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SWISS CONFEDERATION GREEN BOND FRAMEWORK

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1. INTRODUCTION

Switzerland is a federal state with a far-reaching segregation of power and responsibilities between the federal government, the 26 cantons and more than 2,000 municipalities. In addition to its strongly developed federalism, Switzerland is characterized by direct democracy with extensive participation rights, a highly competitive and broadly diversified economy, as well as an intact environment and a high quality of life. The protection of the environment has a longstanding tradition in Switzerland. Initially, protection efforts focused on water, air, soil, various biotopes as well as certain species of flora and fauna. These early efforts proved to be highly successful: The air has become cleaner, the forests are intact and the majority of lakes and rivers meet the criteria of drinking water quality. Today's environment policy has a significantly broader focus: based on the concept of a "green economy", the Federal Council is adopting a more protective approach to the use of natural resources. In addition, it is taking more comprehensive steps aimed at protecting natural habitats and ecological systems. Switzerland is also actively committed to the introduction of effective measures aimed at limiting climate change throughout the world.

Together with the other United Nations (UN) member states, Switzerland has made a political commitment to implement the 2030 Agenda and to achieve the 17 global Sustainable Development Goals it contains by 2030 both nationally and internationally. Switzerland ratified the Paris Agreement on Climate Change in 2017¹. In 2019, the Federal Council set the objective of zero net greenhouse gas emissions by 2050. The Federal Council actively assumes these commitments and accepts its responsibility towards present and future generations. Among other measures, the Swiss Confederation is dedicating considerable financial resources to the achievement of these objectives, as are Swiss cantonal and municipal governments in their domains.

As an Alpine country, Switzerland is experiencing climate change directly. The annual average temperature

in Switzerland has risen by around 2 degrees Celsius since 1864, which is about twice the global average. Switzerland has experienced substantial loss of glaciers and can expect summers to become drier and extreme weather events, like heat waves, to become more frequent. An intact environment, however, is an essential basis for daily life and, by extension, Switzerland's health, welfare, economy and competitiveness.

Swiss financial service providers play an important role globally. The Federal Council wants Switzerland and its financial sector to become an international leader in sustainable financial services. The market for green bonds has grown robustly in recent years, both in Switzerland and internationally. Sovereign issuers in particular play an important role in this regard. To accelerate the public and private issuance of Swiss green bonds that follow high environmental standards, the Federal Council decided in November 2021 to prepare the issuance of Green Confederation Bonds.

1.1 The Swiss Confederation's environmental strategies and objectives

According to the Intergovernmental Panel on Climate Change (IPCC)², global CO₂ emissions must be reduced to net zero by the middle of this century at the latest to ensure sufficiently high probability of global warming remaining below 1.5° Celsius. Any CO₂ still emitted by 2050 must be fully and permanently removed from the atmosphere through sinks (negative emissions). The emission of other greenhouse gases, particularly methane and nitrous oxide, must also be significantly reduced. As a response, Switzerland has established robust environmental strategies and objectives for the work towards a low carbon, resource-efficient and sustainable economy.

¹ Paris Agreement: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

² IPCC Special Report 2018: <https://www.ipcc.ch/sr15/>

1.1.1 Climate action and energy transition

The Paris Agreement³ calls on countries to develop a long-term climate strategy with a time horizon up to 2050. The Federal Council adopted the long-term climate strategy for Switzerland on 27 January 2021 and has approved the submission of the strategy to the UN Climate Change Secretariat. Switzerland has thus fulfilled one of the terms of the Paris Agreement (Art. 4.19). Switzerland's strategy shows how it can attain the goal of net zero greenhouse gas emissions by 2050⁴.

The starting point for the long-term climate strategy is the net zero emissions target for 2050 that the Federal Council set in August 2019. The strategy delineating how to get to net zero, formulates ten basic strategic principles that will shape Swiss climate policy in the coming years and presents climate goals and emission pathways for various sectors including buildings, industry, transport, agricultural and food, financial markets, synthetic gases, aviation as well as the waste industry:

1. Switzerland will take advantage of the opportunities presented by a systematic transition to net zero.
2. Switzerland will assume its climate policy responsibility.
3. Priority will be given to reducing domestic emissions.
4. Emissions will be reduced across entire value chains.
5. All energy sources will be used effectively taking account of their optimal usage potential.
6. The Swiss Confederation and the cantons will gear their planning activities to net zero in all climate-relevant areas.
7. The transition to net zero will be carried out in a socially acceptable way.
8. The transition to net zero will be achieved in an economically viable way.

9. The transition to net zero will also improve environmental quality.
10. The Long-Term Climate Strategy is based on openness to all types of technology.

Strategic goals for the individual sectors are set out on this basis and are to be achieved by 2050. One target states that land transport, with few exceptions, should no longer generate greenhouse gas emissions. Another target relates to agriculture, where, among other things, greenhouse gas emissions from domestic agricultural production are to be reduced by at least 40 percent compared to 1990.

The transition pathways are based largely on the Energy Perspectives 2050+⁵ drawn up by the Federal Office of Energy and published in late November 2020. Based on a range of scenarios, the Energy Perspectives 2050+ show emission pathways towards net zero emissions, the technological developments needed to reach this target and the role played by technologies that permanently remove greenhouse gases from the atmosphere, so-called negative emissions technologies (NETs)⁶. The long-term climate strategy shows that Switzerland can reduce its greenhouse gas emissions by 2050 by around 90 per cent of 1990 levels. The remaining emissions must be balanced with NETs.

Switzerland aims to implement its reduction targets mainly through its CO₂ Act⁷. Among other instruments, this Act includes a CO₂ levy on fossil-based heating. A significant part of the proceeds can be earmarked for the so-called buildings program to promote CO₂-mitigating measures such as energy-efficient renovations or renewable energies. The rest is redistributed to the population and businesses as lump sum payments.

³ Paris Climate Agreement: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

⁴ Long-term Climate Strategy to 2050: <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/emission-reduction/reduction-targets/2050-target/climate-strategy-2050.html>

⁵ Energy Perspectives 2050+: <https://www.bfe.admin.ch/bfe/en/home/policy/energy-perspectives-2050-plus.html>

⁶ Negative Emissions Technologies: <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/emission-reduction/negative-emissions-technologies.html#-181015484>

⁷ Federal Act on the Reduction of CO₂ Emissions (CO₂ Act): <https://www.fedlex.admin.ch/eli/cc/2012/855/en>



1.1.2 2030 Sustainable Development Strategy

The Federal Council actively assumes this commitment both nationally and internationally and accepts its responsibility towards present and future generations. The 2030 Sustainable Development Strategy (2030 SDS)⁸ outlines the Federal Council's priorities to implement the 2030 Agenda over the next ten years.

The 2030 SDS sets out guidelines for the Federal Council's sustainability policy and establishes sustainable development as an important requirement for all federal policy areas. The 2030 Agenda for Sustainable Development (2030 Agenda) with its 17 global Sustainable Development Goals (SDGs) provides the reference framework. Numerous strategies, action plans and measures exist in all policy areas and play an important role in implementing the 2030 Agenda and the 2030 SDS. The Federal Council has also adopted the 2021–2023 Action Plan on the 2030 SDS to fill remaining gaps and ensure greater cross-sectoral cooperation.

1.1.3 Federalism and dedicated revenues finance a large share of Swiss green expenditure

Due to Switzerland's federalist system, the financial resources that are dedicated to the achievement of these objectives come from different levels of the federal state. In addition, a number of key elements are fully or partly financed by earmarked revenues. For these two reasons, significant parts of Switzerland's green expenditure are not eligible for a Green Confederation Bond. The federal and cantonal buildings program⁹, for example, is funded by the federal CO₂ levy and cantonal sources. It has made significant investments and important contributions¹⁰ to the fulfilment of Switzerland's national climate goals. For instance, it has encouraged the renovation of buildings, the adoption of renewable energy, waste heat utilization and further innovations in building technology through financial incentives. How-

ever, as it is jointly financed by earmarked revenues from the Swiss CO₂ levy and cantonal contributions it will, like other key elements of Swiss green expenditure, not be highlighted in this framework. Should the composition of funding change through a parliamentary decision, the framework can be adapted to include further categories frequently used by other sovereign issuers (e.g. sustainable water and waste management).

1.1.4 Relations between Switzerland and the EU regarding environmental policy

Switzerland's long-term climate strategy is in step with the strategies of a growing number of other countries. The EU, for example, is aiming for net zero emissions by 2050. This target is at the centre of the European Green Deal¹¹ unveiled by the European Commission on 11 December 2019.

Switzerland collaborates closely with the European Union (EU) on environmental matters¹². It has been a member of the European Environment Agency (EEA) since 1 April 2006 and has succeeded in consolidating its relations with the EU in various sectors. Switzerland's environmental legislation has already been harmonized with EU regulations to a significant extent in a number of sectors.

Apart from the agreements on the EEA and emissions trading (see below), bilateral agreements between Switzerland and the EU generally provide for the adoption of EU legislation by Switzerland or the adaptation of Swiss legislative provisions to those of the EU in accordance with the principle of equivalence. Moreover, Switzerland also autonomously aligns its law to elements of EU law in areas not covered by bilateral agreements, essentially with a view to eliminating trade barriers.

⁸ 2030 Sustainable Development Strategy: <https://www.are.admin.ch/are/en/home/sustainable-development/strategy/sds.html>

⁹ The federal and cantonal buildings program: <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/reduction-measures/buildings/buildings-programme.html>

¹⁰ Reporting and impact assessment of the buildings program: https://www.dasgebaeudeprogramm.ch/media/filer_public/a7/2b/a72b2bb3-c687-4672-8819-3979465aacdd/bfe_jahresbericht_gebp_2019_mm_de_pdf.pdf
https://www.bafu.admin.ch/dam/bafu/de/dokumente/klima/fachinfo-daten/wirksamkeit_der_finanzhilfenzurverminderungderco2-emissionenbeig.pdf.download.pdf/wirksamkeit_der_finanzhilfenzurverminderungderco2-emissionenbeig.pdf

¹¹ European Green Deal: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

¹² Relations between Switzerland and the EU in the Area of the environment: <https://www.bafu.admin.ch/bafu/en/home/topics/international-affairs/organisations/relations-between-switzerland-and-the-eu-in-the-area-of-the-envi.html>

The Agreement on the linking of the Swiss and EU emissions trading schemes came into force on 1 January 2020. As an important market-based instrument for climate protection, the Swiss trading scheme is designed to reduce the greenhouse gas emissions of the largest emitters in the country. Now that the Swiss and EU schemes are linked, Swiss businesses can participate in the larger and more liquid EU emissions trading market. The EU scheme covers 2 billion tons of CO₂ equivalent per year, compared to 5 million tons for the Swiss scheme. This linking also leads to a convergence in Swiss and EU CO₂ prices and creates a level playing field for participating businesses. Furthermore, under this agreement, CO₂ emissions from civil aviation have been included in the Swiss emissions trading scheme since January 2020. These regulations apply to domestic flights and flights from Switzerland to countries in the European Economic Area (EU plus Iceland, Liechtenstein and Norway). The agreement signed with the EU on 23 November 2017 regulates the mutual recognition of emissions allowances from both trading schemes, each with their own legal basis.

1.2 The rationale for Green bond issuance

Sustainability in the financial sector is becoming increasingly important, both nationally and internationally. Financing the transition requires significant investments and the participation of the private sector is crucial. For the Swiss financial center, sustainability in the financial sector presents a considerable opportunity. The government primarily acts as mediator and facilitator in this context, cultivating an intensive dialogue with the financial industry and interested third parties to shape policies that are conducive to the growth in sustainable finance.

- The importance of sustainable financial investments has risen sharply across the financial industry and the Swiss Confederation has recognized the opportunities created by sustainable finance early on and has thus launched numerous initiatives: on 24 June

2020, the Federal Council adopted a report and guidelines on sustainability in the financial sector and in November 2022, it will decide on measures that focus on greater comparable transparency and the integrity of sustainability claims made in the financial market. They include mandating larger Swiss companies in all sectors to implement the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). As part of the measures to increase the climate transparency of the sector, the Federal Council is recommending the use of the Swiss Climate Scores, a set of current and forward-looking indicators that constitute best practice transparency on the climate alignment of financial products and portfolios. Such climate scores can help provide guidance to investors in a comparable and science-based way on whether their investments are aligned with the key objectives of the Paris Agreement, namely to reduce its greenhouse gas emissions to net zero.

- Since 2017, the Federal Office for the Environment (FOEN) and the State Secretariat for International Finance (SIF) have encouraged Swiss financial institutions to participate in voluntary and free tests of their portfolios' alignment with the objective to reduce its greenhouse gas emissions to net zero using the Paris Agreement Capital Transition Assessment (PACTA) methodology. A new test is scheduled for 2022, following previous assessments in 2017 and 2020, 179 banks, asset managers, pension funds and insurance companies participating and testing the climate compatibility of their global equity, bond and real estate/mortgage portfolios accounted for 80% of Swiss equity and bond holdings, as well as three quarters of the Swiss mortgage portfolio.
- In order to accelerate the green transition, external costs of environmental and climate damage from economic activities in the real economy need to be internalized. Switzerland continues to advocate at the international level that greenhouse gas emissions should be appropriately priced.



- In line with international progress, sustainable finance efforts to date have particularly focused on climate change. Progressively, the Swiss Confederation intends to expand sustainable finance efforts to other Sustainable Development Goals.

To bolster Switzerland's commitment to sustainability and to establishing its financial centre as an international leader in sustainable financial services, the Federal Council has decided to issue Green Confederation Bonds in November 2021¹³. The Federal Council also aims to further increase transparency about public green expenditure and its impact. Given that parliament ultimately needs to approve any type of expenditure, sovereign green bonds do not lead to more environmental projects and spending. Nonetheless, the Green Confederation Bond is expected to have numerous benefits, such as strengthening the application of international green bond standards in Switzerland, providing investors with an additional sustainable asset class and encouraging the issuance of further green bonds by private and public players. This in turn will enhance the competitiveness of the Swiss financial centre in sustainable finance and could also lead to more investments and projects with a positive environmental impact over time.

¹³ Confederation to lay foundations for green bonds:
<https://www.efv.admin.ch/efv/en/home/aktuell/a/greenbonds.html>

2. THE GREEN BOND FRAMEWORK OF THE SWISS CONFEDERATION

2.1 Use of proceeds and eligible green expenditures

2.1.1 Eligible green expenditures



The Swiss Confederation intends to allocate an amount equivalent to the proceeds from issuance of Green Confederation Bonds to Confederation expenditures aligned with green category of eligible expenditures that comply with the eligibility criteria presented in the below table.



Eligible expenditures include but are not limited to tax benefits, capital expenditures, current expenditures, transfers and subsidies in favour of subjects external or internal to the public administration. They must contribute to the achievement of an environmental objective. Eligible expenditures are incurred in the one budget year preceding the bond issuance date or incurred in the same budget year as the bond issuance date.

Eligible expenditures will exclude those financed at other public sector levels such as at the canton level in order to avoid potential “double counting”, as well as by revenues specifically earmarked for that purpose.



The list below sets-out the categories of projects (“Eligible Green Categories”), which may qualify as Eligible Green Projects under this Framework. The Sustainable Development goals and EU environmental goals¹⁴ related to each category are presented in this table. The examples are included for illustrative purposes only and are not exhaustive, so they shall not be limited to those specified.

¹⁴ The Swiss Confederation presents the EU targets only as a regional reference in the market of environmental targets.

Green category of eligible expenditures	Description of eligible green expenditures	Examples of eligible expenditures
<p>Clean transportation</p> <p>SDG mapping:</p>  <p>EU Environmental objectives</p> <ul style="list-style-type: none"> • Climate change mitigation • Pollution prevention and control 	<p>Eligible expenditures aimed at reducing dependence on fossil fuel transport</p> <ul style="list-style-type: none"> • Railway and road passenger and freight transportation, including one of the following: <ul style="list-style-type: none"> – Trains and passenger coaches that have zero tailpipe CO₂ emissions – Buses with zero tailpipe CO₂ emissions or until 2025, belong to the categories M1 & M2 with bodywork classified as CA, CB, CC and CD and comply with the latest EURO VI standard • Light duty vehicles, including one of the following: <ul style="list-style-type: none"> – Zero tailpipe CO₂ emission vehicles (e.g. hydrogen, fuel cell, and electric) – Until 2025, vehicles with tailpipe emission intensity below 50 g CO₂/km • Railroad and cable car that have zero tailpipe CO₂ emission • Infrastructure dedicated to one of the following: <ul style="list-style-type: none"> – Zero direct emissions transport – Public passenger transport – Active mobility <p>Infrastructures and vehicles dedicated to the transport of fossil fuel are excluded</p>	<ul style="list-style-type: none"> • Subsidies to finance the railway infrastructure fund (expansion of the transport infrastructure to improve the transport offers, the operation and maintenance of the railway infrastructure) • Subsidies to finance the licensed transport companies (private railways and bus companies) such as the Swiss Federal Railways SBB, PostAuto Schweiz AG, BLS AG, Rhaetische Bahn AG (RhB) and Thurbo AG
<p>Agriculture, forestry, natural landscapes and biodiversity</p> <p>SDG mapping:</p>  <p>EU Environmental objectives</p> <ul style="list-style-type: none"> • Climate change mitigation • Climate change adaption • The protection and restoration of biodiversity and ecosystems 	<p>Eligible expenditures for sustainable land use and protection, as well as promotion of biological diversity</p> <ul style="list-style-type: none"> • Sustainable agriculture according to national legislation or EU legislation • Sustainable forest management according to national and cantonal legislation • Protection and restoration of biodiversity and ecosystems 	<ul style="list-style-type: none"> • Subsidies to promote low-carbon, climate friendly and organic farming • Subsidies to promote sustainable forest management including protective function and other ecosystem services and to promote forest biodiversity • Subsidies to promote protected natural areas and their restoration • Eligible expenses for increased resilience of ecosystems and environmental heritage against climate risks • Expenditures for the management of extreme weather events and to the reduction of their impact through actions to mitigate the effects of droughts and floods

Green category of eligible expenditures	Description of eligible green expenditures	Examples of eligible expenditures
<p>Green buildings and energy efficiency</p> <p>SDG mapping:</p>  <p>EU Environmental objectives</p> <ul style="list-style-type: none"> Climate change mitigation 	<p>Eligible expenditures to promote the development of energy efficient buildings and projects that increase energy savings and energy efficiency</p> <ul style="list-style-type: none"> Energy efficient buildings, including one of the following: <ul style="list-style-type: none"> New construction and major renovations of buildings that have or will receive a certification of either: i. Minergie (P, A, and ECO), ii. Standard for Sustainable Building Switzerland (SNBS) certification, and iii. DGNB certification Buildings with a cantonal building energy certificate (GEAK) of least class B for new construction, and at least class C for existing buildings Buildings built after 1 January 2016, in absence of energy certificates¹⁵ Major renovations which lead to a reduction of primary energy demand (PED) of at least 30 % Energy efficiency measures, including but not limited to one of the following: <ul style="list-style-type: none"> Improved infrastructure and improvement of energy efficiency (e.g. LEDlighting, thermal isolation of buildings, replacement of heating elements and ventilation projects) Energy storage 	<ul style="list-style-type: none"> Expenditures that support energy efficiency improvements in public administration buildings and buildings and infrastructures of the ETH domain
<p>Renewable energy</p> <p>SDG mapping:</p>  <p>EU Environmental objectives</p> <ul style="list-style-type: none"> Climate change mitigation 	<p>Eligible expenditures to accelerate the development of renewable energies</p> <p>Renewable energy facilities, technologies and processes, including the following sources:</p> <ul style="list-style-type: none"> Solar energy Onshore and offshore wind energy Geothermal energy, if life-cycle GHG emissions are lower than 100gCO₂e/kWh Hydropower, if complies with either of following criteria: i. the life-cycle GHG emissions are lower than 100gCO₂e/kWh, ii. is a run-of-river plant and does not have an artificial reservoir, or iii. the power density of the facility is above 5 W/m² 	<ul style="list-style-type: none"> Subsidies dedicated to the development of renewable energy production Expenditures dedicated to the construction and operation of transmission and distribution of electricity generated with renewable energies

¹⁵ Based on the SIA Standards, the Model of energetic requirements for cantons (MoPEC) and using the equivalences of energy label property, a construction of a building after 2016 in Switzerland guarantees that the building has at least a B energy label property. The Swiss Federal Office of Energy has performed an analysis in 2019 (gapexplore) using proprietary data collected from CECB's database to show energy performance label distribution. As a result, label CECB A and B which account for 8 % of the distribution. Then, any building with at least a B certificate is part of the top 15 % of the Swiss stock's most energy-efficient buildings.

Green category of eligible expenditures	Description of eligible green expenditures	Examples of eligible expenditures
International cooperation SDG mapping:  EU Environmental objectives <ul style="list-style-type: none"> Climate change mitigation Climate change adaptation 	Eligible expenditures aimed at supporting developing and emerging countries in their transition towards a more environmentally friendly economy such as Multilateral climate change funds or specialized United Nations bodies	<ul style="list-style-type: none"> Expenditures provided through contributions to international funds for climate and environmental topics Partnerships to support the climate transition
Research, innovation and awareness raising SDG mapping:  EU Environmental objectives <ul style="list-style-type: none"> Climate change mitigation Climate change adaptation 	Eligible expenditures aimed at enhancing and facilitating knowledge and innovation about climate and environmental topics, such as: <ul style="list-style-type: none"> Sustainable agriculture Promotion of the use of renewable energy and energy efficiency All intangible expenditures, such as administrative costs, are only included, if they are deemed relevant and necessary for the realization of the researches	<ul style="list-style-type: none"> All expenditures enabling research related to sustainable agriculture <ul style="list-style-type: none"> Assessment of sustainability, substance flows and environmental impact of agriculture and highlighting opportunities for improvement Maintaining soil functions and using land in a site sensitive manner Promotion and exploitation of species and habitat diversity in the rural landscape Adapting agriculture to climate change and reducing its impact on it All expenditures enabling research to promote renewable energy and energy efficiency

2.1.2 Exclusions

In the context of this Green Bond Framework, expenditures that are clearly dedicated to the following sectors will be excluded in the allocation of proceeds from the Green Confederation Bonds:

- Exploration, manufacturing and transport of fossil fuels
- Nuclear power (fission)

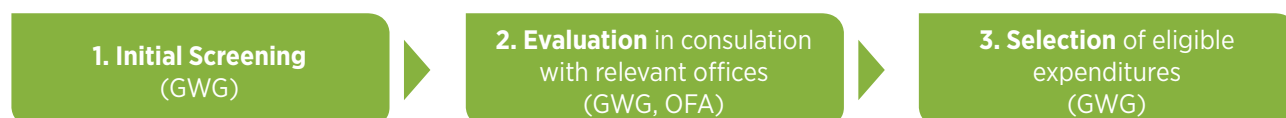
This exclusion list is meant to preserve the integrity of the sustainability credentials of our Green Confederation Bonds and is aligned with current sustainable finance market practices.

2.2 Process for selection of eligible green expenditures

The Federal Council has appointed an inter-ministerial working group with planning and managing all tasks related to the issuance of the Green Confederation Bonds. The working group (referred to as Green Bond Working Group or “GWG” hereafter) is headed by the Federal Finance Administration (which includes among other the Federal Treasury) and includes the Federal Office

for the Environment. This working group collaborates closely with relevant offices of the Federal Administration (“OFA” hereafter) in the evaluation and selection of green expenditures as well as in the preparation and implementation of the reporting. The selection of eligible green expenditures is based on the criteria specified in this framework.

The process to select eligible expenditures is split into three successive steps:



1. Initial screening: The initial part of the selection process is a broad screening, where the eligibility criteria set in this framework are applied to the whole budget of the Federal Administration. This work is carried out by the working group.
2. Evaluation in consultation with relevant offices: In a second step, the resulting short-list of potentially eligible expenditures is circulated within the offices that are responsible for these budget items to reach a common understanding. Expenditures that may initially appear to be eligible based on the first review can be excluded, if there is any doubt if they meet the high standards.
3. Selection of eligible expenditures: Based on the feedback from the responsible offices, the working group decides on the selection of eligible expenditures.

This joint preparation and close collaboration ensures that the selected green expenditures are broadly supported within the Federal Administration. Following is a non-exhaustive list of offices of the Federal Administra-

tion that are responsible for green expenditures (based on the definition in this Green Bond Framework):

- The Federal Office of Transport (FOT)
- The Federal Office for the Environment (FOEN)
- Swiss Federal Office of Energy (SFOE)
- Federal Office for Agriculture (FOAG)
- State Secretariat for Economic Affairs (SECO)
- Federal Office for Buildings and Logistics (FOBL)

The Green Bond Working Group works with the relevant offices to assess the eligibility of the selected expenditures in light of the definitions in this framework. The composition of the Green Bond Working Group can be adapted over time. If necessary, the working group will call on experts on specific topics to confirm, refute or raise points of attention in the verification of eligibility of new or current eligible expenditure.

The process for reviewing the framework and eligible expenditures and the reporting on an annual basis is structured as follows:



4. Review of eligible expenditures: The eligibility will be reviewed at least annually by the Green Bond Working Group. If further information is needed, the relevant offices within the Federal Administration will be consulted. If there are significant changes in the nature of the underlying expenditures (e.g. change of law) or if there are changes of market standards (e.g. ICMA GBP), a more frequent review can be performed. The analysis of material risks of negative social and/or environmental impacts is undertaken at the confederation level through legislation covering all or part of the eligible expenditure and/or at the level of the public departments/agencies or beneficiaries of subsidies linked to the expenditure through internal processes. The GWG will also examine any ESG controversies that could call into question the quality of the associated expenditure.
5. Replacing ineligible expenditures (only if necessary): If the review leads to a reclassification of previously eligible expenditures or if selected expenditures are not spent according to the budget, the GWG will replace them with eligible expenditures following the steps 1-3.
6. Updating the framework (only if necessary): The GWG is in charge of the process if the framework has to be updated based on the review (e.g. if there are new categories of eligible expenditures or if existing categories are no longer eligible). It reviews the framework on an annual basis.
7. Reporting: The working group will coordinate the timely and accurate preparation of the allocation and impact reporting between all relevant stakeholders. The GWG is also in charge of the approval of the annual allocation and impact reports.

2.3 Management of proceeds

It will be the responsibility of the Federal Finance Administration to ensure that an amount equal to the net proceeds of the Green Confederation Bonds is allocated to the eligible Swiss Confederation budget expenditures in accordance with this Framework.

The proceeds are monitored and documented by Federal Finance Administration. Pending full allocation, the net proceeds of the Green Confederation Bond issuances will be managed within the regular liquidity and debt management in accordance with the regulatory framework of the Swiss Confederation. The payment of principal and interest on the green bonds issued by the Swiss Confederation will not be conditional upon the selection or execution of eligible green expenditures.

The issues of individual Green Confederation Bonds can be increased (tapped) in subsequent auctions. The tapped bond will be fungible with the original Green Confederation Bond after settlement. However, in terms of management of proceeds and reporting, every issuance of a Green Confederation Bond will be treated separately. This means that the selected green expenditures and therefore the impact on the environment may vary between different issuances, even if the bonds are fungible.

2.4 Reporting of eligible green expenditures

The Swiss Confederation is committed to ensuring full transparency about the issuance of Green Confederation Bonds. Investors will be provided with allocation and impact reporting annually, until full allocation of proceeds. The reporting will be based on the require-

ments of the ICMA Green Bond Principles and can be adjusted in the case of new requirements and developments regarding the content and type of reporting. The Swiss Confederation will follow, to the greatest extent possible, the recommendations presented in the ICMA Harmonized Framework for Impact Reporting (June 2021). Both the allocation and impact reporting will be published on the website of the Swiss Confederation in the year following each issuance. The impact report will be available publicly until bond maturity.

2.4.1 Allocation reporting

The allocation report will seek to demonstrate that the proceeds have been allocated in accordance with the present Green Bond Framework's criteria for eligible green expenditures. To the extent feasible, the report will include the following information:

- General information about the issuance of the past year
- A list of allocated proceeds, including a break-down by type of expenditure and the share of past expenditures and current expenditures
- Amount of total identified eligible green expenditures and unallocated proceeds
- Any developments that led to changes regarding the eligibility of green expenditures

2.4.2 Impact reporting

The impact report will outline the environmental impact achieved with the green expenditures allocated to the Green Bond proceeds. To the extent feasible, the report will include the following information:

- Detailed descriptions of allocated green expenditures and the environmental objectives of these expenditures
- Specific impact and output results (e.g. avoided CO₂ emissions) of the allocated green expenditure
- Methodology used to calculate the impact and output results

Anticipated output and environmental impact indicators for each of the green expenditure categories are listed in the Appendix. The list is indicative and may not be exhaustive. As such, the impact report may include other and/or additional metrics.

2.5 External review

2.5.1 Second Party Opinion on the Green Bond Framework

Prior to issuance, the Swiss Confederation has appointed a Second Party Opinion provider to review and provide a Second Party Opinion on the Framework's alignment with the ICMA Green Bond Principles 2021, taking into consideration the best practices in the market.

This Second Party Opinion will be published on the Swiss Confederation's website along with this Green Bond Framework. In the event that the content of the Framework is modified, the associated second opinion report will also be updated.

2.5.2 External verification of allocation and impact reports

The Swiss Confederation will engage an independent third party to provide assurance on the allocation and impact reports.

- Verification of the allocation report will confirm that an amount equal to the net proceeds of the Green Confederation Bond have been allocated in compliance with the criteria and objectives of this Green Bond Framework
- Verification of the impact report will confirm the alignment with recognized market guidelines, the soundness of process and methodology of reporting developed and the metrics chosen by the Swiss Confederation and its underlying data sourcing and baseline selection



3. APPENDIX

Green category of eligible expenditures	Examples of reporting indicators
Clean transportation	<ul style="list-style-type: none"> • Annual greenhouse gas emissions reduced/avoided in tonnes of carbon dioxide equivalent (CO₂e) • Accumulated amount of electrified rail infrastructure (kilometres) • Annual passenger-kilometres of rail transport • Annual tonne-kilometres of rail transport
Agriculture, forestry, natural landscapes and biodiversity	<ul style="list-style-type: none"> • Hectares of sustainable agriculture • Hectares of sustainably managed forests • Hectares and share of protected areas • Hectares of flood protected areas • Kilometer of improved waterbodies due to restoration • Number of implemented projects
Green buildings and energy efficiency	<ul style="list-style-type: none"> • Annual energy savings (in MWh) • Annual GHG emission avoidance (in CO₂ equivalent) • Number of certified buildings constructed • Number of buildings subject to energy performance improvements
Renewable energy	<ul style="list-style-type: none"> • Annual power output (MWh) • Expected installed capacity of renewable energy (MW) • Annual GHG emission avoidance (in CO₂ equivalent)
International cooperation	<ul style="list-style-type: none"> • Annual GHG emission avoidance (in CO₂ equivalent) • Number of beneficiaries • Number and nature of projects that support climate change adaptation / resilience • Specific reports about the environmental efficiency of the Swiss international cooperation • Listing of main initiatives and projects and presentation of key examples, and/or a description of mandates of financed multilateral institutions as well as international organizations and funds
Research, innovation and awareness raising	<ul style="list-style-type: none"> • Number of funded research projects • Number of publications • Listing of main initiatives or presentation of key examples

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