



SACHSEN-ANHALT

Ministry of Finance

#moderndenken

Social Bond Framework State of Saxony Anhalt

web: mf.sachsen-anhalt.de

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NON-BINDING CONVENIENCE TRANSLATION OF THE ORIGINAL GERMAN FRAMEWORK

Starke Geschichte, große Ideen

In Sachsen-Anhalt haben über Jahrhunderte kluge Köpfe weltverändernde Ideen entwickelt. Jetzt wird Sachsen-Anhalt zu einem Knotenpunkt der digitalen Zukunft ausgebaut.

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Himmelscheibe
von Nebra



Bauhaus
Dessau



Luthergedenkstätten
Wittenberg und Eisleben



Altstadt und
Stiftsberg
Quedlinburg



Gartenreich
Dessau-Wörlitz



Naumburger
Dom

1 About Saxony-Anhalt

Saxony-Anhalt is located in the center of Germany. Extraordinary and universal ideas were born here. Ideas that have changed the world and continue to shape it today - from the Nebra Sky Disk, the visions of the Bauhaus, the development of color film to the foundations of civil aviation.

For centuries, the State of Saxony-Anhalt (also “Saxony-Anhalt” or “the State”) has provided space for visionary thinking. The Reformation, which led to major upheavals in religious and political world history,

originated here. The spirit of daring to do something new and to think ahead continues to have an impact today.

Saxony-Anhalt is a leader in the expansion of renewable energies and the Leuna Chemical Park is one of the top innovation sites in Germany. With one of the largest investment projects in Europe, the U.S. corporation Intel will make Saxony-Anhalt the center of the European chip production and the hub of the digital future.

At the same time, the State faces major transformative challenges. Demographic change, especially in rural regions, has to be managed, digitalisation and its opportunities must be driven forward, and the economy and society has to be transformed into a “new normal” after the pandemic. This requires not only technical but also social innovations.

The State supports these needs through a variety of programs, concepts and agendas that are also shaped by the idea of sustainability. To accompany this also in terms of financial policy, Saxony-Anhalt has decided to establish a frame-work for the issuance of Social Bonds. This step underlines the State’s growing focus on sustainability and its intention to establish another funding channel for this purpose



Bauhaus in Dessau-Roßlau

1.1 Facts and figures

Saxony-Anhalt has been part of the federal system of the Federal Republic of Germany since October 3, 1990. The State covers an area of 20,452 square kilometers and had a population of 2.169 million on December 31, 2021. The State capital is Magdeburg with 236,188 inhabitants (as of December 31, 2021).

Many of the social fields of action that are still the focus of current State policy can be derived from the State's particular history in the wake of the reunification and are therefore irrevocably linked to today's issues.

The structural transformation after the political turnaround in 1989 / 1990 has profoundly changed the living conditions of the people. The restructuring and privatization of the former GDR-economy led to a large number of closures of outdated state-owned enterprises, and a considerable number of jobs were lost without the creation of sufficient new jobs. This inevitably led to huge social upheavals and, as a consequence, to a temporarily significant migration to the western German states. This trend has leveled off considerably since 2017 and in 2021, positive net migration was recorded for the first time. Rural areas, which account for 97% of the State's land area and are home to 75% of the population, are particularly affected.

Despite the massive economic and social upheavals in the 1990s, the State has succeeded in considering this not only as a burden, but also as an opportunity to find its way back to its former innovative spirit by building on its old traditions. The State has been on the right track for some years now with regard to the challenges described above. The "red lantern" of the highest unemployment rate in Germany, which was

carried for years, has been permanently relinquished and the economy is no longer complaining about too few orders, but, as everywhere else, about too few skilled workers for the many orders. Nevertheless, issues such as the aging of society, improving the quality of education, and resilience to future pandemics also pose challenges that need to be mastered.



State Parliament Building in Magdeburg and Hundertwasser-Building in the background

1.2 Sustainability strategy of the State of Saxony-Anhalt

Already in 2011 the State published a sustainability report. In the updated sustainability strategy of 2018, the long-term measures planned to achieve the cross-sectoral sustainability goals were presented, including an indicator report. This was adapted to the United Nations 2030 Agenda in July 2022. Accordingly, the measures of the State's strategy are assigned to the 17 UN Sustainable Development Goals (UN SDGs), and the selected sustainability indicators are underpinned with a target for the year 2030.

The changes and adjustments to the State's sustainability strategy in 2022 reflect the ongoing structural transformation that the State is undergoing. This involves changes in several dimensions that affect not only the economy, but also societal cohabitation. The Corona pandemic has highlighted the vulnerability of the economy and society. The goal is to develop appropriate strategies to be better prepared for future crises. Saxony-Anhalt is particularly affected by these disruptive developments due to the combination of demographic change and its largely rural character.

The creation of equal living conditions in all regions of the State is enshrined in Article 35a of the State Constitution. To this end, the State government has identified demographic change, climate protection, the expansion of renewable energies, structural transformation in the regions of the State affected by the coal phase-out, the strengthening of rural areas and the continuation of digitalisation as central pillars of its policy framework and has incorporated these into its revised Sustainability Strategy 2022¹.

Moreover, in order to demonstrate the emphatic debate and integration of sustainability into political action, the current State government has set itself the goal in its coalition agreement of presenting the first sustainability budget in Germany and Europe. In detail, this involves allocating expenditures to the various UN-SDGs². This is intended to ensure greater transparency in terms of intergenerational justice, but also to facilitate a discourse on how the available funds should be distributed in the future.

Based on its sustainability strategy, Saxony-Anhalt has identified the following fields of action with regard to this framework for issuing Social Bonds.

¹ <https://mwu.sachsen-anhalt.de/umwelt/nachhaltigkeit>

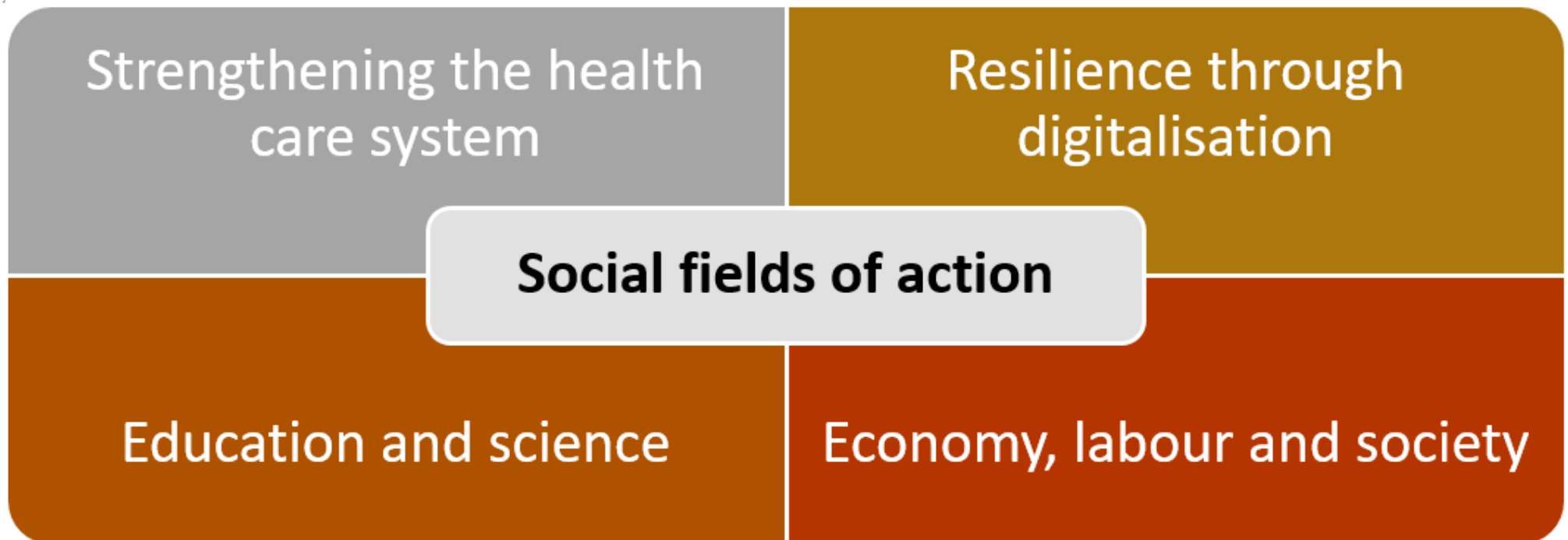
² <https://sdgs.un.org/goals>

2 Social fields of action

Among a large number of goals mentioned in the State's sustainability strategy, the areas of health, digitalisation, education and science, and strengthening and deepening the labour market are of central importance. Particularly vulnerable groups are the focus of the State's measures and activities. In particular, the experiences and effects of

the COVID-19 pandemic have shown that these areas of action are the ones that should be addressed as a priority and developed in a targeted manner.

Accordingly, four overarching social fields of action from the State's sustainability strategy were identified for this framework:



Resilience through digitalisation:

In the coming years, the State's main task will be to create the right framework conditions in all areas, starting with the expansion of fast internet connections, equipping schools with digital technology, and providing targeted support for business and science. With its Digital Agenda³, the State is setting the course for living, learning and working in a connected world.

Specifically, the Digital Agenda addresses the topics of "Health, Medicine and Care", "Intelligent Transportation Systems", "Digitalisation in Agriculture and Forestry" and "Digital Village" under the strategic objective of "Digital Services for the Public and Sustainability".

An efficient digital infrastructure requires qualified specialists and the availability of fast, high-performance internet via a regionwide fiber-optic and mobile communications network. In recent years, the State has been able to achieve high growth rates in terms of broadband availability. While only 57.2% of households had a broadband connection with at least 30Mbit/s at the end of 2016, this figure had already risen to 91.3% by mid-2021. With regard to gigabit connections (1,000 Mbit/s) at 26%, there is still considerable catch-up potential.

The COVID-19 pandemic has brought the urgency for advancing digital technologies into even sharper focus in recent years. While the use of digital products and services used to be a rather subordinate optional offer, it has now become a synonym for innovation and progress and assumes a central role in the economy and society. These offerings are now essential for keeping the economy and society functioning and developing them for the future.

Digital technologies are taking on the role of enablers in various areas, changing or opening up new business models, process chains, services and product worlds.

³ <https://mid.sachsen-anhalt.de/digitales/digitale-agenda>

Education and science:

Education is part of a holistic policy and represents the key factor for sustainable development. This contributes to strengthening Saxony-Anhalt's innovative power and reducing the shortage of skilled workers. The goal is to promote education for sustainable development in all age groups.

Particularly in order to counteract the shortage of skilled workers, a strong education system is needed to prepare the future workforce for the demands of a rapidly changing work environment and to create the prerequisites to provide the State's labour market with a high-quality workforce. As a further important instrument for securing the skilled workforce, further training measures are being used to overcome skills deficits in many sectors in the State. At the same time, the construction and equipment of daycare centers is helping to secure the availability of childcare and make it easier to reconcile work and family life and thus further increasing the potential workforce.

Saxony-Anhalt has a strong science and higher education system, which should serve as an integral part of finding answers, for example, to the emerging shortage of skilled workers and how to increase research & development (R&D) spending by the private sector. More than two-thirds of R&D expenditures in Saxony-Anhalt are currently borne by the public sector (universities and non-university research institutions).

Strengthening the health care system:

Acting sustainably and responsibly requires considerable efforts from politics and society alike to ensure a healthy life for all people and to promote their well-being. The State government has been addressing these challenges for a long time in the form of the state health goals, which were first adopted in 1998.

The number of cases of certain exercise- and nutrition-related diseases such as obesity, high blood pressure and type 2 diabetes is also on the rise in Saxony-Anhalt and poses a major challenge to medical care due to the thinning out of the population structure.

For this reason, health policy focuses on modern outpatient and inpatient care services provided by general practitioners and specialists, especially in rural areas.

In the field of biotechnology, pharmacy and biomedicine, Saxony-Anhalt has a long tradition of developing and producing viral vaccines and biopharmaceuticals. It is becoming apparent that the Corona pandemic will greatly increase the State's importance as a production location for vaccines.



Economy, labour and society:

Demographic change poses major challenges for the State today and will continue to do so in the foreseeable future. In addition, there is a need to secure skilled workers and integrate them into the labour market in order to make employment attractive and secure a livelihood. This is laid down in the State's Labour Market Program (Arbeitsmarktprogramm⁴) and is underpinned by the Regional Innovation Strategy (Regionale Innovationsstrategie⁵). Above all, the many medium- and small-sized companies typical of the State are being supported in the transformation process.

The shortage of skilled workers already addressed in the "Education and Science" field of action is to be countered by the Saxony-Anhalt Pact for Securing Skilled Workers (Fachkräftesicherungspakt⁶). This is one of the most important bodies in Saxony-Anhalt's labour market policy. The main task of the pact is to shape the labour market policy framework for securing skilled workers in various fields of action, to agree on goals and to initiate corresponding implementation steps and measures.

The most important fields of action are integration of immigrants into the labour market, digitalisation - Work/Qualification 4.0, the permeability of vocational and academic education, the compatibility of structural change with needs-based qualification, increasing the attractiveness of vocational training, and ensuring the success of vocational (training) education.

Through various labour market programs, the State is focusing on integrating target groups that are in particular focus, such as parents, single parents, people with disabilities, the long-term unemployed or older unemployed people, into the labour market.

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Summary

By issuing Social Bonds, the State finances the expenditures of the described social fields of action and, at the same time, promotes the goal of comprehensive social sustainability of the State of Saxony-Anhalt. The urgency was brought to the attention of all stakeholders by the Covid 19 pandemic.

The transparency provided by the legally defined and generally accessible expenditure list of the public budget and the Corona Special Fund(CSF)enables investors to evaluate and monitor the sustainability contribution of the Social Bonds. This is implemented via the annual impact report, which the State is committed to publish (for more, see chapter 3.4).

Social Bonds can be issued in benchmark and smaller format. They rank pari passu with other liabilities of the State of Saxony-Anhalt of the same legal nature. There is an ideal allocation to expenditures for Eligible Social Projects, as detailed in the following framework.

⁴mwl.sachsen-anhalt.de/ministerium/service/publikationen

⁵[Fortschreibung der Regionalen Innovationsstrategie \(sachsen-anhalt.de\)](https://www.sachsen-anhalt.de/regionale-innovationsstrategie)

⁶<https://ms.sachsen-anhalt.de/themen/arbeitsmarkt/fachkraeftesicherungspakt>

3 Social Bond Framework

Saxony-Anhalt has established this framework for issuing Social Bonds in accordance with the Social Bond Principles (2021) (“SBP”)⁷ of the International Capital Markets Association (ICMA). The SBP are voluntary guidelines to promote the integrity of the sustainable finance market and encourage issuers to provide transparency and disclosure.

The framework applies to the issuance of Social Bonds, whereby the proceeds of the issuance are allocated exclusively to the financing or refinancing of new or existing Eligible Social Projects with a clear social benefit. The financing or refinancing portion is disclosed in the investor presentation prior to the respective bond issuance.

The framework consists of the following four components:

- I. Use of proceeds
- II. Project evaluation and selection process
- III. Management of the proceeds
- IV. Reporting

[⁷Social-Bond-Principles_June-2022v3-020822.pdf \(icmagroup.org\)](#)

3.1 Use of proceeds

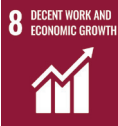


The State of Saxony-Anhalt identifies Eligible Social Projects from the four overarching social fields of action in the respective budgets. All identified projects are related to combating the effects of the COVID-19 pandemic and future pandemic resilience.

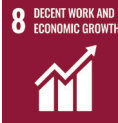


They are part of the CSF or part of the emergency-related expenditures in the individual budgets pursuant to Section 18 (5) of the State Financial Regulation. Both components are reflected accordingly.




The definition of the target population as well as their vulnerability must be considered under the premise of the negative effects and consequences of the pandemic.


According to the following overview, these projects are assigned to the leading social ICMA project categories (SBP), the overarching social fields of action from the sustainability strategy and the UN SDGs.

Eligible Social Projects:

SBP Project categories	Sub-categories	Target population	Overarching Social fields of action	UN SDGs
I Affordable basic infrastructure	Digital infrastructure <ul style="list-style-type: none"> • High-speed Internet and 5G mobile data • Expansion of digital infra-structures • Publicly usable and free WiFi services • Internet of Things (IOT) - access control systems (analysis of visitor flows to public facilities) • Technical equipment for educational institutions 	<ul style="list-style-type: none"> • Citizens of Saxony-Anhalt as affected by the pandemic, especially in areas with inadequate digital infrastructure 	Resilience through digitalisation	  

SBP Project categories	Sub-categories	Target population	Overarching Social fields of action	UN SDGs
<p>II Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and micro-finance</p>	<p>Public Transport:</p> <ul style="list-style-type: none"> • Compensation for COVID-19-related financial disadvantages in local public transport and local rail transport <p>Culture:</p> <ul style="list-style-type: none"> • Support for freelance artists and selfemployed in the cultural sector <p>Financing of small and medium-sized enterprises (SMEs):</p> <ul style="list-style-type: none"> • Co-financing of state measures for the improvement of the regional economic structure by the State ("Joint Task Improvement of the Regional Economic Structure / GRW Measures") 	<ul style="list-style-type: none"> • Employees in public transport or unemployed persons as affected by the pandemic • Freelance artists and self-employed as affected by the pandemic • Employees in SMEs or the unemployed as affected by the pandemic 	<p>Economy, labour and society</p> <p>Economy, labour and society</p> <p>Economy, labour and society</p>	  

SBP Project categories	Sub-categories	Target population	Overarching Social fields of action	UN SDGs
<p>III Socioeconomic advancement and empowerment</p>	<p>Equal participation in society:</p> <ul style="list-style-type: none"> • Equipment with air filters of facilities for youth social work • Grants for sports clubs and sports associations to cope with the consequences of the pandemic <p>Equal access to services:</p> <ul style="list-style-type: none"> • Digitalisation of social institutions and consulting services • Measures to overcome learning deficits 	<ul style="list-style-type: none"> • Citizens of Saxony-Anhalt as affected by the pandemic • People seeking advice • Senior citizens • young adults, teenagers • Pupils and students • People accommodated in social housing <ul style="list-style-type: none"> • Citizens of Saxony-Anhalt as affected by the pandemic • Pupils and students • Families • Migrants and/or displaced persons • Other vulnerable groups, for example due to natural disasters 	<p>Economy, labour and society</p> <p>Resilience through digitalisation</p> <p>Education and science</p>	  

SBP Project categories	Sub-categories	Target population	Overarching Social fields of action	UN SDGs
<p>IV Access to essential services</p>	<p>Access to education:</p> <ul style="list-style-type: none"> • Compensation payments to non-university research institutions • Compensation payments to universities for pandemic-related additional expenditures • Equipping universities with mobile air filters • Installation and renewal of stationary air handling units • Construction measures at Martin Luther University Halle („Julius-Kühn-Haus“) • Construction measures at the Otto-von-Guericke-University Magdeburg • Digitalisation measures at non-university research institutions • Digitalisation measures at universities • Digitalisation measures at schools (e.g. digital assistants) • Reimbursement of day care center parental contributions to the municipalities 	<ul style="list-style-type: none"> • Citizens of Saxony-Anhalt as affected by the pandemic • Pupils and students • Families • Migrants and/or displaced persons • Other vulnerable groups, for example due to natural disasters 	<p>Education and science</p> <p>Resilience through digitalisation</p>	 <p>1 NO POVERTY</p> <p>3 GOOD HEALTH AND WELL-BEING</p> <p>4 QUALITY EDUCATION</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>10 REDUCED INEQUALITIES</p>

SBP Project categories	Sub-categories	Target population	Overarching Social fields of action	UN SDGs
<p>- continued-</p> <p>IV Access to essential services</p>	<p>Access to health care:</p> <ul style="list-style-type: none"> • Procurement of COVID-19 rapid tests as well as protective equipment • Establishment of vaccination centers, vaccination strategy of the State • Replacement and supplementary procurement for major equipment in hospital • Investments in social infrastructure to guarantee hygiene protection standard • Investments in hospitals („Krankenhauszukunftsgesetz“) • Investments in hospitals; large-scale medical-technical equipment incl. structural adaptations • Measures to combat the Corona pandemic at the Initial reception for refugees (ZAST) Halberstadt and its field offices • Pandemic research projects • Grants for university clinics • Cross-sectoral care structures (creation of outpatient-inpatient health care centers, affiliated with the respective university hospital) 	<ul style="list-style-type: none"> • Citizens of Saxony-Anhalt as affected by the pandemic • Pupils and students • Families • Migrants and/or displaced persons • Other vulnerable groups, for example due to natural disasters 	<p>Strengthening the health system</p>	

SBP Project categories	Sub-categories	Target population	Overarching Social fields of action	UN SDGs
- continued- IV Access to essential services	Access to public services: <ul style="list-style-type: none"> • Digitalisation in the state administration 	<ul style="list-style-type: none"> • Citizens of Saxony-Anhalt as affected by the pandemic 	Resilience through digitalisation	

>> The project list drawn up in addition to this framework contains the respective individual projects as well as the relevant project descriptions, project volumes etc.

3.2 Project evaluation and selection process

The project evaluation and selection process ensures that the proceeds from Social Bonds are allocated exclusively to projects that correspond to the use of proceeds described in section 3.1.

For the project evaluation, the State of Saxony-Anhalt has defined the following criteria:

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Social criteria:

- Social expenditures must fall into one of the ICMA project categories listed in 3.1
- It is possible to qualitatively describe and also quantify the sustainability impact of the projects financed at the level of the ICMA project categories.
- In accordance with the strategic direction of projects with a social focus, from the areas of digitalization, demography, health and the sustainability strategy of the State of Saxony-Anhalt, the funded projects contribute to at least one of the UN Sustainable Development Goals.



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Budget criteria:

Within this framework, budgetary expenditures are financed that have emerged in addition to the regular expenditures from the State budget due to needs arising from the emergency situation last determined by the Parliament in May 2022, in accordance with Section 18 (5) of the State Financial Regulation.

- Capital expenditures, public subsidies, and current expenditures that result in new assets, expand, improve, or increase the life of existing assets are eligible. Personnel expenditures included in the State budget from HGr. 4 are excluded.
- Overall, the cash outflow can be quantified and clearly allocated to the respective projects by means of actual presentation in the context of the respective budgetary financial statements.
- Only the net expenditure of the State of Saxony-Anhalt is taken into account. Any third-party funds used for (partial) financing, e.g. allocations from the federal government, EU funding or complementary financing by development banks, are deducted from the total expenditure.
- Expenditures made on the basis of federal legal provisions or EU regulations are excluded.
- A significant part of the expenditure underlying this framework originates from the CSF established by legislative decree of 15 December 2021. The 60 individual projects contained therein, divided into individual years, trigger payment flows within five years until 2027. The special fund has its own economic plan and is part of the State budget. The parliament is informed semi-annually about payment outflows and project statuses. The special fund is thus also a permanent component of the officially established and rule-based budgetary statement.

Double counting of Eligible Social Projects is not permitted.

Eligible Social Projects are assigned once to the social financing of the State budget.

The following process has been defined for the selection of projects funded under this framework:

1. Due to the special nature of the emergency-related expenditures or the social projects behind them, which are listed here as part of the project list (in parts from the CSV), a selection process was already carried out in advance. The establishment of the CSV was linked to the goals of financing concrete, sustainable projects with long-term effects. An essential criterion was the relation of the measure to consequences in connection with the Covid 19 pandemic as well as to the creation and strengthening of resilience for future challenges. For this reason, the State chose the four social fields of action described in Chapter 2, in which identified shortcomings are to be compensated for and defined topics are to be advanced.
2. In the next step, each ministry was asked to submit suitable project proposals that could be assigned to these thematic areas. These were then examined according to the legal as well as political guidelines for feasibility, relevance of measures and objectives and included in the catalogue of measures of the special fund. In the final step, the suitability of the selected projects was discussed by the members of parliament and determined by means of a legislative resolution in the parliament.
3. The identification of potentially Eligible Social Projects and the associated expenditure in the sense of this framework is carried out at the level of the State department responsible for the CSF. For this purpose, a working group has been set up in the Ministry of Finance (“Social Financing“). The composition of the working group combines interdepartmental expertise as well as content-related points of reference on the topic of sustainability on the capital market. Each participant was taught the concept of sustainable financing in workshops.
4. The catalogue of measures of the CSF is exhaustive and thus represents the entire range of possible projects to which this framework refers. On this basis, the specially appointed budget officer for the CSF, together with the technically responsible contact persons from the relevant mirror units of the budget department and a member of the Sustainability Council in the Ministry of Finance, has recorded the social projects in question in structured project sheets and submitted these to the Money and Capital Market Operations Unit for coordination. All project sheets are consolidated in a central list of potentially Eligible Social Projects (master list).



University Halle (Saale).

5. The suitability test and final selection of Eligible Social Projects is carried out by the coordination group Social Financing.

This body consists of

- (i) the representative for the CSF,
- (ii) the representative for the general budget,
- (iii) the persons in charge of sustainable financing in the Money and Capital Market Operations Unit,
- (iv) a member of the Sustainability Council of the Ministry of Finance and
- (v) if necessary, other expert employees of the other departments.

Based on the criteria for the use of funds according to 3.1 of this framework for the issuance of Social Bonds and on the central list of potentially Eligible Social Projects, the coordination group makes a project selection.

6. The coordination group will meet regularly and on an ad hoc basis to carry out its tasks.
7. In the final selection of Eligible Social Projects, only expenditures made in the three financial years preceding the issue date of the Social Bond can be considered.

>>The Money and Capital Markets Unit at the Ministry of Finance is responsible for documenting the project assessment process and allocating the proceeds of the Social Bonds to the selected projects.

It should be emphasised that the State of Saxony-Anhalt is bound by the legal obligations of the administration under Article 20 (3) of the Basic Law to comply with national legislation and international principles and conventions that require a minimum standard of environmental protection and social norms. These principles are taken into account when budgetary expenditures are made.

Should ESG controversies arise in the event of changes in the legal basis or market standards, the coordination group will consult on whether to change the classification as Eligible Social Projects under this framework.

3.3 Management of proceeds

The State of Saxony-Anhalt considers transparency to be an essential feature of the financing of Eligible Social Projects and has an internal accounting system that enables clear and traceable tracking of all uses of funds in the respective expenditures. If the State of Saxony-Anhalt passes on the proceeds to commissioned companies, it undertakes to ensure that these funds are used exclusively for Eligible Social Projects in accordance with section 3.1.

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The State aims for full allocation at the time of issuance, but at the latest within 12 months of their collection, to demonstrate their use. In accordance with the requirements of ICMA, the proceeds of the issue thus correspond to the amount allocated to the Eligible Social Projects.

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Saxony-Anhalt, through the coordination group Social Financing, will manage the proceeds from the Social Bonds issued under this framework according to a portfolio approach. The cumulative net proceeds of all outstanding Social Bonds may not exceed the cumulative value of the Eligible Social Projects.

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Should the State decide to expand the eligibility criteria underpinning and applying to the various sub-projects, these new criteria will not be applied retroactively to the existing Eligible Social Projects. The existing Eligible Social Projects will therefore not lose their status if they do not meet the newly established eligibility criteria.

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Proceeds from a Social Bond that have not yet been allocated is managed within the framework of the Ministry of Finance's general liquidity management requirements until the funds have been fully utilised. The country undertakes to disclose this in the annual reporting.

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If, for any reason, the Eligible Social Projects to which the proceeds have been allocated no longer meet the selection criteria (see table on use of proceeds) or if a controversial use of funds is identified, the State undertakes to reallocate the proceeds to other expenditures for Eligible Social Projects until the maturity of the respective bond.

3.4 Reporting

The State of Saxony-Anhalt will report on the use of funds (Allocation Reporting) and the sustainability impact of the financed Eligible Social Projects (Impact Reporting) within the framework of the Social Bond.

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The responsibility for reporting lies with the Money and Capital Market Transactions Department in the Ministry of Finance of Saxony-Anhalt. In future, all reports will be made available on a website of the Ministry of Finance for investors and the interested public. In addition, a list of the corresponding social expenditures will be published on this website. Changes in the selected projects and their reasons will be listed and explained

Allocation Reporting

Saxony-Anhalt commits to transparent reporting on the use of the proceeds of each Social Bond. The State undertakes to publish this report (the Allocation Report) within one year after the respective bond issue. At the latest from the year after the issue, the report will be published annually until the issue proceeds have been fully allocated. The Allocation Report shall contain details on the allocation of the proceeds of the issue to the Eligible Social Projects. To the extent that there are significant changes regarding the allocation of revenues within the reporting years, the State will include them in the report.

In detail, the allocation report will contain the following points:

- Description of the projects
- Amount of Social Bonds outstanding
- Amount allocated to Eligible Social Projects
- Proportion of Eligible Social Projects financed or refinanced through the Social Bond
- Amount not yet allocated to Eligible Social Projects
- Details of issue proceeds that have not yet been allocated

Verification of the regularity of the allocated expenditure is carried out on the basis of the budget statement to be prepared annually by the Ministry of Finance in accordance with § 80 et seqq. of the State Financial Regulation to be prepared annually.

Pursuant to § 114, the budget account is submitted to the parliament, which can grant discharge to the State Government on the basis of the independent audit by the State Audit Office. On the basis of the budgetary accounts, it is possible to verify all actual expenditure set out in the allocation report. The budget accounts are published annually on the website of the Ministry of Finance.

In addition, pursuant to Section 5 of the Corona Special Fund Act, the parliament is informed in detail every six months about the current implementation status of all measures.

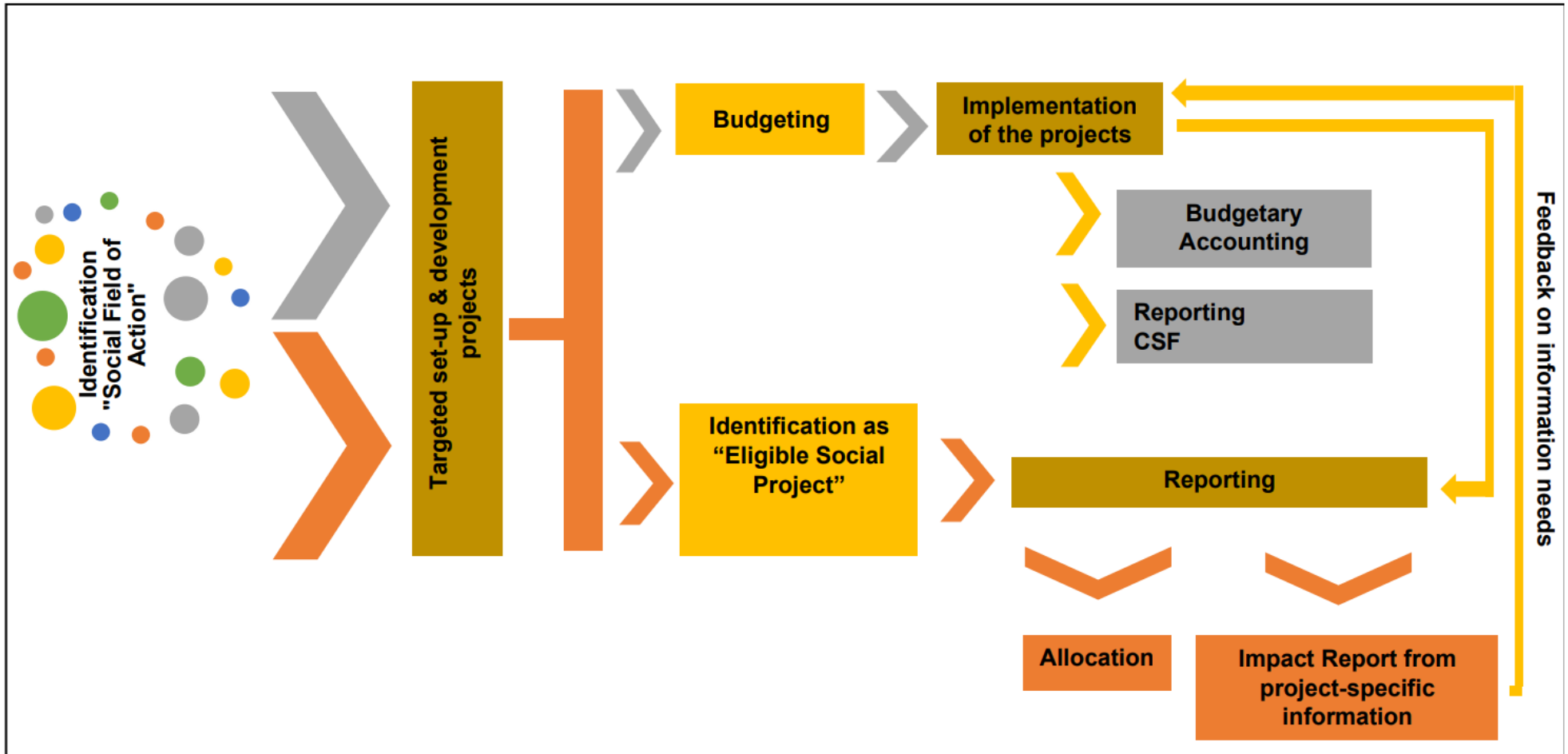
Impact Reporting

Saxony-Anhalt commits to transparent reporting, which will be published no later than one year after issuance. The reporting will assess the measurable sustainability impacts of the Eligible Social Projects and include possible ESG controversies. The report will include relevant impact metrics on an aggregated basis per project category.

ICMA Project Category	ICMA Project Category
Affordable basic infrastructure	<ul style="list-style-type: none"> • Number of digital infrastructure projects funded
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socio-economic crises, including through the potential effect of SME financing and micro-finance	<ul style="list-style-type: none"> • Number of supported companies in local road and rail transport • Number of supported artists and awarded scholarships in the cultural sector
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of facilities supported for improved equipment (incl. room air filters) • Number of beneficiary sports clubs & associations • Number of sponsored members of association • Number of measures implemented to catch up on learning arrears
Access to essential services	<ul style="list-style-type: none"> • Number of research projects in the area of pandemic • Number of mobile air filters procured • Number of digital assistants deployed • Number of air purifiers and CO₂-traffic-lights procured and number of school authorities benefiting and number of classrooms equipped • Number of patients cared for • Number of rapid tests and protective equipment procured

The impact indicators mentioned in the framework are exemplary in nature. The State commits itself to identify at least one impact indicator for each sub-category and to publish suitable indicators in the impact report.

The entire process of project evaluation, selection and reporting is summarised again in the following diagram.



Finally, the impact report is compiled on the basis of the reporting of the departments responsible for the project and prepared in evaluable data for the annual report in a standard format.

4. External Verification

Saxony-Anhalt has commissioned imug rating to prepare a Second Party Opinion (SPO) for the Social Bond issuance framework and to review compliance with the Social Bond Principles (SBP). The State of Saxony-Anhalt publishes the SPO on it's website: mf.sachsen-anhalt.de

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