

A close-up photograph of green leaves with numerous water droplets of varying sizes. The leaves are vibrant green, and the droplets are clear and glistening, reflecting light. The background is slightly blurred, emphasizing the texture of the leaves and the individual droplets.

Reșița - Green City

**Green Bond
Framework**

January 2023

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1.1. Background

Reșița is a city in western Romania and the capital of Caraș-Severin County. It is located in the Banat region. The city has a population of 58.393 according to the intermediate results of the 2021 census

The municipality of Reșița, the seat of Caraș-Severin county, is located in the south-west of Romania, and on the middle course of the Bârzava river, in a particularly picturesque geographical area with attractive tourist attractions.

The city has a simple shape, being mostly located on the hills and their valleys, following the route crossed by the Bârzava river, which originates from Văliug, from the east of the city in the Semenik Mountains. So the main road also follows the path formed by the Bârzava river between the valleys.

In terms of industry, Reșița is Romania's oldest steelmaking center and one of the most important industrial cities in southeastern Europe.

Reșița was considered for a long time as one of the great industrial centers of Romania, having influences in the steel industry (cast iron, steel, laminates), machine construction (electric and diesel, oil, steel and chemical equipment, rolling stock), chemical (chemicalization of wood, coke). It is an important industrial center in steel processing and machine building. C.S.R. (Combinatul Siderurgic Reșița) - currently TMK-Reșița and U.C.M.R. (Uzina Constructoare de Mașini Reșița) are the factories that supported the city and kept it alive for more than 300 years. The first factories were founded in 1771, during the reign of Empress Maria Theresa. On July 3, 1771, the first blast furnaces were inaugurated on the current hearth of the furnaces within SC TMK Reșița SA

The economy of Reșița has faced a drawback since 1989 but began recovering as a result of increasing foreign and domestic investment, largely in industry.

In the last years, Reșița has started a revitalization process in order to become a vibrant city that meets the needs of its citizens, focusing on infrastructure, culture, tourism and sustainability. Recently, Reșița has become the first city in Romania to join the UNESCO Global Network „Learning Cities”.

1.2. Reșița – A city committed to sustainable development

Reșița wants to be part of the growing group of cities that are reborn and moving forward towards a "smart", modern city that provides a good living environment for all its citizens and can support long-term development so that it can meet the needs of future generations.

Reșița will be the city for the people, it will be a pole of urban development that will integrate in a balanced way the need for economic development with the elements of social responsibility and the protection of biodiversity and the natural environment local. The current local development strategy will be an engine of sustainable local development, it creates a framework of assumption and engagement of both the local public administration and other interested parties in the fulfillment of the local mission.

Faced many challenges in the last thirty years, Reșița has developed policies that promote sustainable development at the environmental, social and economic level, without going short through any of them. Not only do they embrace economic well-being indicators, but they also prioritize analysis and management of others like green living, pollution, transport, tourism and employment.

As a part of this agenda, Reșița has the following priorities:

- Priority 1: Pole of development and urban revitalization. Ensuring a suitable urban development, a good technical-building infrastructure and the revitalization of degraded areas; citizens' easy access to urban utilities (water, sewage, sanitation services, etc.)
- Priority 2: Sustainable urban mobility. A city with a modern local transport infrastructure, efficient and attractive local public transport for citizens, an efficient infrastructure of cycling tracks and parking spaces.
- Priority 3: Economy and sustainable tourism. A reborn city open to innovation, attractive to investors with investment development potential in the directly productive sphere, services and the sustainable tourism segment by exploiting the surrounding peri-urban and mountain tourist areas.
- Priority 4: Green city, energy efficient and with low carbon emissions. A city with enabling, well-planned green infrastructure vital to the protection of people and natural biodiversity, an energy-efficient city based on energy security and energy-efficient buildings, a quiet, clean and citizen-friendly city.
- Priority 5: Increasing the quality of life of citizens and social responsibility. A city that offers safety to citizens, equal opportunities, opportunities and potential in terms of increasing the income of the city's citizens, reducing social disparities, social and health services calibrated to European requirements and standards.
- Priority 6: Educational and cultural development. Educational development adapted to long-term local needs, development and support of cultural, sports and leisure activities.
- Priority 7: Efficient and democratic integrated management. Ensuring the best local governance through effective institutional and political collaboration and a participatory approach from all stakeholders to solving local problems

1.3. Sustainability Vision and Strategy

Reșița strives to become a great city that cares about people, about the environment, and opportunities to live, work and prosper. It has the vision to be recognized as a city that meets the needs of generations to come.

People and nature are at the heart of everything the Reșița Municipality does, and they are working hard to ensure that their activities support fairness, equality, and access for all.

Through a set of measurable and attainable targets, Resita is beginning to be a great example for Romanian society and that will become a city where citizens will experience sustainability as a way of life.

VISION 2025

"RESITA THE CITY FOR THE PEOPLE" will go through a process of economic change by attracting new investors that will change the local economic dynamics and Reșița will value its position and special geographical advantages that will develop local tourism. Reșița will be a responsible city towards its citizens, offering favorable living conditions and quality public services, it will offer equal opportunities to all citizens for education and cultural development in a clean, safe and invigorated environment.

MISSION 2025

The mission of the local administration is to create a local framework conducive to increasing the quality of life of citizens, making the most of the local potential using its resources, clearly pursuing a sustainable development aiming at a definite balance on the three dimensions: economic, social and environmental. Valorization will be achieved by respecting the principles of subsidiarity and partnerships with interested parties.

To make this happen, Resita Municipality has made bold commitments to achieve a society that is accessible, all-inclusive and sustainable. These commitments are built on a suite of notable strategies such as the Integrated Strategy for Urban Development, Local Development Strategy and Urban Mobility Action Plan.

The goal is to become a city that uses renewable sources of energy while respecting the principles of sustainability. Striving to use 100% renewable energy for transportation provides an opportunity to enhance the local society, economy and environment. To achieve this, the strategy targets transportation, new buildings, and green economic opportunities.

The Reșița Strategy is a citywide strategy that takes a comprehensive approach to addressing sustainability, renewable energy, clean transportation, ecotourism and more. Together, these strategies provide a strong foundation for the future and ensure that Reșița will become a leading example of urban sustainability.

Reșița's environmental policy highlights the emphasis to develop projects that focus on reducing negative impact on the environment and has positive effects on society and economy.

Reșița Municipality environmental efforts will first and foremost be carried out through green projects focused on infrastructure – transportation and energy– electric trams, as well as renewable energy, photovoltaic projects, that will be financed with Green Bonds and European Funds. Constant dialogue with the citizens will be initiated and the environmental benefits of the eligible projects will be reported on each year.

Responsibility for the implementation of the proposed measures, to ensure a sustainable development of the city and the long-term well-being of the community is in the responsibility of local public administration – the Municipality and the City Council, as well as the continuous involvement of citizens and all interested parties is essential in all the steps needed to be taken in and for the interest of the community.

Reșița's mayor and Municipality employees will concurrently commit to conducting their work that strives towards the same goal. Positive internal actions will be taken in order to ensure a good implementation of eligible projects.

By using Green Bonds, Reșița Municipality will become a great example for all Romanian municipalities to be more selective in choosing environmental improving projects that have a actionable and positive impact on our planet and that contribute to their sustainable development of our society by mitigating climate changes.

1.4 Rationale for a Green Bond issuance

For issuing Green Bonds, Reșița Municipality has developed this Framework which aligns with the four core components of the ICMA Green Bond Principles and their recommendations.

The framework furthermore determines the selection process of eligible projects, verification and reporting to investors.

The framework consists of the following components:

- Use of proceeds
- Process for financing evaluation and selection
- Management of proceeds
- Reporting
- External review

This Framework may be updated as market practices evolve.

Reșița Municipality's goal is to be leading in environmental matters and show social responsibility in all operations and decision making, furthermore ensuring a successful Green Bond issuance.

All the strategies, policies, and eligible projects targets and results are available on Reșița Municipality's web page: www.primariaresita.ro

2.1. Use of Proceeds

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030.

The project categories and underlying activities are mapped against the United Nations Sustainable Development Goals, allowing investors to monitor the work at Reșița towards the SDGs. Moreover, the selection criteria are in alignment with ICMA's Green Bond Principles.

For the Green Bonds issued under the Reșița Municipality Green Bond Framework, the project categories are outlined in the following table:

Project category	Eligible projects	UN SDG
Renewable energy	Development, construction, and operation of facilities for producing electricity from renewable sources such as solar power etc	7.2
Clean transportation	Infrastructure for clean transportation, such as: <ul style="list-style-type: none">• Infrastructure for electric trams• Infrastructure for electric vehicles	9.1 11.2

The SDG targets mentioned in the table above are:

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, vulnerable situations, women, children, persons with disabilities and older persons.

2.2. Process for project evaluation and selection

Reșița has put in place a Sustainable Finance Committee (SFC). The SFC consists of representatives from Finance department, Urban Development department, Environmental department, the mayor and internal/external sustainability expert. This committee may change slightly in structure from time to time. The essence is however to confirm eligible projects and to keep an overview of use of proceeds and to assess if financed projects qualify under this Framework.

The role of the SFC is to evaluate the alignment of possible funding options to this framework, manage the relevant information provided to investors and have a general overview over all bond issuances related to this framework. The SFC convenes at least annually, or as needed.

The process for evaluation and selection of Green Projects will follow the same standard decision process. Green Projects shall comply with the eligibility criteria defined under the Green Project Categories in the Framework, aligned with the current version of the EU Taxonomy Regulation. The EU Taxonomy Regulation requires Green Projects to (i) substantially contribute to at least one of the environmental objectives defined in the Taxonomy, (ii) not significantly harm any of the other objectives, (iii) comply with minimum safeguards, and (iv) align with the Technical Screening Criteria.

The selection of projects to be funded through the Green Bond is carried out in the following steps:

- 1) The Municipality organizations/ departments will apply for funding for a project that will fall under this Green Bond Framework. The environmental impact of the projects will be reported in the project proposal. They will have the projects results estimated by internal and/or external sustainability experts.
- 2) This estimation is conducted to verify and quantify the environmental benefits of projects to be funded. Projects need to have a positive long-term net environmental impact, to ensure compliance with sustainability criteria of the Framework and the EU Taxonomy, laws and regulations and relevant policies and guidelines, including on assessing social and environmental risks of projects Compliance with Do No Significant Harm criteria and Minimum Safeguards
- 3) The screening process is based on verifying the information provided by the municipality departments in charge of the projects. Furthermore, the environmental work is governed through the European Funds management process. Financial, social and environmental implications are considered before decisions are taken.
- 4) Sustainable Finance Committee (SFC) will confirm which projects are funded by the proceeds from bond issuances that fall under this Green Bond Framework. Outside environmental experts can take part to assess the eligibility of the projects. In case of a need

for an external opinion on the eligibility of projects, the SFC is responsible to obtain the external opinion.

5) All eligible projects will report the results to the Sustainable Finance Committee (SFC).

6) A list of financed projects by any financial instrument linked to this Framework is kept at the Finance department and at the mayor cabinet/ City Council.

Moreover, all the projects selected shall assist Reșița Municipality in the transition to a low carbon economy and future-proof technologies.

2.3. Management of Proceeds

The proceeds from Green Bonds issuance will be managed by Reșița's Finance department in accordance with the issuance guidelines and will hold the funds separate from proceeds of other sources. All the net proceeds will be used for co-financing approved projects, therefore being fully allocated within 12 months from issuance.

Reșița Municipality through the Sustainable Finance Committee (SFC) will review and approve the allocation of proceeds annually in order to verify that the amount of outstanding qualified projects matches or exceeds the net proceeds from bond issuances under this framework. In the case of a funded project no longer meets the eligible criteria, proceeds will be reallocated to other eligible projects. The allocation of proceeds will be portfolio based. The Green Bonds proceeds will be withheld by a local bank and used specifically for the investments provided and also approved by the Local Council. In addition, the Municipality is using an accounting system as set nationally and that is according to the European accounting regulations. However, if, during or after the implementation of the projects there will result an amount not allocated, the unallocated proceeds will be held as cash/cash equivalents until another City Council Decision concerning with re-allocation is made. This decision will re-allocate the remaining funds exclusively to some other capital project (projects) that has to be both Green and EU co-funded.

Reșița Municipality will communicate the allocation of the eligible projects in its Green Bond Impact Report. The environmental impact from the funded projects will be also reported by the Municipality, as they will estimate the impact by internal and/or external sustainability experts.

2.4. Reporting

Reșița Municipality will publish a Green Bonds Impact Report, to provide investors with relevant information, including an overview of green projects funded and the environmental benefits. The Impact report will be published each year, during the lifetime of the bond. The impact report will, as a minimum, provide information about proceeds allocation and sustainability impact.

The report will, among other, include:

- List of all eligible projects, including allocated funds, brief project description and expected impact.
- Total funding of eligible projects.
 - Funds yet to be allocated.
 - Information on estimated saved/avoided CO₂-emissions, energy performance and/or others relevant metrics.
- Accumulated environmental impact of the funded projects.
- Summary of Reșița's Green Bond development.

The Impact Report will be conducted using relevant indicators as outlined in this framework. Where possible, the impact report will be based on the ICMA harmonized framework for impact reporting.

A summary of environmental methodologies and quantitative environmental indicators will be included in the report to demonstrate to investors the expected environmental impacts from funded projects.

The Green Bond Impact Report will be available on Resita's City Hall web page and other relevant media and investors forums.

Project category	Impact metric
Renewable energy	<ul style="list-style-type: none">• Annual GHG emissions reduced/avoided in tCO₂e• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Clean transportation	<ul style="list-style-type: none">• Total kilometres of new or improved dedicated bus, trams and bicycle lanes• Annual GHG emissions reduced/avoided in tCO₂e p.a.

2.5. External Review & Disclosure

Reșița Municipality has obtained a „Second Party Opinion“ from Sustainalytics which is available on Reșița’s City Hall web page, to ensure alignment with the ICMA Green Bond Principles. The provider of the SPO is independent from Reșița Municipality and its associated advisors.

A sustainability expert will assess the sustainability impact for the finance projects. These results are then published in the relevant annual Bond Impact report.

Reșița’s Municipality both internal and external auditors will verify that proceeds from Green Bond issues is used for selected projects, and the verification will be reported within the Green Bond Annual Impact Report.

The Green Bond Framework is available on Reșița’s City Hall web page, www.primariaresita.ro

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