on their project selection process, as well as systematic third-party auditing on fund allocation and/or reporting.

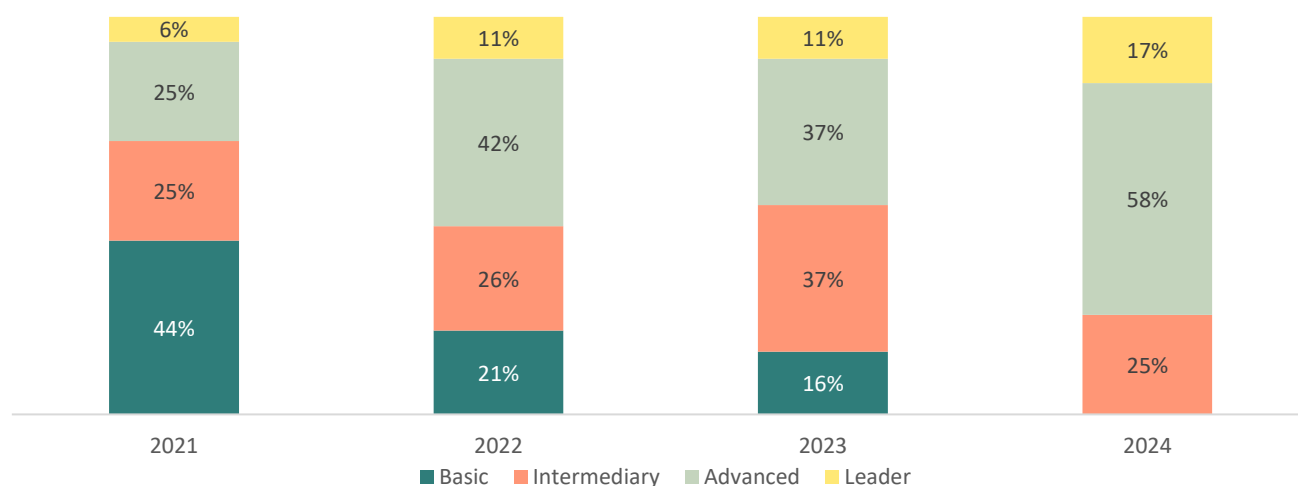
3. Quality of European GSS Frameworks

Our analysis shows that the overall level of quality of the analysed frameworks improves over the years. It is notable that the “*basic*” quality level has disappeared in 2024 in favour of “*advanced*” and “*leader*” frameworks. Most interestingly, the number of “*advanced*” frameworks has strongly increased: More than half (58%) of the frameworks published in 2024 are considered “*advanced*”, moving up from 37%. Even though frameworks show different levels of quality depending on which ICMA pillar is considered, our analysis shows that performance on all pillars have improved over the analysed period.

Regarding frameworks in the “*leader*” category, we also see a steady increase, which can be explained by several factors such as: Better understanding of the existing standards (Green/Social Bond Principles), regulatory alignment (upcoming EU Green Bond Standards), stakeholder demand for transparency (investors, NGOs...), and increased scrutiny from issuers themselves aiming to increase market credibility and avoid reputational damages.

Public financial institutions have the highest average score with 54/100, just above local authorities (51/100), followed by public services (47/100).

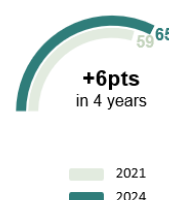
Evolution of the level of frameworks’ quality



A. Use of Proceeds’ pillar

In the Use of Proceeds pillar (UoP) issuers are expected to clearly communicate how the bond proceeds will be used. The quality level of the UoP section is the highest of the four ICMA pillars and the average score of the analysed frameworks slightly improved over the period 2021 to 2024, increasing from 59/100 to 65/100.

Overall, we see a good integration of ICMA’s recommendations regarding the description of eligible projects. Most frameworks provide a precise qualitative description of the projects, with granular information on the financed projects and/or the location of the projects. The issuers in our sample also match their eligible projects with ICMA’s eligible categories listed in the Green and Social Bonds Principles⁶.



⁶ [Green Bond Principles](#) and [Social Bond Principles](#)

Most analysed frameworks also show good practice in describing the criteria for project selection. For example, 56% of frameworks include quantitative thresholds for project selection. Relatively few frameworks use certifications and labels as criteria for project selection, mostly appearing in the “Green buildings” category, where well-known standards like BREEAM or LEED are more widely recognized. On the other hand, exclusion lists are widely adopted by 70% of the analysed issuers. Issuers either provide lists of excluded projects by project category or share an overall exclusion list. Most exclusion lists include activities linked to fossil fuels, nuclear, weapons or tobacco.

The main source of improvement in the UoP pillar is linked to providing information on the look-back period for refinancing of projects, which is the maximum period in the past for which projects can qualify for refinancing.⁷ In 2024, 94% of the analysed frameworks allow refinancing, 50% of which have a look back period less than or equal to 12 months which is a significant improvement from 19% in 2021.. The absence of refinancing is seen as the best practice on the market because it makes the additionality of the financing clear. This ensures that the projects to be financed generate a new positive social or environmental impact compared with a baseline situation but very few of the framework analysed follow this practice.

Best Practices

Regarding the description of the projects that may be financed under the frameworks, a handful of issuers distinguished themselves by providing details on the granularity of expenses covered by the issuance of GSS bonds.

The government of a Spanish region has made systematic links between the eligible project categories and the corresponding budgetary programs of the region. Other issuers also excluded certain type of expenditures, e.g. strictly restricting the proceeds to CAPEX.

B. Evaluation and Selection’s Pillar

In this ICMA pillar, issuers are expected to provide detail on the process with which they determine how the projects fit within the categories of eligible projects described in the UoP pillar.

According to our analysis, issuers show the weakest performance in this area, despite the observed progress: The average score for 2021’s frameworks was 36/100 and has increased to 48/100 in 2024.



Our analysis shows progress in two main areas:

The first relates to the identification and management of sustainability risks. ICMA encourages issuers to share complementary information on processes by which social and environmental risks associated with the projects are identified and managed. While only a small percentage of analysed issuers (13%) did so in 2021, 75% disclose on these processes in 2024.

The second main source of progress applies to the composition and responsibilities of the project selection committee. Around 80% of issuers include staff with ESG skills in the committee in 2024, against 56% in 2021. The responsibility of the person in charge of ESG has also evolved, with 42% of issuers attributing them a right of veto on the committee, versus 25% in 2021.

This pillar also offers room for improvement in various areas. Firstly, only 30% of issuers monitor potential controversies linked to projects. Secondly, only 12% of issuers carry out external audits of their project evaluation and selection

⁷ The ICMA principles allow issuers to allocate bond proceeds to either new projects or to the refinancing of existing projects.

processes, despite this being one of ICMA's recommendations. No evidence of improvement over the period 2021-2024 has been noted on this practice.

Best Practices

Once the sustainability risks have been identified for the project categories, the most advanced issuers also provide a detailed action plan on how these risks will be mitigated.

A French issuer financing large infrastructure projects has, for example, put in place annual safety awareness days, created security councils on construction sites, or includes clauses in contracts with suppliers to ensure the respect of human rights and decent working conditions.

A few frameworks, mainly from public financial institutions, require borrowers to identify environmental and social risks before being financed, and to adopt mitigation measures to avoid or reduce the risks to a level deemed acceptable by the selection committee.

C. Management of proceeds' Pillar

This pillar ensures that funds raised through GSS bonds are strictly allocated to eligible projects. Issuers are required to track and manage the use of proceeds to maintain transparency.

Issuers have significantly improved their performance between 2021 and 2024. In 2024, the average score of this pillar is 61/100, an increase of 14 points compared to 2021 (47/100).



86% of issuers have continuously specified their fund tracing methods, whether in a dedicated portfolio account or in normal accounting systems. While the analysed issuers previously favoured tracing funds in their normal accounting systems, as of 2023 more than half of the issuers (53%) adopted the use of dedicated portfolios.

Our analysis highlights the increase in traceability over the years regarding the maximum period for allocating the funds, i.e. the timeframe within which the issuer is expected to allocate the proceeds from the bond to eligible projects. Best practice according to ICMA is an allocation period of less than 12 months. In 2024, 25% of issuers provide no information on their maximum period for allocating the funds (44% in 2021) and 58% follow ICMA recommendations of 12 months (38% in 2021).

However, issuers still need to improve certain aspects of their management of proceeds. In 2024, only a quarter of the issuers commit to investing their non allocated proceeds in an SRI fund or managed with ESG criteria. Ethifinance notes though that this percentage doubled compared to 2021, which shows a positive trend.

Furthermore, although most issuers provide information on the measures and procedures in place in the event of a divestment or re-allocation of fund in 2024 (58%), only 17% indicate a detailed plan. Overall, we see an improvement, since in 2021 no issuer provided details on their procedures in case of a divestment.

Finally, our analysis shows that in 2024, 67% of issuers commit to an annual verification of fund allocation by an external auditor, a key recommendation of ICMA⁸. Such commitments are on the rise compared to 2021 (50%).

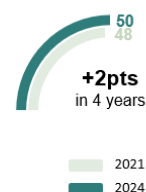
⁸ Green Bond Principles, ICMA

Best Practices

As part of a social bond, a German development bank, under the responsibility of its CSR manager, has committed to review all financed projects at least once a year against the eligibility criteria set out in the framework. If the review shows that the loans granted no longer meet the eligibility criteria, they are withdrawn from the loan reserve and replaced by other eligible loans.

D. Annual reporting's pillar

The Reporting pillar of the ICMA Principles requires issuers to provide annual updates on how proceeds from GSS bonds are allocated, and on their associated environmental and/or social impacts. This improves transparency and helps investors assess the concrete contributions of their investments toward the associated sustainability targets.



Our study shows that reporting practices among issuers over the examined period are converging and we see an overall increase in transparency.

The average score of this pillar in 2024 is 48/100, the performance having slightly improved from 46/100 in 2021. All issuers commit to providing at least one form of annual report. 97% of the issuers commit to annual reporting on both the allocation of funds and the impact of the projects financed. It is a standard practice for the issuers to include both allocation indicators and impact indicators at a portfolio level.

In most cases, reporting is provided annually in a dedicated report and directly available on the issuing institution's website.

However, few institutions specify a precise data collection methodology for their impact indicators (only 11% of the frameworks studied), even if we see a slight increase up from 6% in 2021.

Issuers are increasingly putting in place audits for their reports: While only 25% of the issuers committed external audits in 2021, in 2024 this percentage doubled up to 50%.

However, we see that issuers rarely commit to having their impact measurements validated beforehand by a specialised third party (11% of assessed frameworks).

Best Practices

In the context of a green bond issuance, a Swedish municipality commits to reporting on the alignment to the EU taxonomy of its investments (in addition to more standard impact indicators, such as annual energy savings, estimation of annual GHG emissions avoided...). Moreover, the issuer also plans to describe social impacts associated to the financed green projects.

As part of its river restauration related projects, a German development bank commits to include economic parameters such as the monetary value of prevented annual flood damages in its reporting, in addition to other environmental impact indicators. They will be using the figures of the local public entity in charge of water management in the city.

E. Expected impacts

In addition to the four ICMA pillars, we have evaluated the quality of the information on the expected impacts of financed projects included in the issuers' frameworks.

We consider that the concrete sustainability impact is key to enhance the quality and credibility of the frameworks and to underline the relevance of the selected projects.

Our evaluation focuses on transparency, i.e. the clear identification of expected benefits and the setting of impact targets. Green bond impact evaluation also considers the use of EU taxonomy technical screening criteria for the selection of projects in anticipation of the new EU Green Bond standards.

Social Impact

Overall, our analysis shows a good level of transparency regarding social impacts. The average score of the analysed frameworks improved from 44/100 in 2021 to 60/100 in 2024.

Categories of beneficiaries of the social projects are identified in 78% of social and sustainable frameworks, plus another 14% of frameworks identifying beneficiaries for at least some of the eligible projects.



Impact indicators are defined for most project categories, with 87% of issuers specifying them for at least some eligible categories. Notably, in 2024, all social and sustainability bond frameworks (100%) included impact indicators for every social project category.

We consider that the quality of frameworks can be further improved if issuers share their ambition on the expected impacts of the financed projects. This could for example be done by associating impact target trajectories to the projects. Currently, none of the analysed frameworks provide such information for social project. The most advanced frameworks, however, provide some context on the different project categories and make it easier to understand how the social and sustainable bonds can contribute to the issuer's overall strategy.

Best Practices

One Spanish regional government systematically associates background information for each eligible project category. The issuer explains the challenges it faces for each social category, and places eligible projects within the context of a regional thematic strategy (e.g. health strategy, education strategy, ...), which facilitates the assessment of the relevance of each eligible project.

Environmental Impact

Focus on the EU Taxonomy

The EU Taxonomy is a European classification system that defines economic activities that are considered environmentally sustainable, with the objective of guiding investments toward projects that support the EU's climate and environmental goals (EU Green Deal) ⁹. Six environmental objectives are covered by the EU Taxonomy: climate

⁹ https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

Various types of players increasingly use the EU Taxonomy to define business strategies, transition plans, investment decisions, and lending practices¹⁰.

Only few information is available on the EU Taxonomy alignment of public institutions, as they are not subject to mandatory reporting on the KPIs. Data on private institutions however shows that sectors such as Utilities, Consumer discretionary, Industrials or Real Estate rank highest as to their average taxonomy-aligned investments. Moreover, among the six objectives, issuers align the most with Climate Change Mitigation.

To assess transparency over the environmental impacts of the analysed frameworks, several parameters are considered: The issuer's commitment to financing projects aligned with the EU Green Taxonomy, the definition of impact indicators for all funded projects and the disclosure of their associated trajectories. The contribution of the projects to the SDGs were also analysed but as an overwhelming majority of the issuers were considering them, EthiFinance therefore chose to not integrate the SDGs in the scoring system. Overall, the environmental impact score increased from 31/100 in 2021 to 46/100 in 2024.



Our study shows that issuers have been addressing the EU Taxonomy in their frameworks since its implementation and are increasingly incorporating it over time. In 2022¹¹, 64% of the analysed issuers use the EU Taxonomy's technical screening criteria (TSC) as selection criteria for some or all their financed projects compared to 83% in 2024. This ensures that funded projects meet high environmental standards and align with EU climate targets.

Furthermore, we observe that it has become standard practice for the analysed issuers to disclose examples of KPIs they will use to assess the impact of their funded projects.

One area with significant room for improvement is the disclosure of relevant target trajectories for projects. Indeed, only one issuer of our sample has disclosed quantified targets associated with some of its funded projects¹².

Best Practices

As part of a green bond issuance, a Swedish municipality provides quantified objectives for 2030 related to several (green) project categories such as Energy Efficiency, Renewable Energy, Clean Transportation, Water and Wastewater management or Circular (e.g. Waste from households should be reduced by 30% per inhabitant, reduce the primary energy consumption by at least 30% per inhabitant compared to 2010...).

¹⁰ https://finance.ec.europa.eu/document/download/08dd5091-6df7-45ed-8dc1-2583007594c4_en?filename=240605-sustainable-finance-taxonomy-factsheet_en.pdf

¹¹ The year 2021 was not considered as only 6 frameworks (out of 16) were published after the publication of the first Delegated Acts of the EU Taxonomy in June 2021. Even though two frameworks addressed the EU Taxonomy as part of their selection criteria in 2021.

¹² EthiFinance has restricted its analysis on the information provided in the issuer's frameworks. Information, available elsewhere (i.e issuer's website) were not considered.

4. Appendix – Analysis grid

Each pillar was scored using the following list of criteria:

- Generic criteria: projects' categories, applying ICMA's nomenclature
- UoP Pillar: quality and granularity of the projects' description; criteria and thresholds mentioned; compliance with ICMA's objectives; refinancing and look-back period.
- Selection and evaluation Pillar: dedicated committee (role, composition and functioning); description of the selection process; ESG Risk management; controversies monitoring; external audit.
- Management of proceeds Pillar: tracking funds in the existing accounting system or a dedicated portfolio; maximum duration of allocation; procedure in case of a divestment/reallocation; allocation of unallocated funds; external verification.
- Reporting pillar: content; frequency; communication channels; KPIs; process and methodology; external audit.
- Impact section: reference to SDG(s) and % of projects covered; identification of beneficiaries (social bonds) and % of projects covered; impact indicators and % of projects covered; targets and % of indicators covered; reference to EU green taxonomy (green bond); selection criteria matching with EU taxonomy TCS and % of projects covered (for green bonds).

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