CITY OF CAPE TOWN
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CITY OF CAPE TOWN

GREEN BOND REPORTING FRAMEWORK

2021/09/23

Version 1

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1. Introduction

Realising the need to deliver projects and programmes which assist Cape Town to adapt to and mitigate the impact of Climate Change, the City of Cape Town pursues a number of initiatives linked to our Climate Change Strategy and our Resilience Strategy which deliver on our sustainability objectives.

With a growing population and an increasing divide between advantaged and disadvantaged groups, the City faces the challenge of promoting development whilst managing the redistribution of resources to redress current inequities. To address the growing needs of a largely impoverished population and to ensure the health of communities, the City needs to become economically competitive, both locally and globally. While working towards these goals, it is imperative that the City recognises and effectively manages its unique economic asset, the environment. The central component to achieving this is adopting and applying the fundamental principles and approaches of sustainable development.

In 2001, Cape Town became the first city in Africa to approve and adopt a comprehensive city-wide environmental policy: the Integrated Metropolitan Environmental Policy (IMEP). A revised version, the Environmental Strategy for the City of Cape Town, along with an Implementation Framework was developed in 2016. In addition, the City of Cape Town Climate Change Policy was adopted by Council on 20 July 2017.The Green Bond programmes or projects will contribute to the City's overall initiatives as outlined in these documents.

2. Reporting Framework Overview

This Green Bond Framework sets out how the City manages its reporting on Green Bond Finance and reports on programmes/projects/assets to which proceeds of the Green Bond have been allocated. It compliments and should be read in conjunction with The Green Bond Framework.

In order to ensure credibility of the City's Green Bond, the administration, issuance, allocation and reporting of the bond and its proceeds will adhere to the internationally recognised Climate Bonds Standard version 2.1 (for more details please visit: www.climatebonds.net/standards/standard_download).

Reporting requirements broadly consist of two components:

- Reporting on the financial aspects of the bond, and
- Reporting on the impact of the programmes funded by the bond proceeds.

In order to ensure integrated reporting of the Green Bond, both of these components are combined in two report outputs:

- The City of Cape Town's Annual Report

- Annual Green Bond Status Report submitted to the Climate Bonds Standard, and made available on the City's finance web-pages.

3. Financial Reporting

Following the issuance of the City of Cape Town's Green Bond, the proceeds were allocated to projects/programmes/assets identified during the issuance process – and verified in the post-issuance assurance report.

All Financial Management will be compliant with the South African Municipal Financial Management Act (MFMA) 2003 (Act No. 56 of 2003) and amendments, and Project Management procedures will be in-line with Municipal Systems Act 2000 (Act 32 of 2000), and amendments.

The City of Cape Town will track the Use of Proceeds of its Green Bond(s) via its Sytems, Applications and Products (SAP) Enterprise Resource Planning (ERP) System. Reports can be extracted from SAP which will contain the following information for each project:

- Budgeted Amount
- Actual Amount Disbursed
- Work Breakdown Structure (WBS) Element
- WBS Description
- Assertion of Funding Source (Green Bond Proceeds)

Whilst it is the City's intention that all proceeds are allocated to eligible programmes/ projects /assets as soon as possible after the bond is raised so as to ensure that the proceeds are effectively deployed, the City will maintain an amount in approved Cash or Cash Equivalents which will be equal to at least the remaining unallocated proceeds in terms of the City of Cape Town's Investment Policy until all proceeds are allocated.

Details of the allocation of remaining proceeds across projects/programmes/assets and the quantum of bond amortised will be collated by the Treasury Department and submitted to the Annual Report and the Annual Green Bond Status Report after the audited financial results are signed off.

4. Reporting on impact

Proceeds from the bond have been allocated across a number of pre-identified projects in the City, the climate benefit of these projects was determined and aligned with the Climate Bond Standard requirements by the internal review team at the point of issuance and verified by our external assurance provider pre- and post-issuance of the bond (see issuance reports on City website).

Going forward, it is only required that the City report on project impacts if there is a change in the programme/project/asset funded. As such, any material changes will be reported on an exceptions basis.

In order to establish whether an exception report is required, the Strategic Policy Branch in the City will undertake an annual review of the projects. In which, the relevant line department (or project owner) will be asked to indicate any changes in project/asset status since the last report.

Where a change has taken place, the impact of this on the previously disclosure will be assessed and reported.

Where the change is of a material nature, the Strategic Policy Branch will implement corrective measures, which may include, instructions to re-allocate proceeds to other compliant projects/programmes/assets per City's Green Bond Framework.

Where a re-allocation is made, this will be reported in the Annual Report and the Annual Green Bond Status Report.

Where there is no change in the status of the programme/project/asset detected, it will be as reported as such in the Annual Report and the Annual Green Bond Status Report.

David Valentine

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