

ISLE OF MAN TREASURY

SUSTAINABLE
FINANCING
FRAMEWORK

September 2021

INCLUSIVE, TOLERANT AND SUSTAINABLE



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1.

Introduction

This document describes how the Isle of Man Government plans to finance expenditure through the issuance of Green, Social or Sustainability financing instruments that will be critical in addressing climate change and ambitions to deliver the Sustainable Development Goals (SDGs) of the United Nations Agenda 2030.

It sets out the basis for identifying, selecting, verifying and reporting on projects that will be eligible for financing from the proceeds of Green, Social or Sustainability financing instruments. The Sustainable Bond Framework aligns with the 2021 International Capital Market Association (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and Loan Market Association (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP) 2021.

1.1

The Isle of Man: an overview



The Isle of Man is geographically part of the British Isles and situated in the Irish Sea between England, Scotland, Ireland and Wales. It covers approximately 227 square miles, being some 33 miles long and 13 miles wide.

The population was last recorded as being 83,314 in 2016. At that date, there were 35,763 households, with an average household size of 2.28 people. The principal towns are the capital Douglas, as well as Ramsey, Peel and Castletown.

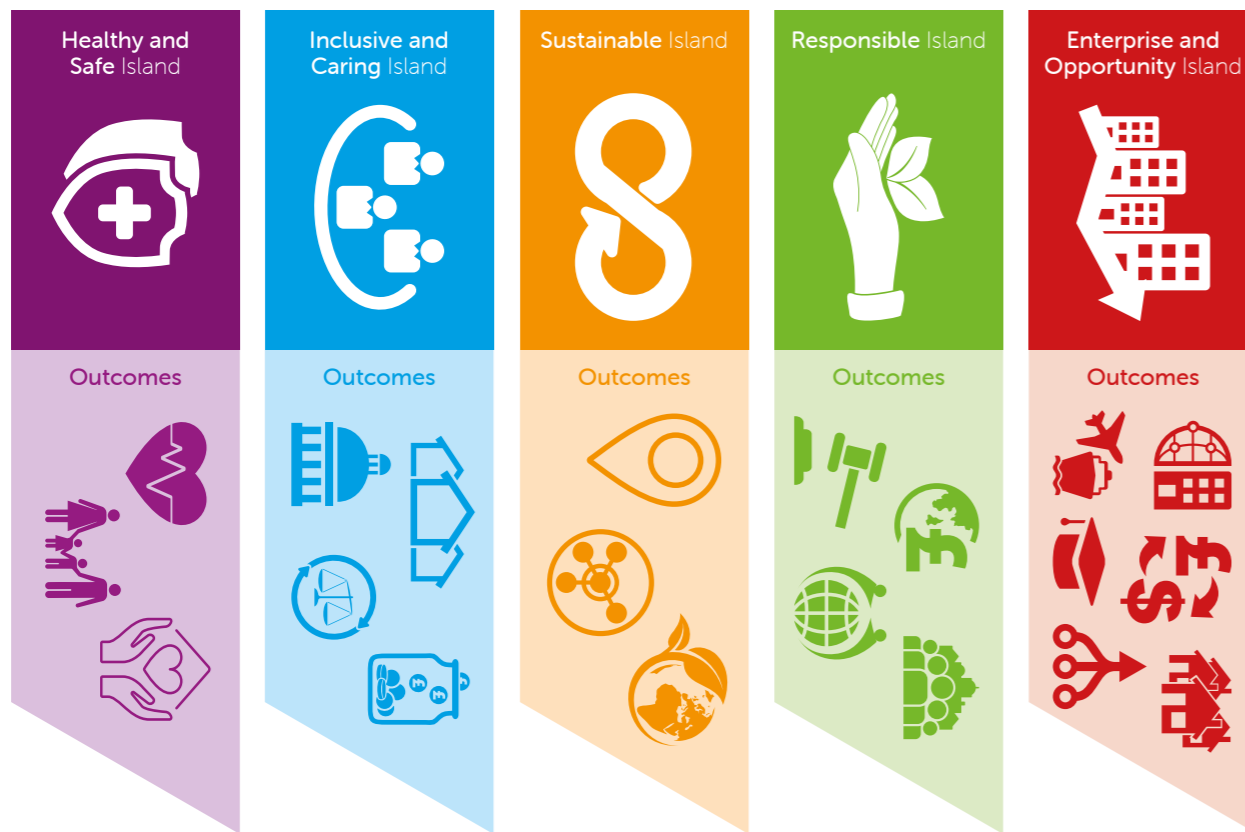
The Isle of Man is a self-governing British Crown Dependency with its own parliament – called Tynwald – government and laws.

Residents enjoy comprehensive health care which is free at the point of contact. The Island has a reciprocal health agreement with the UK, which provides free emergency healthcare for Island residents visiting the UK and vice versa.

The Island also has a well-established education system, with 32 primary and five secondary schools, which broadly follow the English national curriculum. University College Isle of Man provides further education and higher education, with degree courses offered in conjunction with the University of Chester.

In 2016, the Isle of Man was designated as a UNESCO Biosphere in recognition of its special environment, culture, heritage and economy. It is the only Biosphere that encompasses an entire nation, which includes all the Island's land and territorial sea.

The Isle of Man Government is committed to transitioning to net-zero emissions by 2050, for the benefit of the environment and the Island's population, in line with the United Nations' Intergovernmental Panel on Climate Change report and the Paris Climate Accord.



Our Economy

Prior to the pandemic, unemployment was at an all-time low, with January 2020 recording just 400 unemployed people (0.9%) in over 83,000 residents. This rose to 1,350 (3.1% of the economically active population) in early May 2020, but by July 2021 the number unemployed was back down to 445 (1% of the economically active population).

In March 2020, the Isle of Man Treasury brought forward a package of measures designed to protect the economy and jobs from the implications of the public health actions that were being taken in response to the pandemic. The stabilising action taken has been successful in protecting jobs and public

finances.

In July 2020, the Treasury Minister announced a £100 million Economic Recovery Fund to 'protect jobs, stabilise our economy and invest in the Island's future'. The Economic Recovery Programme aims to address factors such as increased unemployment, stimulating demand within private sectors that have been impacted, increasing domestic spend opportunities and accelerating capital projects to improve the Island. In April 2021, the Government announced the appointment of KPMG as its strategic partner in developing a five to 10-year economic strategy for the Island.

1.2

The Programme for Government¹

The Programme for Government was agreed in Tynwald in January 2017, stating the Isle of Man Government's strategic objectives for the term of the administration and the outcomes it hoped to achieve.

Three strategic objectives sat at the centre: to create an Inclusive and Caring Society, an Island of Enterprise and Opportunity, and a Financially Responsible Government.

The document outlined 20 outcomes in total, grouped into five themes: Enterprise and Opportunity Island, Responsible Island, Sustainable Island, Inclusive and Caring Island, and Healthy and Safe Island.

The Programme for Government set the vision of a nation that strives to be inclusive, tolerant and sustainable. As the dynamic document was developed, focus was placed on four key areas of delivery: our Economy, Community, Health and Care, and Climate.





Our Community

When the Programme for Government was developed, one of the three strategic objectives was to create an inclusive and caring society. Experiences throughout the COVID-19 pandemic have highlighted the strength of the Manx community. The Government has played its role by providing a contact centre to provide information and access to all the support that existed. It also worked with the third sector and businesses to provide additional support for those who needed it: those who were asked to shield, those struggling with their mental health and those without a secure and safe place to 'stay at home'. Building on the good work seen throughout the pandemic, progress continues across all areas of Government, with housing and education being two key areas.

Our Health and Care

Since the development of the Programme for Government in 2017, an independent review of health and social care on the Island was conducted and a programme of transformation was recommended in April 2019 tackling issues such as legislative changes, organisational changes and service reconfiguration, determining what care is provided and how. This programme succeeded in bringing fundamental change in the form of Manx Care, an independent organisation working at arm's length from the Isle of Man Government to deliver health and statutory social care activity across the Island. The creation of Manx Care involved the historic separation of the Department of Health and Social Care's (DHSC) functions, with the DHSC retaining responsibility for strategic direction setting, policy development, oversight and assurance, and Manx Care being responsible for the delivery of a comprehensive range of services to the public through a clearly defined mandate.

1.3

Our Climate Vision

As an island, we are particularly aware of the local and global impact of climate change on communities like our own and of the social and environmental imperative to play our part. The global community is increasingly recognizing the importance of utilizing our natural environment to help reduce the impacts of climate change and provide people with a wide range of benefits.

Over 190 nations (nearly every nation in the world) have committed to the Paris Agreement, which sets a goal of limiting global warming to well below 2, preferably to 1.5 degrees Celsius. As a responsible nation, the Isle of Man has committed to reaching carbon neutrality by 2050. The Island is also currently liaising with the UK Government to have the Paris Agreement extended to the Island by COP26.

The Climate Change Bill, which will shortly become enshrined in law, also commits the Island to 100% domestic effort, meaning that emissions reductions will need to take place on the Island and international offsetting does not count towards the Island's reductions.

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The global community is increasingly recognizing the importance of utilizing our natural environment...



The Isle of Man Government Climate Change Action Plan

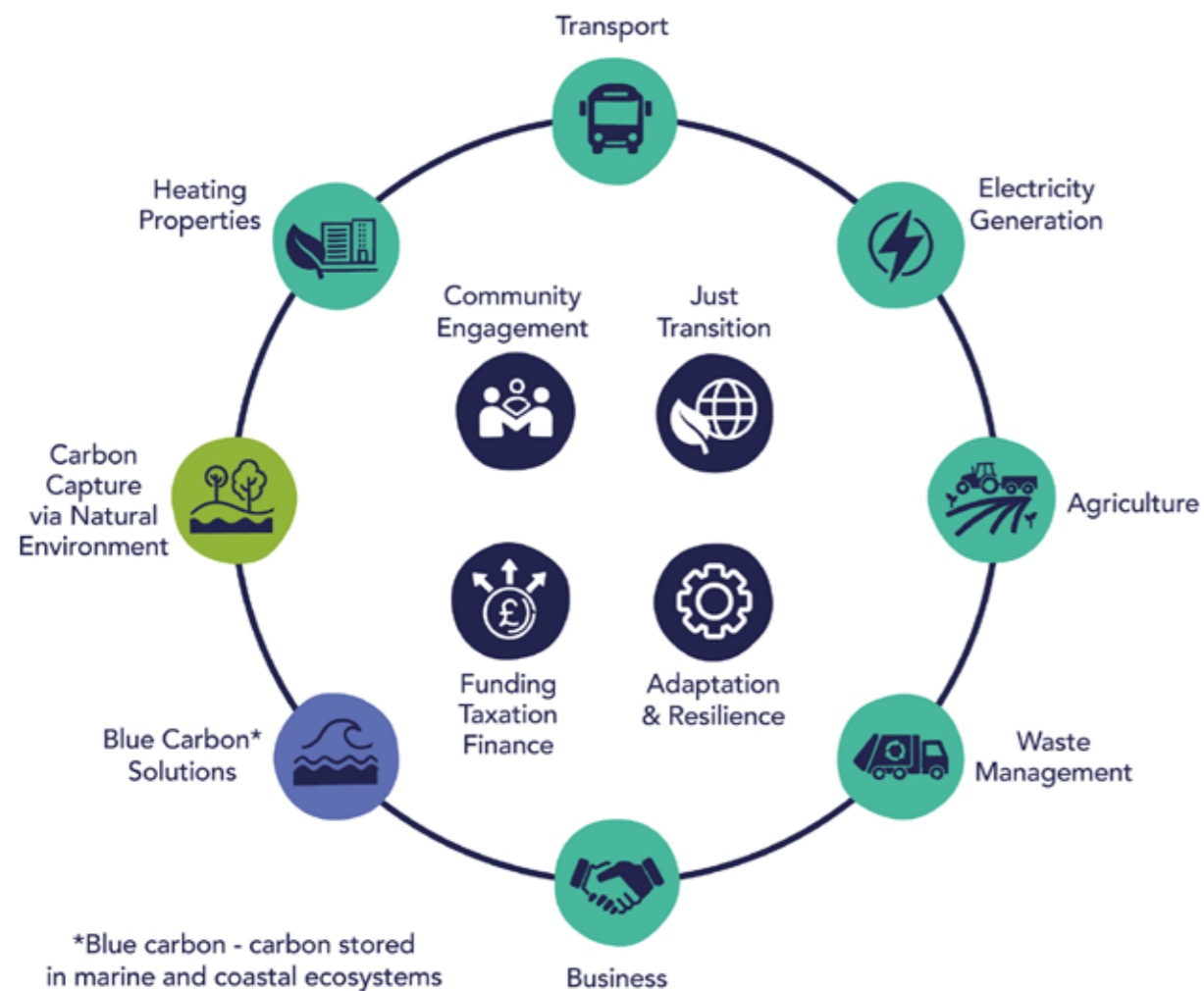
In January 2020, the Council of Ministers presented to Tynwald (the parliament of the Isle of Man) the first phase of an action plan to achieve net zero carbon emissions by 2050. In the action plan, approved by Tynwald, the Chief Minister stated that to achieve net zero by 2050 will require a fundamental change in the way we live in the Isle of Man. It will involve changes to the way we source our energy, how we heat our homes, how we travel and many other choices we make in our day-to-day lives.

The Climate Change Transformation Team has been working closely with Government departments, stakeholder groups and the wider community to deliver the First Phase Action Plan. The Climate Change Bill was delivered as part of the First Phase Action Plan and becomes law later this year. It requires a statutory five-year Climate Change Plan to be in operation at all times, ensuring a clear direction for the Island to achieve net zero carbon emissions by 2050. A consultation regarding the proposed Climate Change Plan



for 2022 – 2027² is currently underway, and highlights a wide range of topics and actions critical to tackling climate change. This includes: electricity generation, transport, energy use in buildings, agriculture, business, waste management, natural carbon removal, community engagement, and finance, all of which will impact individuals and businesses on the Island. Two Climate Change Transformation Funds were also established by Treasury with a budget of £10million: The Environment Protection Fund (EPF) and Climate Change Mitigation Initiatives Fund (CCMIF).

² Consultation on the outline and principles for the first statutory Climate Change Plan 2022-2027: <https://www.gov.im/about-the-government/departments/cabinet-office/climate-change-isle-of-man/climate-change-plan-consultation/>



Transforming our Electricity Generation and Development of a Renewable Energy Strategy³

Energy supply is the largest emissions category for the Isle of Man and accounts for 33% of total emissions. We note electricity is probably the most important sector to decarbonise as emissions reduction from other sectors (especially heating and transport) is dependent on this sector.

We have a commitment to transition to 75% renewable sources for our electricity by 2035 and work needs to start immediately to set

us on that path. The Future Energy Scenarios Strategy⁴, finalised in December 2020, lists 5 different scenarios for the Island to meet its 2035 and 2050 Net Zero target. The scenarios revolve around the energy trilemma; security of supply, renewable generation and low cost to consumers.

Decarbonizing the transport sector

Isle of Man Government is currently developing a strategy to decarbonize the transport sector, which will build on recent initiatives to stimulate electric vehicle use, the purchase of the Island's first hybrid buses and investment to stimulate active travel.

Heating homes and commercial buildings

The Isle of Man intends to invest in energy efficiency and low carbon heating, especially targeted towards home-workers and the vulnerable, saving money in the long term, creating jobs in trades, improving health and reducing pressure on the health service.

The Isle of Man developed a new Green Living Grant which will support home owners to retrofit their homes, making them more energy efficient and increase the overall energy ratings whilst also installing low carbon heating systems. The first tranche is predicted to save around 3,000t CO₂/year. Grants are also available for commercial building efficiency improvement.

The Isle of Man Government is liaising with its estate managers to identify opportunities for renewable electricity and heating installations as and when buildings are undergoing remedial works or plans are being made for capital projects (for example the replacement of roofs to incorporate solar

photovoltaic panels, also known as solar PV). It is also working with University College, Isle of Man, and the construction industry on the skills needed to ensure near net zero housing, identifying and establishing courses to upskill contractors.

Single Use Plastic Reduction Plan for the Isle of Man Community

In July 2018, the Single Use Plastic Reduction Plan for the Isle of Man Community was launched, setting out plans to significantly reduce single use plastic across government. In order to achieve a reduction in single use plastic, we are taking action to: ban selected single-use products made from plastic; protect our environment by significantly reducing the amount of plastic entering our sea; reduce plastic usage to support the Island's carbon emission target; work with all areas of the community and economy to identify ways to remove all avoidable single use plastic packaging, throughout our lives.

Increasing natural carbon capture opportunities, while protecting biodiversity and enhancing ecosystems

As a UNESCO Biosphere Reserve, we are well-placed to take the lead in putting natural carbon capture at the heart of our response to climate change. We will take a strategic and evidenced-based approach to developing management plans for the utilisation of our land and sea to maximize the potential for carbon sequestration and enhance the essential ecosystems services that nature provides. The Government has commenced and will continue to prioritize tree planting and peat restoration. Furthermore, the Government



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³ Isle of Man Government Action Plan Phase 1 Progress Report: <https://www.gov.im/media/1370371/2020-gd-0040-iomg-action-plan-for-achieving-net-zero-emissions-by-2050-phase-1-progress-report.pdf>

⁴ Isle of Man Future Energy Scenarios: https://www.gov.im/media/1373571/future-energy-scenarios-supporting-document_compressed.pdf

aims to ensure all Agricultural and Fisheries support aligns with climate change goals and actively promotes practices that increase carbon capture and storage, for example commencing the redirection of agricultural support towards environmental management incentives.

The Isle of Man is a global leader in sea fisheries management and has now started to work on ocean-based climate solutions by managing the Island's marine area, to protect and enhance carbon-storing habitats like seagrass and boosting biodiversity. Work on a marine carbon strategy to maximise blue carbon (the carbon stored in marine and coastal ecosystems) is underway and builds on our network of 10 Marine Nature Reserves and inshore fisheries management zones. It is estimated that Manx waters can capture up to

27% of the Island's annual emissions⁵.

The resilience of our Island and its people came to the fore during the COVID-19 pandemic. The Island saw a rapid change in behavior, on a scale likely not seen since the Second World War. This was because the pandemic was a threat to life and a threat to our way of life. The same is true of climate change. We must work to energise and mobilise our community in our fight against climate change, harnessing the indomitable Manx spirit and spurring our community on so that the Isle of Man can play its part in tackling this threat. The Isle of Man Government Climate Change Action Plan, which included the Climate Change Bill for sustained changes and the development of a long term plan, is a priority for delivery⁶.

⁵ Delivery highlights of the first phase Climate Change Action Plan: <https://www.gov.im/about-the-government/departments/cabinet-office/climate-change-isle-of-man/delivery-highlights-of-the-first-phase-climate-change-action-plan/>

⁶ Tynwald Programme for Government, October 2020 – July 2021: <https://www.tynwald.org.im/business/opqp/sittings/20182021/2020-GD-0058.pdf>



1.5

Rationale for a Sustainable Financing Framework

As outlined by Professor Curran in his IMPACT report, significant public and private funding will be required, from around 2021 onwards, to deliver climate change mitigation actions. It has been estimated, subject to future substantiation, that around £25m per year will be required from each of the public and the private sectors for the Island to meet its higher ambition interim target of reducing CO₂ by 45% by 2030.

The establishment of this Sustainable Financing Framework allows the Isle of Man Government to fund its investments and schemes with an environmentally and socially impactful and transparent debt instrument. We see the sustainable finance market as a critical tool for driving Isle of Man's decarbonisation and sustainability agenda as it strives to be inclusive, tolerant and sustainable. The Isle of Man Government aims to reinforce its commitment to sustainability and considers

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green, social and/or sustainability financing instrument(s) as key to support its efforts and ambitions while providing national and international investors with the opportunity to diversify their investments with more sustainable assets.

⁷ Impact James C Curran, October 2019: https://www.gov.im/media/1368097/gd20190102_james-curran-report.pdf

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Isle of Man (IoM) Sustainable Financing Framework

The Isle of Man Sustainable Financing Framework (the “Framework”), under which it can issue Green Bonds / Loans, Social Bonds / Loans or Sustainability Bonds, jointly referred to as Sustainable Financing Instruments, has been developed in accordance with the Green Bond Principles⁸ (GBP) 2021, Social Bond Principles (SBP) 2021⁹ and Sustainability Bond Guidelines (SBG) 2021¹⁰, Green Loan Principles (GLP) 2021¹¹ and Social Loan Principles (SLP) 2021¹² as published by the International Capital Markets Association (ICMA) and Loan Market Association (LMA).

- (i) Green Bonds / Loans – where proceeds are used to finance ‘Eligible Green Projects’ as defined in section 2.1 ‘Use of Proceeds’
- (ii) Social Bonds / Loans – where proceeds are used to finance ‘Eligible Social Projects’ as defined in section 2.1 ‘Use of Proceeds’
- (iii) Sustainability Bonds – where proceeds are used to finance ‘Eligible Green Projects’ and ‘Eligible Social Projects’ as defined in section 2.1 ‘Use of Proceeds’

In alignment with these Principles, for each Green, Social, or Sustainable financing instrument issued, the Isle of Man Treasury asserts that it will adopt the following, as set out in this Framework:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting
- 5) External Review

“

The Isle of Man Treasury will aim to, where possible, adhere to best practices in the market...

The framework contributes to the UN SDGs, and the Isle of Man Treasury will, on a best efforts basis, align the framework with the EU's classification of environmentally-sustainable economic activities “EU Taxonomy Climate Delegated Act” and similarly take into consideration the UK Taxonomy, as and when developed.

The Isle of Man Treasury will aim to, where possible, adhere to best practices in the market and will review the Framework's alignment to updated versions of the Principles as and when they are released. As such, this Framework may be updated and amended in the manner described in Section 4 (“Amendments to this Framework”) below.

⁸ ICMA Green Bond Principles 2021 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁹ ICMA Social Bond Principles 2021 <https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/social-bond-principles-sbp>

¹⁰ Sustainability Bond Guidelines 2021 <https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg>

¹¹ LMA Green Loan Principles 2021 https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

¹² LMA Social Loan Principles 2021 https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf



2.1

Use of Proceeds

The Isle of Man Treasury intends to allocate the proceeds raised from any Green, Social or Sustainability financing instrument issued, to finance and/or to refinance, in whole or in part, expenditures that meet the environmental and social eligibility criteria set out in this Framework (“Eligible Expenditures”).

Eligible Expenditures can include government expenditures in the form of direct or indirect investment expenditures, subsidies, or tax foregone (or a combination of all or some of these) and selected operational expenditures.

The eligible expenditures are limited to Government expenditures that occurred no earlier than three budget years prior to issuance, the budget year of issuance, and the one budget year following issuance. Any expenditures occurring in the budget year of the issuance and the following budget year will be classified as new financing.

2.1.1 Eligible Expenditures

The following table outlines the categories of Eligible Expenditures (Green Category and Social Category). The Eligible Expenditures are also mapped to the environmental objectives of the ICMA Green and Social Bond Principles, UN Sustainable Development Goals¹³, as well as the EU¹⁴ and UK Taxonomy objectives. To be eligible under this Framework, expenditures must fall within one of the Green and Social Categories below.

Please note the example expenditures in the table below attempt to provide an idea of the types of eligible green and social expenditures within each category that exist across Government as of August 2021 towards which Sustainable financing proceeds could be allocated. Actual projects financed may differ and may be highlighted as a case study in the allocation or impact reporting.

ICMA Category: Clean Transportation

EU/UK Taxonomy Objective:

Climate Change Mitigation

Green Expenditure

- Investments towards low and zero emission mobility, including:
 - Acquisition of electric or other type of vehicles which are zero-emission, or hybrid vehicles operating < 75 gCO₂/km, or
 - Other vehicles with emissions < 50gCO₂/km, are eligible until 2025, from 2026, falls to 0gCO₂/km
- Schemes and incentives to support purchase of zero emission transportation, walking, cycling, and expenditures for related infrastructure (e.g. Charging Stations and Active Travel routes)
- Research and development for low and zero emission transportation technologies and strategies

Transition Expenditure


- Investments towards sea and coastal freight water transport, vessels for port operations, and passenger water transport complying with the criteria in 1 and 2 below¹⁵:
 1. The activity complies with one or more of the following criteria:
 - a) the vessels have zero direct (tailpipe) CO₂ emissions or;
 - b) until 31 December 2025, hybrid and dual fuel vessels derive at least 25 % of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for their normal operation at sea and in ports or;
 - c) until 31 December 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels have direct (tailpipe) CO₂ emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50 % lower than the average reference CO₂ emissions value defined for heavy duty vehicles or;
 - d) until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022, if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources
 2. Vessels are not dedicated to the transport of fossil fuels

¹³ UN Sustainable Development Goals https://sustainabledevelopment.un.org/?menu*1300


¹⁴ EU Taxonomy Delegated Act 2021: https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_2&format=PDF

¹⁵ Where technologically and economically not feasible to comply with the criterion in point 1a), the activity is considered transitional.



ICMA Category: Clean Transportation (continued)

<p>SDG 11</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> • Isle of Man Steam Packet Vessel • Investment in Active Travel routes (e.g. Shared cycle paths) • Funding, grants or low interest loans which support the purchase of zero emission transportation and infrastructure
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Number of electric vehicles registered • Increase in number of people who regularly travel to work by active transport • Annual transport related GHG emissions reduced/avoided in tonnes of CO2 equivalent

ICMA Category: Renewable Energy

<p>EU/UK Taxonomy Objective:</p> <p>Climate Change Mitigation</p>	<ul style="list-style-type: none"> • Infrastructure relating to import and/or export of renewable energy (interconnectors) • Development of renewable energy generation capacity such as wind, solar and hydrogen produced by electrolysis • Schemes for renewable heat use and energy storage, including heat networks, heat pumps and hydrogen heating • Research and development for the commercial viability of renewable energy technologies
<p>SDG 7</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> • Expenses for supporting the production and distribution of energy from renewable sources (eg. installation of roof-top solar panels and commercial heat pumps) • Energy storage technology to accompany renewable generation.
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Annual renewable energy generation in MWh/GWh or % (electricity) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent



ICMA Category: Energy Efficiency

<p>EU/UK Taxonomy Objective:</p> <p>Climate Change Mitigation</p>	<ul style="list-style-type: none"> • Schemes to support the improvement of energy efficiency in the built environment, including the public, residential (including heating, retrofit and insulation), commercial and industrial sector • Support and research and development for new energy efficiency technologies and strategies
<p>SDG 7 & SDG 9</p>  	<p>Example Expenditures</p> <ul style="list-style-type: none"> • Funding for home and business energy efficiency initiatives through improvements such as LED lightbulbs, insulation, Solar PV, Solar Thermal panels and low carbon heating (e.g. Energy Efficiency Scheme and Green Living Grant) • Smart Metering programmes and related distribution network investment. • Funding under the National Broadband Plan (NBP) to deliver energy efficient and ultrafast fibre broadband to properties in remote areas which would be commercially unviable to reach, identified as nine intervention zones¹⁶
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Level of energy performance certification by property • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Annual energy savings (MWh pa) • Number of smart meters installed • Consistency of electricity supply


¹⁶ National Broadband Plan Nine Intervention Zones: https://www.iomdfenterprise.im/assets/filegrantsassistance/f453faabf0/DfE-IOM-Fibre-Broadband-Map_v3-v2.pdf




ICMA Category: Environmentally Sustainable Management of Living Natural Resources and Land Use

<p>EU/UK Taxonomy Objective:</p> <p>The protection and restoration of biodiversity and ecosystems</p> <p>Climate change mitigation</p> <p>Climate change adaptation</p>	<ul style="list-style-type: none"> • Protection and enhancement of terrestrial and marine biodiversity, ecosystems and natural capital • Sustainable land use and protection, including environmentally sustainable agriculture • Tree planting and land restoration programmes to enhance sequestration
<p>SDG 2&15</p>  	<p>Example Expenditures</p> <ul style="list-style-type: none"> • Funding towards Land Management Plan to develop a comprehensive plan to maximise carbon sequestration and maintain and restore biodiversity and wider ecosystems services • Sustainable and strategic forests/woodlands (e.g. Minister's Wood plantations and Woodlands Grant Scheme) • Peatland restoration initiatives
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Annual CO2 sequestered in t.CO2/year • Absolute or % reduction in air/water pollutants • Land subject to beneficial land management practices (Hectares)


ICMA Category: Sustainable Water and Wastewater Management

<p>EU/UK Taxonomy Objective:</p> <p>Sustainable use and protection of water and marine resources</p> <p>Climate change mitigation</p>	<ul style="list-style-type: none"> • Programmes designed to preserve water assets, improve the ecological status and quality of water, sanitation and wastewater treatment, including but not limited to: <ul style="list-style-type: none"> - Building supply, purification and sewage treatment infrastructure, excluding fossil fuel operations. - Construction, operation, maintenance and upgrades of own infrastructures for the management of water resources, increasing water recycling and wastewater treatment facilities. - Actions aimed at promoting the efficient use of water and improving the quality of the water environment.
<p>SDG 6</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> • Refurbishment of local sewage treatment works (replacing old works with modern Integrated Rotating Biological Contactor works) • Investment in water leakage management (detection, better pressure management and elimination) • Replacement of Government Laboratory equipment which covers Manx Utilities Authority water sampling and monitoring, and borehole groundwater quality analysis for closed and active landfill sites
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m3/a, reduction in water use (%) • Amount of clean water provided to each catchment • Reduction in fresh water usage (%)

ICMA Category: Climate Change Adaptation


<p>EU/UK Taxonomy Objective:</p> <p>Climate change adaptation</p>	<ul style="list-style-type: none"> Flood protection, resilience and risk mitigation programmes including actions agreed in either the Phase One Climate Action Plan, subsequent Five Year Climate Action Plans, 2015 Policy on Climate Change Adaptation and the National Strategy on flooding, sea defences and coastal erosion Development and application of Climate monitoring solutions
<p>SDG 13</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> Sustainable urban drainage projects e.g. urban wetlands for flood risk management and increased biodiversity Capital projects for sea defences and flood mitigation (e.g. Castletown flood defences)
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> Number of Flood Defences Reduction of flood risk / frequency/ assets at risk

ICMA Category: Access to Essential Services – Education


<p>Social Objective:</p> <p>Increase and improve education infrastructure capacity for all</p>	<ul style="list-style-type: none"> Providing access to essential educational infrastructure and services for all by: <ul style="list-style-type: none"> Extending educational capacities Improving the quality of the existing educational infrastructure and equipment Increasing access to (higher) education to people from low income families Target Population: All Isle of Man population
<p>SDG 4</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> Provision of further education funding, grants and loans (e.g. University Grants/Student Awards) Minor capital works schemes to maintain and enhance educational facilities Funding/subsidies for extra-curricular activity infrastructure, including sport and culture
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> Increase in School/University capacity Number of beneficiaries trained/graduated Number of people benefiting from vocational training and/or with better access to education Number of classrooms and educational support facilities constructed/rehabilitated Number of people from low income families who go into higher education



ICMA Category: Access to Essential Services – Healthcare

<p>Social Objective:</p> <p>Increase and improve healthcare infrastructure capacity for all</p>	<ul style="list-style-type: none"> • Providing access to essential healthcare infrastructure and emergency services for all by: <ul style="list-style-type: none"> - Extending healthcare capacities - Retrofitting or improving the quality of the existing healthcare facilities and equipment - Improving the quality of healthcare services • Target Population: All Isle of Man population
<p>SDG 3</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> • Manx Care: responsible for delivering all health and care services, including the Island’s Primary, Secondary, Tertiary Care • Development of Mental Health Care facilities and provision • Schemes for Minor capital works funding for maintenance, enhancement and reorganisation of healthcare provision facilities (e.g. DHSC Strategic Development Fund and minor capital works schemes). • Covid responsive schemes such as 111 call centre and Oxygen Plant facility
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Increase in hospitals/ healthcare centre capacity • Number of beneficiaries/patients reached or number of people with access to better health services • Number of health centres constructed and/or equipped

ICMA Category: Affordable Housing

<p>Social Objective:</p> <p>Provide safe and affordable housing for vulnerable population</p>	<ul style="list-style-type: none"> • Provide access to affordable housing¹⁷ by: <ul style="list-style-type: none"> - Extending the social and affordable housing supply - Improving the quality of the existing social and affordable housing facilities - Providing financial assistance to facilitate access to housing and ownership • Target Population: Vulnerable people including low income population¹⁸, people living without adequate housing, households in position of insecurity and exclusion
<p>SDG 11</p> 	<p>Example Expenditures</p> <ul style="list-style-type: none"> • House Purchase Assistance Scheme for first time buyers¹⁹ • Funding for the construction of affordable housing e.g. (Clagh Vane) • Government revenue funding to meet Local Authorities' affordable housing income and expenditure deficit • Capital scheme for planned maintenance of affordable housing through the Housing Reserve Fund
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> • Number of people benefitting from housing programmes • Share of under-served tenants • Number of dwellings

¹⁷ Affordable Housing Policy has been at the forefront of Isle of Man Government policy and strategy since 1999, and it has continued to evolve and develop ever since. It is delivered primarily under the vires of 1955 Housing Act and the Housing Miscellaneous Acts of 1976 and 2011. <https://www.gov.im/categories/home-and-neighbourhood/affordable-housing/public-sector-housing/>

¹⁸ Low-income population meeting the criteria set by the Housing Needs Allocation Policy 2019: <https://www.gov.im/media/1346726/public-sector-housing-general-needs-allocation-policy-2019.pdf>

¹⁹ First Time Buyers: Single Persons – Max Annual Income GBP35,000; Couples, no children – Max Annual Income GBP55,000; Single or couple with 1 or more children – Max Annual Income GBP60,000; <https://www.gov.im/categories/home-and-neighbourhood/affordable-housing/first-time-buyers/open-market-properties/>

ICMA Category: Employment generation and support for SMEs

Social Objective:

Support employment generation

Promote resilience and resumption of economic activities in the event of extreme events

- Support employment generation, through initiatives including but not limited to:
 - Employment generation and retention initiatives
 - Support to the businesses looking to start, expand or relocate, and in the event of disruptions to business continuity (e.g. natural disaster, extreme weather events, public health disaster)
 - Professional training programmes
 - Promotion of entrepreneurship and self-employment
- **Target Population:** Unemployed people, young people, entrepreneurs, businesses²⁰ impacted by the consequences of extreme events

SDG 1 & 8



Example Expenditures

- Economic Recovery Fund created to bolster businesses, promote innovation, create training and employment opportunities
- COVID support schemes such as the Coronavirus Business Support Scheme
- The Micro Business Grant Scheme has been designed for those looking for support to get started and take their first steps into self-employment, or start-up businesses within their first 18 months of trading
- The Vocational Training Assistance Scheme offers a grant of up to 30% towards the cost of training, course costs and exam fees for individuals and organisations within the private or third sectors in the Isle of Man

Indicative Impact Metrics:

- Number of Jobs Created (directly/ indirectly)
- Number of newly-created companies, supported
- Number beneficiaries located in rural areas
- Number of SMEs supported
- Number beneficiaries supported who have been affected by extraordinary circumstances (e.g. natural disasters, pandemics, or other crises)



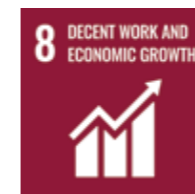
ICMA Category: Socioeconomic Advancement and Empowerment

Social Objective:

Reduction of inequalities

- Improve the well-being and social inclusion of vulnerable segments of the population by initiatives such as but not limited to:
 - Financial benefits and residential care services, day centres, home care, tele-assistance services and services for the promotion of personal autonomy and prevention of dependency
 - Provision of goods and services to the elderly
 - Free legal aid programme
- **Target Population:** Vulnerable people including senior people, dependent people, disabled people, low income population, young people, and single-parent families

SDG 8 & 10




Example Expenditures

- Enabling adoption of digital technology and promoting digital Inclusion.
- Non-contributory Welfare Benefits
- Day care and respite facilities such as the Tall Trees Day Centre which provides social and creative activities for adults with complex learning and physical disabilities

Indicative Impact Metrics:

- Number of beneficiaries

ICMA Category: Affordable basic infrastructure

<p>Social Objective:</p> <p>Provide safe and affordable access to essential services</p>	<ul style="list-style-type: none"> Financing investments that increase or provide access to: <ul style="list-style-type: none"> Public services, buildings and facilities Infrastructure for sport, leisure and cultural services Target Population: All Isle of Man population
<p>SDG 6,7 & 11</p>   	<p>Example Expenditures</p> <ul style="list-style-type: none"> Provision and maintenance of sporting and recreational facilities which promote healthy living and increased activity levels, including free and subsidized access to public swimming pools
	<p>Indicative Impact Metrics:</p> <ul style="list-style-type: none"> Number of beneficiaries Number of households benefitting from improved access

2.1.2 Exclusions

The proceeds will benefit private or public companies, public agencies, local authorities, education and research institutes, as well as households. However, any of those expenditures already covered by the issuance of green securities will be excluded from the Framework to avoid double counting.

Other Exclusions for Green and Social Expenditures:

- Exploration and exploitation of fossil fuels
- Vehicles powered through fossil-fuel combustion and ethanol
- Nuclear energy generation
- Manufacturing and production of alcoholic beverages, weapons, and tobacco
- Gambling
- Palm oil industries



Project Evaluation and Selection Process

The Evaluation and Selection of Eligible Expenditures will be performed on a semi-annual basis by the Inter-Departmental Sustainable Financing Committee "the Committee".

Regarding the process for the selection of the eligible expenses, Isle of Man Treasury will prepare an initial list of potential Eligible Expenditures based on an initial screening of budget data. Then bilateral interactions with the relevant Government departments (as necessary) are carried out to verify the eligibility of individual expenses. A portfolio of eligible expenditures is then shared with the Committee for information and review. Based on interaction with the responsible departments, and thorough analysis and verification of whether the expenditures comply with the criteria and definition of Eligible Expenditures in this Framework, the Committee will approve the selected expenditures as Eligible Expenditures.

Inter-departmental Sustainable Financing Committee		
<p>Inter-departmental Sustainable Financing Committee</p>	<p>Isle of Man Treasury has established an inter-departmental Sustainable Financing Committee comprising:</p> <ul style="list-style-type: none"> • Members from the Financial Advisory Service representing: <ul style="list-style-type: none"> - Department of Education, Sport and Culture - Department of Health and Social Care - Department of Environment, Food and Agriculture - Department of Infrastructure - Department for Enterprise - Cabinet Office - Department of Home Affairs • The Treasury Financial Governance Division • The Climate Change Transformation Board • Isle of Man Treasury (Chair) 	<p>The Committee is responsible for:</p> <ul style="list-style-type: none"> • The implementation and maintenance of the Sustainable Financing Framework • Evaluation and selection of Eligible Green and Social Expenditures • Allocation and management of Bond Proceeds • Investor reporting

The Committee will also will meet at least semi-annually to:

- Review and approve eligible expenditures to be included within the Eligible Expenditures Pool
- Monitor projects previously and still included within the Eligible Expenditures Pool to ensure ongoing compliance with the Sustainable Financing Framework whilst any relevant Green, Social, or Sustainable Financing instruments are outstanding
- Remove projects from the Eligible Expenditures Pool that have been disposed of or no longer meet the Eligibility Criteria
- Analyse any controversies that may arise related to the any expenditure and on this basis choose to recommend the removal of projects from the Eligible Expenditures Pool
- Review annual allocation and impact reporting to facilitate reporting (as described in Section 2.4)



2.3

Management of Proceeds

The Net Proceeds of any Green, Social, or Sustainable Financing instruments are treated exactly the same way as all other government securities, e.g., transferred to a general Treasury Cash account of the Isle of Man Treasury. The Net Proceeds will be earmarked towards funding Eligible Expenditures as stated in section 2.1, and included within the Eligible Expenditure Pool. The Isle of Man Treasury will establish a Sustainable Asset Register for the purpose of recording assets and projects in the Eligible Expenditure Pool.

In the event that funds cannot be immediately and fully allocated to Eligible Expenditures, the Isle of Man Treasury will manage the unallocated proceeds in line with general liquidity guidelines until allocation.

The monitoring of Eligible Expenditures will take place regularly, adding projects to the

extent required in the event of divestment or identification of any assets on the Sustainable Asset Register that no longer meet the selection requirements.

Isle of Man Treasury intends to allocate the proceeds of a given Green, Social, or Sustainable Financing instrument issuance to Eligible Expenditures as early as possible, and in any case within 24 months from the date of issuance.

“

IoM will establish a Sustainable Asset Register for the purpose of recording assets and projects in the Eligible Expenditure Pool.

2.4

Reporting

Within one year from issuance of any Green, Social, or Sustainable Financing instrument, and annually until full allocation of the Net Proceeds thereof, the IoM Treasury will publish an allocation and impact report on its website providing information on the allocation of the Net Proceeds within the Eligible Expenditure Pool.

Whilst any Green, Social, or Sustainable Financing instruments are outstanding, IoM may, from time to time, provide qualitative and quantitative information relating to the nature and/or identity of assets within the Eligible Expenditure Pool.

2.4.1

Allocation Reporting

IoM Treasury will provide information on the Sustainable Eligible Project Portfolio on the <https://www.gov.im/sustainablefinance>. The information will contain at least the following details:

- I. An overview of the allocation of the issued Green, Social, or Sustainable Financing instruments to the main categories of Eligible Expenditures
- II. The amount of proceeds allocated to each Eligible Expenditure Category

- III. The balance of unallocated proceeds
- IV. The share of financing (i.e. the number of Green and Social Expenditures financed after the financing instrument issuance) and the share of refinancing (i.e. the number of Green and Social Expenditures financed before the financing instrument issuance)
- V. Any material developments related to the Eligible Sustainable Expenditures

2.4.2

Impact Reporting

Where feasible, the Isle of Man Treasury will share the progress and positive impact delivered and will provide reporting on relevant impact metrics (as listed in 2.1.1) for Eligible Expenditures where available. Case studies or project summaries may also be provided.

Where necessary, the Isle of Man Treasury may provide additional updates due to the time-lag in the publication of specific environmental impact indicators. The approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.

The Isle of Man Treasury intends to align, on a best efforts basis, the reporting with the portfolio approach described in the ICMA Framework for Impact Reporting.



3

External Review

IoM Treasury aims to adhere to the highest standards in terms of external review of the Sustainable Financing Framework.

3.1

Second-Party Opinion

IoM Treasury has appointed Sustainalytics to provide an external review on the Sustainable Financing Framework. Sustainalytics has reviewed the Sustainable Financing Framework and concluded that the Framework is credible and impactful and aligns with the ICMA GBP, SBP, SBG, SLP, and GLP.

This Second Party Opinion document will be made available on Isle of Man <https://www.gov.im/sustainablefinance> website.

3.2

Post issuance external verification

As noted in 2.4 Reporting, IoM Treasury will provide annual reporting beginning one year after issuance of the inaugural Green, Social, or Sustainable Financing instrument. This reporting will also be subject to external verification by an authorised independent entity. Verification will be provided until full allocation of Net Proceeds, and then in case of any material changes. The review will verify:

- The compliance of expenditures financed by the Green, Social, or Sustainable Financing instrument proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible Expenditures financed and/or refinanced by the Green, Social, or Sustainable Financing instrument proceeds
- The management of proceeds and unallocated proceeds amount
- Review of environmental and social impact of projects, where feasible

The external reviewer's report will be published on the Isle of Man <https://www.gov.im/sustainablefinance> website.

4

Amendments to this Framework

The Inter-Departmental Sustainable Financing Committee will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market.

The updates, if not minor in nature, will be subject to the prior approval of the Isle of Man Treasury and an external review provider. The Isle of Man Treasury commits to keeping or improving the current levels of transparency and reporting disclosures in any future updated version of this Framework.

The updated Framework, if any, will be published on IoM Treasury website and will replace this Framework. Any Green, Social, or Sustainable Financing instrument subsequently issued will be subject to the updated and amended Framework.

5

Sustainability Framework Financing Considerations

This Framework does not constitute, or form part of, a prospectus or other offering document. This Framework is not, and should not be construed as, an invitation or offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities of the Isle of Man Treasury (constituted by the Isle of Man Treasury Act 1985 and established as a department of the Isle of Man Government in accordance with the Isle of Man Government Departments Act 1987) (the "Treasury") in any jurisdiction or an inducement to enter into investment activity.

There is currently no clear definition (legal, regulatory or otherwise) of, nor clear market consensus as to what constitutes, a "green", "social" or "sustainable" or equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label, nor can any assurance be given that a clear definition or consensus will develop over time nor if a definition or consensus develops, that it will not change over time. Accordingly, no assurance is given that the Eligible Expenditures will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, nor that it will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similarly labelled performance objectives (including those aligned with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "EU Taxonomy") or Regulation (EU) 2020/852 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 or the UK Taxonomy) or any other definition or market consensus (together, "**Investor Requirements**"). Investors should have regard to the factors described in this Framework and determine for themselves the relevance of such information for the purposes of an investment in any Sustainable Financing, before deciding to invest.

No representation or assurance is given as to the relevance, suitability or reliability of any opinion or certification of any third party made available in connection with this Framework. Any such opinion or certification is not a recommendation by the Treasury or any other person to buy, sell, hold or invest in any Sustainable Financing. As at the date of this Framework, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance, suitability and reliability of any such opinion or certification and/or the information contained therein.

In the event that any securities are listed or admitted to trading on a dedicated "green", "social" or "sustainable" or other similarly-labelled segment of a stock exchange, securities market or index or given any other similar accreditation (a "**Sustainability Listing**"), no representation or assurance is given by the Treasury or any other person that any such Sustainability Listing satisfies any present or future Investor Requirements. Furthermore, it should be noted that the criteria for any Sustainability Listing may vary from one stock exchange, securities market or index to another. No representation or assurance is given or made by the Treasury or any other person that any Sustainability Listing will be obtained in respect of any securities or that any Sustainability Listing that is obtained will be maintained during the life of the securities.

While it is the intention of the Treasury to apply an amount equivalent to the proceeds of any Sustainable Financing to Eligible Expenditures and to report on the Eligible Expenditures as described herein, there is no contractual obligation to do so. There can be no assurance that any such Eligible Expenditures will be available or capable of being implemented in the manner anticipated and, accordingly, that the Treasury will be able to use the proceeds for such Eligible Expenditures as intended. Furthermore, no assurance is given that any projects or uses the subject of, or related to, Eligible Expenditures will be completed as expected, that the stated aims and/or impacts of any projects or uses the subject of, or related to, any Eligible Expenditures will be met or made, nor that adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Expenditures. None of these events, nor a failure by the Treasury to allocate the proceeds of any Sustainable Financing to Eligible Expenditures, nor to report on Eligible Expenditures as described herein, nor a failure by a third party to issue (or its withdrawal of) an opinion or certification in connection with any Sustainable Financing, nor the failure of any Sustainable Financing to meet Investor Requirements, nor a failure to obtain or maintain any Sustainability Listing, will constitute an event of default or breach of contract with respect to any Sustainable Financing. Any such event may have a material adverse effect on the value of the relevant investment and/or may have consequences for investors with Investor Requirements.



Isle of Man
Government

Reiltys Ellan Vannin