



XUNTA DE GALICIA  
CONSELLERÍA DE FACENDA

# SUSTAINABLE FINANCE FRAMEWORK

## -XUNTA DE GALICIA-

MAY 2024

CONSELLERÍA DE FACENDA E ADMINISTRACIÓN  
PÚBLICA

Santiago de Compostela. Spain



<b>1.</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>2.</b>	<b>USE OF PROCEEDS</b>	<b>14</b>
<b>3.</b>	<b>PROCESS FOR PROJECT EVALUATION AND SELECTION</b>	<b>30</b>
<b>4.</b>	<b>MANAGEMENT OF PROCEEDS</b>	<b>31</b>
<b>5.</b>	<b>REPORTING</b>	<b>33</b>
<b>6.</b>	<b>EXTERNAL EVALUATION</b>	<b>36</b>
<b>7.</b>	<b>APPENDIX A. IMPACT INDICATORS</b>	<b>37</b>
<b>8.</b>	<b>APPENDIX B. ENERGY EFFICIENCY TAX CREDITS</b>	<b>39</b>
<b>9.</b>	<b>APPENDIX C. SOCIAL AND ENVIRONMENTAL RISK ASSESSMENT AND MANAGEMENT SYSTEM</b>	<b>41</b>
<b>10.</b>	<b>APPENDIX D. RELEVANT DEFINITIONS</b>	<b>42</b>



## 1. INTRODUCTION

The Sustainable Financing Framework of Xunta de Galicia (Regional Government of Galicia), initially established in response to the guidelines of the 2030 Agenda and the Sustainable Development Goals, was conceived within the context of a strategy that is constantly renewed and adapted to the times.

With the approval of the new Strategic Plan of Galicia (PEG) for the period 2022-2030, the previous framework associated with the PEG 2015-2020 is replaced and updated, acknowledging the need to adapt our financial roadmap to the emerging challenges and opportunities of the present and future.

This new framework is born not merely as a technical update or administrative compliance, but as a reflection of Galicia's genuine commitment to sustainable practices in all aspects of its governance. It represents a natural evolution of the financial strategy that goes hand in hand with changes in economic and social policy, maintaining consistency with previous efforts and expanding its scope to include a wider range of sustainable actions.

The aim of this Sustainable Financing Framework is to become a key tool for strengthening the Galician economy, reducing inequalities, and protecting the natural environment. With it, Galicia seeks to play a leading role in the development of sustainable finance in Spain and the world, enhancing its capacity to channel more investments towards projects that are beneficial to society and the environment.

The present framework is based on the **Galicia Strategic Plan 2022-2030**, a reference document that establishes the priorities and necessary actions to achieve a sustainable development model in the region, drawing on successful experiences and best practices from previous strategic plans.

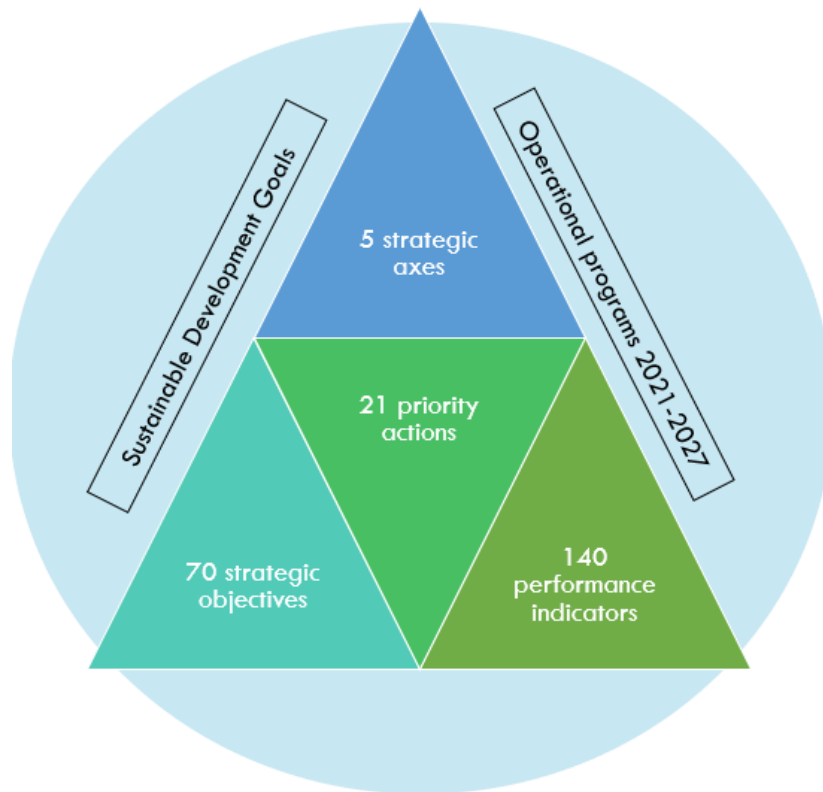
The work carried out over the past decade has shown clearly positive results for the citizens:

- 2010-2014 Strategic Plan: The path out of the crisis.
- 2015-2020 Strategic Plan: Consolidation of economic recovery and employment.
- 2022-2030 Strategic Plan: Designing the Galicia of the future.



The current Strategic Plan contemplates a broader horizon than its predecessors, with the purpose of defining a longer-term strategy that covers the major challenges that Galicia will face, and also the opportunities that may arise in the context of the current major trends, mainly the aging of the population, climate change and digital transformation. The purpose of establishing a timeframe covering 9 years, as opposed to the 5 or 6 years of previous plans, is to achieve impacts of greater depth in the Galician social and economic reality.

The approval and implementation of the regional budget is aligned with the strategic plan of the Xunta de Galicia and its challenges, focused on aspects such as growth and economic convergence, employment, research, development and innovation (R&D&I), education, social inclusion, environmental protection and demographic revitalization, all of which are consistent with the European strategy. For this reason, a parallel process to the traditional budgeting exercise is articulated, requiring the management units to ensure that the budget is consistent with the Plan.

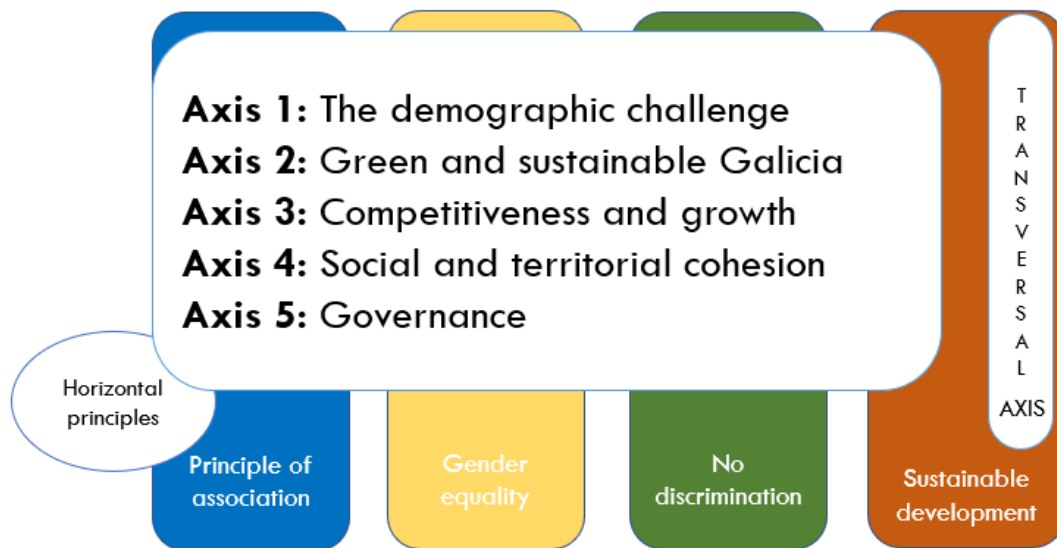


This Strategic Plan 2022-2030 is structured as follows:<sup>1</sup>

- 5 horizontal axes:
  - Axis 1: The demographic challenge and welfare.
  - Axis 2: Green and sustainable Galicia.
  - Axis 3: Competitiveness and growth.
  - Axis 4: Social and territorial cohesion.
  - Axis 5: Governance.
- 21 action priorities.
- 70 strategic objectives.

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<sup>1</sup> Full summary: <https://www.planestratexico2030.gal/documents/20509601/20509661/Resumo-executivo-PEG-22-30.pdf/31420ac4-e1f7-4db4-a46f-0b12234d5881>



The monitoring of the results achieved under the plan will be carried out through financial, performance and result indicators already defined in the plan itself.

The main objectives of the strategic plan are presented through the following relevant indicators:

Indicator	GOAL 2030
<b>Employment rate (20-64 years old)</b>	74%
<b>Unemployment rate</b>	8% (-4%)
<b>Temporary employment rate (20-64 años)</b>	-6 pp
<b>R+D+I expenditure/GDP</b>	2%
<b>Exports to third countries (% of GDP)</b>	45%
<b>GHG emissions</b>	-64% (compared to 2005)
<b>Renewable energies in final energy consumption</b>	58%
<b>Renewable energies in electric power generation</b>	84,8%



Indicator	GOAL 2030
Urban waste recycling rate	60% <i>(triple the current value)</i>
Premature school dropout	6,5%
School coverage rate (% pop 0-3 years old)	60%
Tertiary or higher education (% pop 25-64 years old)	45%
At-risk-of-poverty or social exclusion rate	14% <i>(150 thousand les people)</i>
Convergence UE27 GDP pc	98%

Likewise, this plan comprehensively addresses the main objectives of the European Cohesion Policy for the coming years and the 17 Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda, establishing a close interconnection between both initiatives in favor of the sustainable development of Galicia.



SDG	1 ERU DE LA POBREZA	2 HAMBRE CERD	3 SALUD Y BIENESTAR	4 EDUCACIÓN DE CALIDAD	5 EQUITAD DE GÉNERO	6 AGUAS LIMPIAS Y SANEAMIENTO	7 ENERGÍAS LIMPIAS Y ACCESIBLES	8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO	9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA	10 REDUCCIÓN DE LAS DESIGDADES	11 CIUDADES Y COMUNIDADES SOSTENIBLES	12 PRODUCCIÓN Y CONSUMO RESPONSABLES	13 ACCIÓN POR EL CLIMA	14 VIDA SUBMARINA	15 VIDA DE ECOSISTEMAS TERRESTRES	16 PAZ, JUSTICIA INSTITUCIONAL Y SOLIDARIDAD	17 ALIANZAS PARA LOGRAR LOS ODS
<b>Axes and priorities for action</b>																	
<b>Axis 1: Demographic challenge</b>																	
PA 1.1: Achieve a high level of employment with better quality, ensuring a balance between professional and private life								👍									
PA 1.2: Improve the well-being and quality of life of families			👍	👍	👍					👍							
PA 1.3: Improve Access to housing and its habitability conditions										👍	👍						
PA 1.4: Strengthen accessible and high quality health care			👍							👍							
<b>Eje 2: Green and Sustainable Galicia</b>																	
PA 2.1: Promote a low-carbon economy based on cleaner and less environmentally aggressive energy sources, giving priority to renewable energy sources. Enhance energy efficiency in all sectors: public, industrial, and domestic							👍										
PA 2.2: Ensure sustainable mobility											👍						
PA 2.3: Guarantee a comprehensive response to citizens' needs in emergencies, including the effects of climate change, and increase resilience against climate-related risks and natural disasters.			👍										👍				





SDG	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
PA 2.4: Promote a sustainable growth model that maximizes the potential benefits of the environment, prioritizing an efficient management of the water cycle, circular economy and the protection of the natural heritage						👍						👍			👍		
<b>Eje 3: Competitiveness and Growth</b>																	
PA 3.1: Improve research and innovation capabilities and the adoption of advanced technologies									👍								
PA 3.2: Foster an inclusive and sustainable digital transformation									👍							👍	
PA 3.3: Boost the growth and competitiveness of SMEs, industrial transition, and entrepreneurship.								👍	👍								
PA 3.4: Promote productive and network infrastructure									👍		👍						
PA 3.5: Harness the potential of Galicia for a modern and competitive primary sector		👍	👍						👍					👍	👍		
PA 3.6: Promote sustainable and high-quality tourism									👍			👍		👍			
<b>Eje 4: Social and Territorial Cohesion</b>																	
PA 4.1: Promote inclusive and quality education				👍						👍							



SDG	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	1 INEQUIDADE DA POBREZA	2 ALIMENTACIÓN E AGUA LIMPA	3 SAÚDE E BIENESTAR	4 EDUCACIÓN DE CALIDADE	5 IGUALDADE DE XÉNERO	6 AGUA LIMPA E SANEAMENTO	7 ENERGÍA LIMPA E APTA PARA O MEDIO AMBIENTE	8 TRABAÑO DECENTE E CRECIMENTO ECONÓMICO	9 INDUSTRIA, INNOVACIÓN E INFRAESTRUTURA	10 REDUCCIÓN DAS DESIGUALDADES	11 Cidades e comunidades sustentables	12 Produción e consumo responsables	13 Acción polo clima	14 Vida submarina	15 Vida terrestre	16 Paz, xustiza e institucións sólidas	17 Alianzas para lograr os obxectivos
PA 4.2: Ensure that growth reaches all citizens, particularly the most disadvantaged, and support the socio-economic integration of the returned and immigrant population	👍				👍					👍							
PA 4.3: Enhance Galician culture and language as key elements to build an inclusive and cohesive society that contributes to the quality of life of citizens								👍			👍						
PA 4.4: Promote territorial cohesion and develop services in the territory under the concept of a unified city.										👍							
<b>Eje 5: Governance</b>																	
PA 5.1: Good governance that advances in the provision of services and generates added value for citizens, based on planning and evaluation of public policies. Using simple, accessible, and agile procedures that result in efficient and quality service																	
PA 5.2: Sustainable finances for healthy growth																	
PA 5.3: Strengthening self-government and inter-administrative coordination																	
<b>Total</b>	1	1	4	2	2	1	1	5	4	5	5	2	1	2	2	1	0





This Strategic Plan is materialized through different and multiple sectoral plans, which are essential for its effective implementation. Thus, this framework is complemented by the specific sectoral plans corresponding to each of the eligible items or categories included in this Sustainable Financing Framework. A full description of these categories is provided in Chapter 2 of the document.

### Sectoral plans

Environmental Categories	Sectoral Plan
1. Renewable energy	<a href="#">Galicia Energy Agenda 2030</a>
2. Energy efficiency	<a href="#">Galicia Energy Agenda 2030</a>
	<a href="#">Galician Climate Change and Energy Strategy 2050</a>
3. Pollution prevention and control	<a href="#">Galician Circular Economy Strategy</a>
4. Environmentally sustainable management of living natural resources and land use	<a href="#">Galician Climate Change and Energy Strategy 2050</a>
	<a href="#">Director Plan Natura Network 2000</a>
5. Terrestrial and aquatic biodiversity conservation	<a href="#">Galician Strategy for Green Infrastructure and Ecological Connectivity and Restoration</a>
6. Clean transportation	<a href="#">Galicia Transport Plan</a>
	<a href="#">Galician Alternative Mobility Strategy</a>
7. Sustainable water and wastewater management	<a href="#">Hydrological Plan Galicia Coast</a>
	<a href="#">Integrated Water Cycle Law</a>
	<a href="#">Water Plan 2010 - 2025</a>
8. Climate change adaptation	<a href="#">Galician Climate Change Strategy 2050</a>

Social Categories	Sectoral Plan
9. Affordable basic infrastructure	<a href="#">Galician Metropolitan Transport Plan</a>
	<a href="#">Education Plans</a>



10. Access to essential services	<a href="#">Elderly and Dependency Plans</a>
	<a href="#">Plans on Disability</a>
	<a href="#">Addictive Behavior</a>
	<a href="#">Vaccination</a>
	<a href="#">Health Care</a>
11. Affordable housing	<a href="#">Galician Housing Pact 2021-2025</a>
	<a href="#">RehaVita Plan</a>
12. Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socio-economic crisis	<a href="#">Strategy to Promote Self-Employment</a>
13. Food security and sustainable food systems	<a href="#">Strategic Plan for the Orchard 2023 - 2030</a>
	<a href="#">Galician Meat Sector Dynamization Strategy</a>
14. Socioeconomic advancement and empowerment	<a href="#">VIII Equality Plan 2021-2027</a>



Xunta de Galicia has updated its Sustainable Finance Framework, based on the Green Bond Principles (GBP) and the Social Bond Principles (SBP) of the ICMA group<sup>2</sup> (updated in 2022), and the LMA-LSTA's Green Lending Principles (GLP) together with the LMA-LSTA's Social Lending Principles (SLP)<sup>3</sup>. With this Framework, the Xunta seeks to link its finances with financial practices oriented towards sustainability, promoting investment in projects and activities that generate a positive impact on the economic, social and environmental sustainability of the region.

The objective of Xunta de Galicia is to play a leading role in the sustainable financial market, both as an issuer and as a financial promoter in the region of Galicia; addressing the environmental, social and economic challenges that the region faces.

The framework is structured around four main components according to the Principles on which it is based:

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

With this new Sustainable Finance Framework, the Xunta demonstrates its commitment to sustainable development and the construction of a more prosperous, equitable and environmentally friendly future for generations to come, updating its tools to the new strategic priorities set out in the region.

It should be noted that this framework has been verified by an external entity, guaranteeing its alignment with the aforementioned principles and objectives of sustainable financing.

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<sup>2</sup> *International Capital Market Association (ICMA):* [link](#) .

<sup>3</sup> *Loan Market Association (LMA):* [link](#) .

*Loan Syndications and Trading Association (LSTA):* [link](#).



## 2. USE OF PROCEEDS

### Definition and scope of Sustainable eligible expenditures

The "Eligible Projects" comprise a selection of projects determined according to the criteria established in this framework, all of which should foster the transition to a more sustainable society. These projects cover both investment and operational expenditures, as both types of expenditures can be aligned with Galicia's sustainable policies. In addition, this category includes fiscal expenditures associated with the eligibility criteria, as it is described in [Appendix B](#).

The net proceeds from the issuance of Sustainable Bonds or other sustainable loans will be used by Xunta de Galicia to finance a variety of "Eligible Projects and Assets" that promote environmental and social aspects in diverse ranges. Therefore, these net proceeds will be used exclusively for projects, activities and assets that meet the following categories and criteria:

#### a. Green:

1. Renewable energy
2. Energy Efficiency
3. Pollution prevention and control
4. Environmentally sustainable management of living natural resources and land use
5. Terrestrial and aquatic biodiversity conservation
6. Clean transportation
7. Sustainable water and wastewater management
8. Climate change adaptation

#### b. Social:

9. Affordable basic infrastructure
10. Access to essential services
11. Affordable housing
12. Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socio-economic crisis
13. Food security and sustainable food systems
14. Socioeconomic advancement and empowerment



These eligible projects and assets will be carefully evaluated and selected according to the standards and guidelines established by the Xunta de Galicia, ensuring their alignment with the sustainable development objectives and the strategy of the region.

In addition, Xunta de Galicia has procedures in place for the assessment and management of environmental and social risks arising from all potential projects to be financed under the eligible categories listed below. More information on these procedures and systems can be found in [Appendix C](#) of this Framework.

### Description of eligibility criteria

#### GREEN USE OF PROCEEDS





a) **Renewable energy**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs aimed at increasing the production and consumption of renewable energies in Galicia and promoting a low-carbon economy. These expenditures include, among others:

1. Subsidies and other types of support for renewable production (solar and wind energy) and technological development with the aim of increasing their individual demand by households and businesses.
  - a. These subsidies take into consideration the technical characteristics of the generating equipment, uses and exploitation of the renewable energy generated, maturity of the project and other positive externalities (such as location in a municipality of demographic challenge, energy communities, etc.).
2. Actions that contribute to energy diversification through the generation of renewable energy and the substitution of fossil fuels and petroleum-based products.
  - a. Specifically, the aim is to promote the use and exploitation of new renewable energy sources (biogas, biomethane, marine energies) and new renewable energy vectors (green hydrogen), which are still scarcely implemented.



**b) Energy efficiency**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs aimed at reducing energy intensity in businesses, promoting energy savings and energy efficiency in companies and households, as well as all those that pursue energy savings and efficiency in public infrastructures, including public buildings and public housing. These expenses include, among others:

1. Subsidies, grants or support for the rehabilitation or retrofitting of residential buildings.
2. Rehabilitation, energy saving or efficiency measures in public buildings and facilities: schools, hospitals, health centers and other administrative facilities.
3. Bonuses or other forms of aid for companies that implement measures and projects that contribute to energy efficiency.

It should be noted that it is a requirement of the subsidy programs related to energy saving and efficiency projects that minimum energy savings be achieved.

**c) Pollution prevention and control**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance programs aimed at promoting soil decontamination and promoting waste recycling. These expenditures include, among others:



1. Actions to monitor, control and reduce environmental damage that may have an impact on the health of the Galician population. <sup>4</sup>
2. Support and subsidies for the promotion of recycling and waste management in households and the industrial network.
3. Actions that use waste to generate energy (waste-to-energy).

**d) Environmentally sustainable management of living natural resources and land use**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be channeled towards financing several programs aimed at ensuring the preservation of the natural heritage, promoting its efficient management, and supporting its sustainable protection. These programs may include activities such as ecosystem conservation and restoration, biodiversity protection, sustainable management of natural resources and the promotion of sustainable agricultural and forestry practices<sup>5</sup>. These expenditures include, among others:

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<sup>4</sup> Further information on the measures taken in this area can be found at the following link [link](#).

<sup>5</sup> In forestry, "sustainable forest management" is defined as (see Law 7/2012, of 28 June, on Galician forests, art 8): the organisation, administration and use of forests in a manner and intensity that allows to maintain their biodiversity, productivity, vitality, potential and regeneration capacity, in order to meet, now and in the future, the relevant ecological, economic and social functions at local, national and global level, and without causing damage to other ecosystems.



1. Provision of subsidies and support for sustainable forestry activities, particularly those related to their maintenance.
2. Actions aimed at forest conservation, including activities for the prevention and control of forest fires.
3. Initiatives for the recovery and reforestation of forest areas affected by fires and other natural disasters.
4. Sustainable development in fishing areas (excluding those activities related to tourism).

**e) Terrestrial and aquatic biodiversity conservation**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs aimed at ensuring the conservation of biodiversity in terrestrial and aquatic ecosystems in Galicia, including the protection of coastal, marine and watershed environments. These expenditures include, among others:

1. Compensation for damages.<sup>6</sup>
2. Aids for the conservation of certain species.
3. Biodiversity protection and conservation.

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<sup>6</sup> These actions are carried out through subsidy ordinances which compensate the damages caused to livestock and agricultural farms in the Autonomous Community by wild fauna species subject to a special protection regime. The beneficiaries of this type of aid could be the owners of the farms (livestock farmers/farmers) affected by the possible damages caused by these species.



f) **Clean transportation**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs aimed at promoting the replacement of fossil fuel vehicles with electric vehicles. These expenditures include, among others:

1. Acquisition of electric taxis or other types of vehicles.
2. Renewal of vehicles belonging to the fleet of the Xunta de Galicia with the aim of making them more environmentally sustainable.
3. Promotion of the use of public transport and sustainable mobility (i.e., aid for the acquisition of pedal-assisted bicycles).

It is worth mentioning that the lines of action promoted by the Department of Infrastructures and Mobility are aimed both at the incorporation of zero emission vehicles and ECO category vehicles, although giving priority to the former with a much higher level of aid intensity.

In line with the substantial contribution criteria of the EU Taxonomy, until 2025 the vehicles to be financed must comply with an emissions limit of 50gCO<sub>2</sub>/km. After the end of 2025, only projects involving the purchase of zero-emission vehicles will be considered eligible for this category; subject to possible changes in the European taxonomy itself.

On the other hand, the incorporation of pedal-assisted bicycles and hybrid or electric handcycles for wheelchairs is encouraged.



**g) Sustainable water and wastewater management**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs aimed at improving the quality and condition of water. These expenditures include, among others:

1. Works on water supply.
2. Implementation of an irrigation infrastructure plan in rural areas.

**h) Adaptación al cambio climático**

Scope for the Eligible Green Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance several programs aimed at promoting climate change adaptation in Galicia. These initiatives intend to reduce the region's vulnerability to the impacts of climate change and strengthen the resilience of natural and socioeconomic systems. Some areas of expenditure in this category include:

1. Prevention of damage caused by natural disasters.
2. Prevention and defense against forest fires.

In this category, it should be noted that, within the framework of the Strategic Plan of Xunta de Galicia, an analysis of climate scenarios is available as a basic starting point, based on which decisions are made and/or actions are defined.



## SOCIAL USE OF PROCEEDS

### i) **Affordable basic infrastructure**

#### Scope for the Eligible Social Expenditures and examples

Proceeds linked to this Sustainable Finance Framework will be allocated to financing several programs aimed at improving essential infrastructures to increase the life quality of the Galician population, with special attention to transportation and, in particular, to rural areas. These expenditures include, among others:

1. Service infrastructures to the rural population.
2. Improvement of rural roads to increase connectivity in rural areas.
3. Actions to improve and preserve bus stops and bus stations.
4. Construction of multimodal stations (train and bus) in different municipalities.



**j) Access to essential services**

Scope for the Eligible Social Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs aimed at improving education, health and social services for families and children. Related expenditures include, but are not limited to:

1. Subsidies for early childhood, primary and secondary education, special education and vocational training.
2. Subsidies for transportation, lunchroom, purchase of textbooks and school supplies.
3. Projects related to training practices in companies and institutions for vocational training students.
4. Construction, repair, expansion and improvement of pre-school, primary and secondary education centres.
5. Dependency care program.
6. Implementation of projects for people with disabilities.
7. Galician vaccination program
8. Construction, repair, extension and improvements in hospitals and health centres.
9. Supply of blood derivatives for the Galician Agency of Blood, Organs and Tissues.
10. Drug addiction prevention programs.
11. Health and social-health programs and hospital care.
12. Measures to address financial exclusion, which particularly affects rural areas and the elderly population (subsidizing the installation of ATMs in municipalities without bank branches and a comprehensive advisory and training service).

All eligible projects in this category are in compliance with the Accessibility Law.





**k) Affordable housing**

Scope for the Eligible Social Expenditures and examples

Proceeds linked to this Sustainable Finance Framework will be allocated to financing several programs aimed at facilitating access to housing, whether owned or rented, especially for the most disadvantaged groups<sup>7</sup>. These expenditures include, among others:

1. Housing construction and renovation projects.
2. Different initiatives that support the regeneration and rehabilitation of housing, especially old houses.
3. Rental or housing purchase subsidies for vulnerable groups (not all potential beneficiaries will be considered).

For the actions that fall into this category, it is relevant to mention that there are different procedures to ensure that these housing projects are accessible and directed to the target population, which are the most vulnerable groups, according to the description of these that can be found in [Appendix D](#).

**l) Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance<sup>8</sup>**

Scope for the Eligible Social Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance several programs aimed at fostering the creation of stable and quality employment and to reduce unemployment while promoting the hiring of the unemployed. Actions in this field seek to benefit mainly the most vulnerable groups of Galician society. Related expenditures include, but are not limited to:

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<sup>7</sup> See definition of "vulnerable group" in [Appendix D](#).

<sup>8</sup> See definition of "SME" in [Appendix D](#).



1. Promotion of self-employment and entrepreneurship.
2. Guidance, coaching and training to accelerate entrepreneurial initiatives.
3. Programs to promote young people's labor market insertion.
4. Training plans aimed at improving the employability of the long-term unemployed and young people.
5. Subsidies and support for employment in rural areas.
6. Subsidies and support for artistic and cultural productions.
7. Subsidized hiring and other recruitment support programs.
8. Support programs for SMEs.

For more details about the conditions under which an SME can have access to these support programs, please consult the following link: <https://www.igape.gal/es/>

#### **m) Food security and sustainable food system**

##### **Scope for the Eligible Social Expenditures and examples**

The resources associated with this Sustainable Financial Framework will be used to finance different programs aimed at promoting the quality and sustainability in the Galician food systems, focusing on the rural economy and local production. These initiatives are aimed at promoting and protecting the differential quality of Galician food products endorsed by the distinct quality indicators, at fostering research and technological development in the sector, and promoting R+D+I activities in the agricultural, livestock and forestry sectors. Some areas of investment and spending in this category include:

3. Actions aimed at promoting and defending the products endorsed by the quality labels and indicators.
  - a. In this regard, it is worth highlighting the role of designations of origin, protected geographical indications, artisan food products and, most notably, organic production, in promoting sustainability, not only environmental, but also social and economic, as they are engines for the development of rural economies.



4. Activities related to the quality control of agricultural and livestock products and the prevention of livestock diseases.

**n) Socioeconomic advancement and empowerment**

Scope for the Eligible Social Expenditures and examples

The resources associated with this Sustainable Financial Framework will be used to finance various programs oriented to promote equality between men and women, conciliation and non-discrimination, devising a social integration strategy to improve the welfare of citizens, and especially to help the most disadvantaged<sup>9</sup>. These expenses include, among others:

1. Conciliation and demographic dynamism measures.
2. Promotion of volunteering.
3. Equality and welfare services.
  - a. For more information, please visit the following link:  
<https://www.igualdadebenestar.org/>
4. Resources and programs to promote work-life balance and shared responsibility.
5. Subsidies and support for women victims of gender-based violence.
6. Actions related to the fight against poverty and social exclusion.
7. Attention to the family and programs to support children.
8. Resources to support dependent persons or those with special needs.
9. Subsidies and specific actions to support social integration.

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<sup>9</sup> In this case, in order to narrow down the target population referred to in this last mention, we will refer to the definition of "vulnerable group" in [Appendix D](#).



The list of examples of Eligible Green and Social Expenditures is for illustrative purpose only. The Eligible Green/Social Expenditures are not limited to this list. Any expenditure included in the regional budget that contributing explicitly to Green or Social categories as defined by GBP and SBP are eligible for the Xunta de Galicia Sustainable Finance Framework.

These eligibility categories are designed to contribute to various environmental and social objectives. The following tables provide a detailed overview of the environmental objectives and Sustainable Development Goals that are supported or promoted by each of them.

### Contribution to environmental objectives

#### CLIMATE CHANGE MITIGATION



- Renewable energy:** Key factor in reducing greenhouse gas emissions.
- Energy efficiency:** Improving energy efficiency reduces energy consumption and, consequently, emissions.
- Clean transportation:** Contributes reducing greenhouse gas emissions and reducing air pollution from transportation.

#### NATURAL RESOURCE CONSERVATION



- Environmentally sustainable management of living natural resources and land use:** Promotes the conservation of natural resources through land use practices that respect ecological balance and promote sustainability.
- Sustainable water and wastewater management:** Essential for the protection of water resources, this eligible category supports efficient water management and adequate wastewater treatment, ensuring its availability and quality.
- Terrestrial and aquatic biodiversity conservation:** Focused on protecting biological diversity, this category helps maintain ecosystems and the services they provide, which are fundamental to the conservation of natural resources.

#### CLIMATE CHANGE ADAPTATION



- Climate change adaptation:** Specifically designed to increase resilience in the face of the effects of climate change.

#### BIODIVERSITY CONSERVATION



- Environmentally sustainable management of living natural resources and land use :** Responsible management supports the conservation of terrestrial ecosystems.
- Terrestrial and aquatic biodiversity conservation:** Directly addresses the conservation of biodiversity in both terrestrial and aquatic environments.

#### POLLUTION PREVENTION AND CONTROL



- Pollution prevention and control:** Directly aligns with the goal of reducing pollution in all its forms.
- Clean transportation:** Helps reduce air pollution caused by transportation.
- Sustainable water and wastewater management:** Avoids contamination of water bodies through proper wastewater management.



### Contribution to the Sustainable Development Goals

ELIGIBLE PROJECTS								
	Renewable energy	Energy Efficiency	Pollution prevention and control	Environmentally sustainable management of living natural resources and land use	Sustainable water and wastewater management	Terrestrial and aquatic biodiversity conservation	Clean transportation	Climate change adaptation
SDG	4	1	3	2	2	2	7	3
	7	3	6	3	3	4	9	11
	10	4	8	4	4	6	11	13
		5	9	6	6	8		
		6	10	8	8	11		
		7	12	9	12	12		
		10	13	10	13	14		
		11	15	11	14	15		
		12		12	15			
		13		13				
		15		14				
				15				

ELIGIBLE PROJECTS						
	Affordable basic infrastructure	Socioeconomic advancement and empowerment	Access to essential services	Employment generation and other programs	Food security and sustainable food systems	Affordable housing
SDG	2	1	1	2	2	10
	4	2	3	3	3	11
	8	3	4	4	4	
	11	4	5	5	6	
	14	5	10	8	8	
	15	8	11	8	10	
		9		9	12	
		10		10	14	
		11		11	15	
		14		14		
		15		15		
		16		16		



### Exclusion Criteria

The proceeds will be used to finance capital and operating expenditures on eligible projects and programs, including loans and subsidies to public and private organizations and consortiums. It is important to note that these funds **will not be allowed to be used** to cover personnel, financial, contingency funds, financial liabilities. This restriction guarantees that the resources are focused exclusively on specific investment areas, avoiding their use for general expenses or expenses not related to the framework's objectives. In addition, it has been established a detailed list of activities explicitly excluded from funding, thus ensuring a coherent allocation of resources aligned with the established principles and goals.

#### Excluded activities:

- Activities related to fossil fuels
- Activities related to the extraction of resources that are potentially harmful to the environment
- Nuclear energy
- Industries related to the manufacture and trade of weapons, tobacco and gambling, adult entertainment, as well as the direct production of alcoholic beverages
- Large-scale hydropower projects (>25MW), due to the potential risk they pose to natural habitats
- Any activity or project that does not comply with recognized international guidelines, specifically the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights



### 3. PROCESS FOR PROJECT EVALUATION AND SELECTION

#### Process

Eligible projects will be selected through a defined and transparent process to ensure the selection quality. A first analysis of the eligibility of assets will be carried out by the Planning and Budgeting department, which collects data regarding eligible projects. The following members will be involved in this stage:

- a) 2 people in representation of the Technical and Treasury General Secretariat.
- b) 1 representative of the Directorate General of Budgets and Autonomous Financing.
- c) 1 people in representation of the Directorate General for Cohesion Policy and European Funds.
- d) 1 representative of social projects.
- e) 1 representative of green projects.

The aforementioned persons will be members of the Sustainable Finance Committee. Likewise, the committee will require the participation of other departments of Xunta de Galicia when it deems it appropriate to share information on specific aspects.

The Sustainable Finance Committee of Xunta de Galicia will select projects and budget programs that are aligned with the sustainability criteria previously mentioned in the Sustainable Financial Framework. Likewise, all of the issuer's internal principles and procedures regarding environmental and social risk management will be taken into account.

Not all expenditures of the selected budget program may be eligible according to the Sustainable Financial Framework; the Committee will provide investors with the information that will allow them to identify the percentage of the eligible investment allocated to the Sustainable Bond or any other sustainable financial products. This information will be provided through annual reports (refer to [section 5](#) of this document).



## 4. MANAGEMENT OF PROCEEDS

### Management

The net proceeds from the issuance of Sustainable Bonds or any other sustainable financial product will be administered within Xunta de Galicia's normal treasury liquidity account in accordance with Art. 89 Legislative Decree 1/1999, which approves the revised text of the Galician Financial and Budgetary Regime Law<sup>10</sup>, until the total amount of the net proceeds equals the total amount of selected eligible projects.

Furthermore, it should be noted that all income in the Treasury account is subject to monitoring and auditing by the Intervention, which implies that income derived from sustainable financing is recognized in the system according to its own nature. In the same way, the Intervention audits the expenses in accordance with the procedure established in Legislative Decree 1/1999, by which the revised text of the Galician Financial and Budgetary Regime Law is approved, among which are included the expenses related to projects selected by the Sustainable Finance Committee.

The eligible projects will be part of current to eligible budgetary programs in the General Budget of Xunta de Galicia, corresponding to the fiscal year of the issuance. The total expenditures required for the eligible programs will equal or will exceed the net total proceeds. Xunta de Galicia will implement a regulatory program for those expenditures that exceed the total income of the program. This will provide a safeguard when eligible projects or programs are negatively affected.

### Forecast of funds allocation

Proceeds from the issuance of sustainable bonds or any other sustainable finance product will be allocated directly to eligible projects at the time of the disbursement date. In the event that not all funds can be assigned, Xunta de Galicia will temporarily keep the funds not allocated in the treasury account. It may be charged for such management according to the specific regulation, for example: liquidity position or term deposits in banks. The Directorate General of Financial Policy and Treasury, as part of the Treasury Department of the Xunta de Galicia, will supervise it. The Sustainable Finance Committee will review it afterwards.

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<sup>10</sup> <https://www.boe.es/buscar/pdf/1999/BOE-A-1999-23410-consolidado.pdf>





In the event that selected eligible programs become ineligible or are cancelled, the Xunta de Galicia will use the net proceeds to finance other eligible programs that comply with the current "[Use of Proceeds](#)" criteria.



## 5. REPORTING

### Allocation Reporting

Allocation reports will be available to investors within one year of the date of issuance of the sustainable bonds or any other financial product (or the date of signing if it is another financial product) and will be prepared annually until the proceeds have been fully allocated.

The reports shall present information on the amount of funds allocated to eligible budget programs for each eligible chapter. Therefore, they shall include, among other data, the total amount of investments and expenditures in the portfolio of eligible Green/Social Projects; the year of investment/disbursement (if possible); and the balance of unallocated revenue (if possible).

For further detail on the information that will be published in the above-mentioned allocation reports, please refer to the reports that have already been published.

The allocation report will be available on the website of Xunta de Galicia, related to indebtedness:

<http://www.conselliadefacenda.es/es/areas-tematicas/politica-financeira-tesouro-e-fondos-europeos/operacions-de-endebedamento-da-comunidade-autonoma/datos-procedementos-e-contacto;jsessionid=VwzAnHgNm5kjYNEHLXGTzROq.cac6cba5-fef0-33d4-a719-d618a829dfb1>

### Impact Reporting

Xunta de Galicia will present a report containing information on the social and environmental impacts of the projects financed with the proceeds from the Sustainable Financial Instruments, via the monitoring framework of the Strategic Plan of Galicia.

[Appendix A](#) includes a list of potential indicators. These indicators should be complemented by qualitative reports and/or case studies on outcomes and impacts of the funded projects. Information related to eligible programs should also be included.

Preferably, issuers should refer to and adopt the guidance and reporting templates provided in the Harmonized Framework for Impact Reporting:



Green: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022v2-020822.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf)

Social: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf)





## 6. EXTERNAL EVALUATION

Xunta de Galicia will commission an external provider to supply a Second Party Opinion on this Sustainable Finance Framework and confirm alignment with current Green Bond Principles and Social Bond Principles.

This Second Party Opinion document will be made available on Xunta de Galicia's website: <http://www.conselliadefacenda.es/es/areas-tematicas/politica-financeira-tesouro-e-fondos-europeos/operacions-de-endebedamento-da-comunidade-autonoma/datos-procedementos-e-contacto;jsessionid=VwzAnHgNm5kjYNEHLXGTzROq.cac6cba5-fef0-33d4-a719-d618a829dfb1>



## 7. APPENDIX A. IMPACT INDICATORS

Examples of potential impact indicators:

- Municipalities adhered to the metropolitan transport plan.
- Number of trips in metropolitan transport
- Rural roads improved or constructed
- Number of (first) doses administered
- Hospital centers built or rehabilitated
- Health centers constructed or rehabilitated
- Population covered by ambulance assistance - basic life support in less than 15 minutes
- Population covered by ambulance assistance - advanced life support in less than 30 minutes
- Students entitled to a seat on the public transport system of general use
- Students benefiting from school transportation services (men/women)
- Students benefiting from canteen services (male/female)
- Participants of services for dependent people (men/women)
- Public housing
- Recipients of "RISGA" (Renta de inclusión social de Galicia) (men/women)
- Users of social services registered in SIUSS (Information system of users of social services) (men/women)
- Childcare or subsidized educational infrastructure capacity
- Households benefiting from the "Welcome Card".
- Additional capacity to produce renewable energy
- Grants awarded to promote the renewable energy sector
- Energy efficiency in housing renovations
- Grants awarded for energy efficiency actions
- Pollution prevention and control through environmental projects
- Aquaculture investment projects
- Financial assistance provided in the fisheries sector
- Subsidies granted for the sustainable development of fishing areas
- Surface areas allocated for the improvement of forestry areas
- Activities related to the improvement of knowledge and conservation of habitats and wild species
- Aid granted for nature conservation



- Number of environmental projects
- Air quality studies
- Meteorology studies
- Actions linked to improving knowledge and conservation
- status of habitats and wildlife species
- Projects in support of resource management
- Adapted taxis/Electric taxis/Low-emission taxis



## 8. APPENDIX B. ENERGY EFFICIENCY TAX CREDITS

Tax credits that provide financial support to the development of projects that are related to the aforementioned destination of resources, are considered eligible in this framework. These are tax credits in the autonomous region's personal income tax bracket and other taxes levied in the region<sup>11</sup>.

As an example, a reference can be made to tax credits linked to energy efficiency improvement works in residential constructions or individual homes.

Taxpayers will be able to deduct from the autonomous tax bracket in the year in which the work to improve the energy efficiency of residential buildings is completed:

- a) 15% of the total amounts invested. The deduction may not exceed €9,000 per taxpayer.
- b) The cost of the fees to obtain the certificates justifying the improvement of the energy efficiency of the property, as well as the fees related to its registration in the Registry of Energy Efficiency Certificates of Buildings of the Autonomous Community of Galicia, with the single limit of 150 € which will be prorated according to the percentage of ownership of the house.

In this sense, the energy efficiency improvement works will be those that meet the following requirements:

- a) The owners have obtained the required permits, authorizations or enabling titles.
- b) The owners improve the energy performance of the building by reducing energy use, improving the performance of thermal installations and/or incorporating equipment that uses renewable energy sources and whose main purpose is to improve the energy rating of CO<sub>2</sub> emissions and on the scale of non-renewable primary energy consumption.

Provided that they are defined within the agreed destination of the resources and if it is accepted by the Sustainable Finance Committee, this type of project financing operations will be considered eligible within this framework and may be included in the corresponding monitoring reports.

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<sup>11</sup> Local taxes: <https://www.atriga.gal/tributos-da-comunidade-autonoma>







## 9. APPENDIX C. SOCIAL AND ENVIRONMENTAL RISK ASSESSMENT AND MANAGEMENT SYSTEM

In the context of the initiatives being financed, Xunta de Galicia adopts a holistic and rigorous approach to the assessment and management of social and environmental risks, grounding its procedures in a series of guidelines set out in key strategic documents. These documents not only provide guidance on the identification and mitigation of potential risks, but also lay the groundwork for the development of projects that promote a positive impact on Galicia's social and natural environment. Accordingly, these social and environmental risk assessment and management systems are contemplated and detailed in the body of the 14 sectoral plans presented on page 11 of this document.



## 10. APPENDIX D. RELEVANT DEFINITIONS

- **Vulnerable group:**

On the official website of the Galician Institute of Consumer Affairs and Competition, the institute itself, in the [Informative Plan for vulnerable collectives](#), defined vulnerable people as "those who have difficulties to afford to live in dignity and cannot face the most basic expenses". In the event of needing greater detail, the specifications presented in Royal Decree-Law 1/2021, of January 19, on the protection of consumers and users against situations of social and economic vulnerability, published in [BOE no. 17, of 20/01/2021](#), will be taken into account.

- **Rural areas:**

According to the Official Gazette of Galicia number 29, of Friday, February 10, 2017, p. 6534, the [Galician Institute of Statistics](#) defines as sparsely populated areas (SPA) or rural areas those areas whose characteristics are in accordance with the Eurostat definition of SPA. The characteristics that define a SPA according to Eurostat are as follows:

*Sparsely populated areas (SPA):* these are local area groups (LA) that do not belong to densely populated areas or intermediate areas.

*Intermediate areas (IA):* are the groups of LAs that do not belong to a densely populated zone where each of them has a density of more than 100 inhabitants/km<sup>2</sup> and either the total population of the zone is greater than 50,000 inhabitants or it is adjacent to a densely populated zone.

*Densely Populated Areas (DPA):* contiguous set of LAs with a density greater than 500 inhab./Km<sup>2</sup> and a total population for the area of at least 50,000 inhabitants.

- **SME (Small and medium-sized enterprises):**

In "The user's guide on the definition of the SME concept" published by the European Commission and shared by the [Galician Innovation Agency](#), SMEs are defined as companies that have between 10 and 250 employees, and either have between 2 and 50 million euros of annual turnover, or have between 2 and 43 million euros of annual balance sheet total. In other words, those companies that meet the criterion of number of employees and, additionally, one of the other two criteria can



be considered a SME. The following image, published in the aforementioned guide, represents the definition described above:

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	or	≤ EUR 2 million

Image 1: Company classification thresholds.  
Source: User guide to the SME Definition, European Commission 2020