



Ministry of Finance
of the Czech Republic



Czech Republic

**SOCIAL
GOVERNMENT BOND
ALLOCATION REPORT**

November 2025

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1. INTRODUCTION

In August 2025, the Czech Republic finalized its Social Finance Framework and in October 2025 the Ministry of Finance issued the first Social Government Bonds of the Czech Republic. In line with the reporting obligations defined in the Social Finance Framework, with this document the Czech Republic is publishing the first Allocation Report on the use of proceeds from the inaugural social bonds issue.

The Framework is aligned with the the latest internationally recognized market standards: the Social Bond Principles (SBP, 2025) issued by the International Capital Market Association (ICMA) and the Social Loan Principles (SLP, 2025) issued by the Loan Market Association (LMA). The Framework specifies four categories for the use of proceeds: Access to Essential Services – Healthcare, Access to Essential Services – Education and Vocational Training, Socio-Economic Advancement and Empowerment – Social Inclusion, and Affordable Basic Infrastructure.

This report describes, how the proceeds of CZK 13.925 billion from the five year Social Government Bond 3.95% and ten year Social Government Bond 4.55% are distributed across the eligible social expenditures and categories. The follow-up on proceeds from the issue will be included into the relevant chapters of the State Final Account, which is subject to the same review requirements conducted by the Supreme Audit Office as all other government expenditures.

The category Access to Essential Services: Education and Vocational Training received an allocation of CZK 2.641 billion and an amount of CZK 11.284 billion was allocated to the category Socio-Economic Advancement and Empowerment: Social Inclusion. As part of the second category, CZK 0.569 billion was directed to the eligible flood-related expenditures in response to the floods which significantly affected the Czech Republic in Autumn 2024. The selection process for the allocation prioritized the category Social inclusion, which is the most significant item in the pool of eligible expenditures and received the highest sustainability contribution assessment of “Strong” in an independent second-party opinion review (conducted by Sustainalytics).

2. SOCIAL ELIGIBLE EXPENDITURES

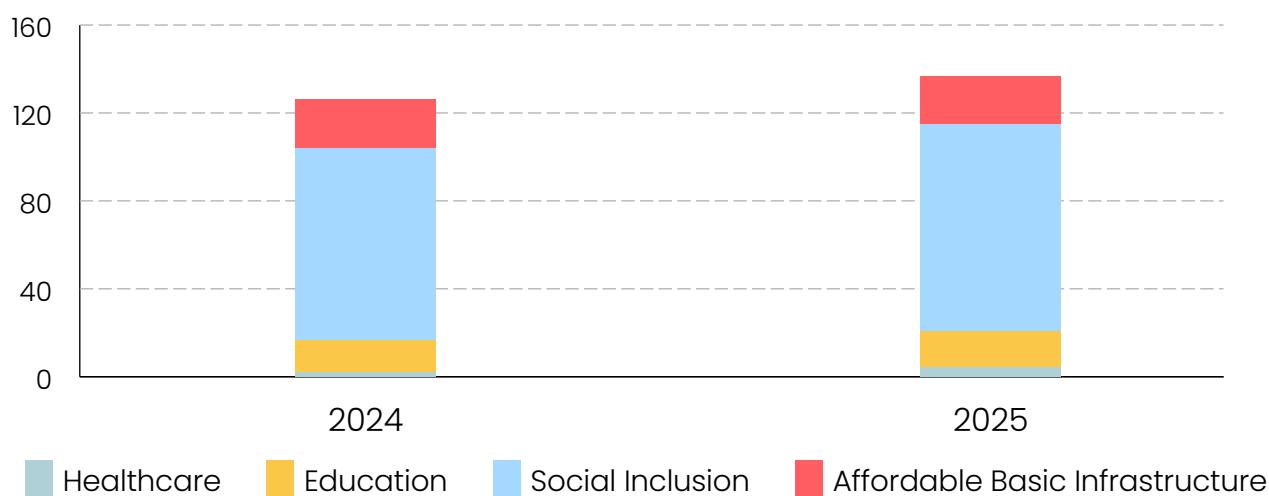
For the purpose of implementing the Framework (including selection and allocation of funds raised under each issued Social Finance Instrument), a Social Finance Working Group has been established, led by the Ministry of Finance and composed of representatives from the Ministry of Labour and Social Affairs, the Ministry of Transport, the Ministry of Agriculture, the Ministry of Education, Youth and Sports, and the Ministry of Health.

Standard national budgetary process is applied for the governance of the eligible social expenditures. They are determined through two main mechanisms. In some cases, they are established directly by legislation, which specifies both the recipients and the allocated amounts. In other cases, expenditures are defined through public competitions conducted in accordance with applicable laws. Each budget chapter ensures that the allocation and use of these proceeds comply with all relevant laws and regulations.

The Social Finance Working Group is responsible for the identification and selection of the state budget eligible expenditures. The process begins with an initial assessment and evaluation conducted by relevant experts within the respective ministries to determine whether the eligibility criteria are met. Following this step, the interministerial working group provides the final approval and oversees the monitoring of the Eligible Social Expenditures. To promote transparency, these expenditures are entered into a Social Finance Register.

The Czech Republic commits to maintaining Eligible Expenditures at a volume equal to or higher than the net proceeds of its outstanding Social Finance Instruments. In 2024, the total stock of eligible state budget expenditures amounted to CZK 126.4 billion, and in 2025 to CZK 136.7 billion.

ELIGIBLE STATE BUDGET EXPENDITURES 2024 - 2025 (CZK BN.)



Note: For 2024, realized expenditures; for 2025, budgeted expenditures.

TABLE 1: POOL OF ELIGIBLE STATE BUDGET EXPENDITURES 2024-2025

SOCIAL ELIGIBLE CATEGORY (STATE BUDGET EXPENDITURES)	REALIZED 2024 (BN. CZK)	BUDGETED 2025 (BN. CZK)
ACCESS TO ESSENTIAL SERVICES: HEALTHCARE	2.175	4.355
Financing of healthcare for social service providers	2.107	2.081
Strategic investments in state hospitals	0.068	2.274
ACCESS TO ESSENTIAL SERVICES: EDUCATION AND VOCATIONAL TRAINING	14.223	16.364
Teaching assistants and teaching aids	11.582	13.464
Children's group	2.641	2.900
SOCIO-ECONOMIC ADVANCEMENT AND EMPOWERMENT: SOCIAL INCLUSION	87.804	93.755
Non-investment subsidies for social service facilities	26.421	27.808
Investment subsidies for social services	0.400	0.487
Provision of assistance to ensure basic living needs for persons in need	6.050	6.650
Care allowance	41.300	45.020
Foster care	0.738	1.159
Employment of persons with disabilities (contribution)	11.990	12.400
Funding of reparation work on state property, expenditures to support rescue work	0.336	0.006
Financing of Emergency Flood Relief – households	0.550	0.045
Financing of wage subsidy to partially offset the wage costs – bussiness support	0.019	0.180
AFFORDABLE BASIC INFRASTRUCTURE	22.177	22.200
Compensation for losses – rail transport (fare discount + losses compensation + subsidy to regions)	15.377	16.600
Floods – Water Management and Forest Property	1.300	4.100
Restoration of infrastructure SFDI – transport infrastructure	5.500	1.500
TOTAL	126.379	136.674

3. SOCIAL GOVERNMENT BONDS

The inaugural issue of the Czech Social Government Bonds denominated in Czech koruna took place on 1 October 2025 with a total nominal value of CZK 13.925 billion through a standard primary auction organized by the Czech National Bank. The Ministry of Finance issued 5 year Social Government Bond 3.95% with a total nominal value of CZK 7.0 billion and 10 year Social Government Bond 4.55%, with a total nominal value of CZK 6.925 billion. The average auction yield of both issued Social Government Bonds was below the comparable conventional government bonds traded on the secondary market.

TABLE 2: INAUGURAL ISSUE OF SOCIAL GOVERNMENT BONDS

ISSUER	THE CZECH REPUBLIC ACTING THROUGH THE MINISTRY OF FINANCE	
	Status of Debt Issuer Rating - current (Local Currency Long Term) Currency	Senior unsecured AA (stable)/ Aa3 (stable)/ AA- (stable) S&P/ Moody's/ Fitch CZK
Name of issue	Social Government Bond of the Czech Republic, 2025-2030, 3.95%	Social Government Bond of the Czech Republic, 2025-2035, 4.55%
ISIN	CZ0001007587	CZ0001007579
Issue Date	3 October 2025	
Maturity date	3 October 2030	3 October 2035
Nominal amount (CZK bn.)	7.000	6.925
Original Maturity	5 years	10 years
Listing	Prague Stock Exchange	
Clearing	Central Securities Depository Prague	
Documentation	Czech Republic Social Finance Framework	
SPO	Sustainalytics	

The first issues were designed to attract mainly domestic investors, including mostly domestic based banks in the role of primary dealers. Investor demand for these new type of securities amounted to almost CZK 19.0 billion.

In accordance with the Social Finance Framework, The Czech Republic has to fully allocate proceeds from the issued Social Government Bonds in the current budget year or, at the latest, in the budget year following the issuance. A detailed analysis of the proceeds allocation is presented in the subsequent section of this report.

4. ALLOCATION REPORT

The Czech Republic's Social Finance Framework defines that eligible state budget expenditures incurred during the two budget years preceding the issuance, the budget year of the issuance, and/or two budget years following the issuance may be covered by the issuance of Social Government Bonds.

In line with the criteria set out in the Czech Social Finance Framework, the proceeds from the issuance of social government bonds had been fully allocated to eligible social state budget expenditures realized in 2024, which had been already reviewed by the Supreme Audit Office.

TABLE 3: ELIGIBLE EXPENDITURES AND ALLOCATION

SOCIAL BOND PRINCIPLES CATEGORIES	STATE BUDGET 2024			SDG
	Eligible Expenditures (CZK bn.)	Expenditures allocated (CZK bn.)	Allocation (%)	
Access to Essential Services: Healthcare	2.175	0.000	0.0	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
Access to Essential Services: Education and Vocational Training	14.223	2.641	18.6	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES
Socio-Economic Advancement and Empowerment: Social Inclusion	87.804	11.284	12.9	4 QUALITY EDUCATION 3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
Affordable Basic Infrastructure	22.177	0.000	0.0	11 SUSTAINABLE CITIES AND COMMUNITIES 10 REDUCED INEQUALITIES

The proceeds of both, the five year and the ten year Social Government Bonds have been allocated under the two categories: Access to Essential Services: Education and Vocational Training (19.0%) and Socio-Economic Advancement and Empowerment: Social Inclusion (81.0%).

The majority of the proceeds were allocated to the category Social inclusion, which received the highest sustainability contribution assessment of “Strong” in the independent second-party opinion review and also includes flood-related expenditures (realized in 2024).

In the Social Finance Framework, the Czech Republic committed to report the following allocation indicators:

- Total amount allocated to Eligible Social Categories
- Total amount allocated to Eligible Social Expenditures
- Total amount amount of unallocated proceeds (if any)

The Czech Republic applies a bond-by-bond approach in its reporting, meaning that each social bond issuance is linked to one or more specific eligible social expenditures from the state budget.

TABLE 4: ALLOCATION OF SOCIAL BOND PROCEEDS (CZK BN.)

ALLOCATION CATEGORY AND EXPENDITURE	5 YEAR SOCIAL GOVERNMENT BOND 3.95 %	10 YEAR SOCIAL GOVERNMENT BOND 4.55 %
Access to Essential Services: Education and Vocational Training	2.641	0.000
Children’s group	2.641	0.000
Socio-economic Advancement and Empowerment: Social Inclusion	4.359	6.925
Employment of persons with disabilities	4.340	6.375
Compensation of wages for business entities affected by the floods	0.019	0.000
Emergency Flood Relief Programme – households	0.000	0.550
TOTAL	7.000	6.925
Unallocated proceeds	0.000	0.000

Realized state budget expenditures in 2024 for children’s group and flood-related expenditures (Compensation of wages for business entities affected by the floods and Emergency Flood Relief Programme – households) was fully covered by the issuance of the Social Bonds. For expenditures related to the employment of persons with disabilities, almost 90% of the realized state budget expenditures in 2024 were covered (CZK 10.715 billion).

The rationale behind the selection and allocation of proceeds from the inaugural issuance of the Social Bonds was based on the measurable social impact of the selected expenditure categories. This ensures that the funds are used transparently and effectively, linking the expenditure to the achieved

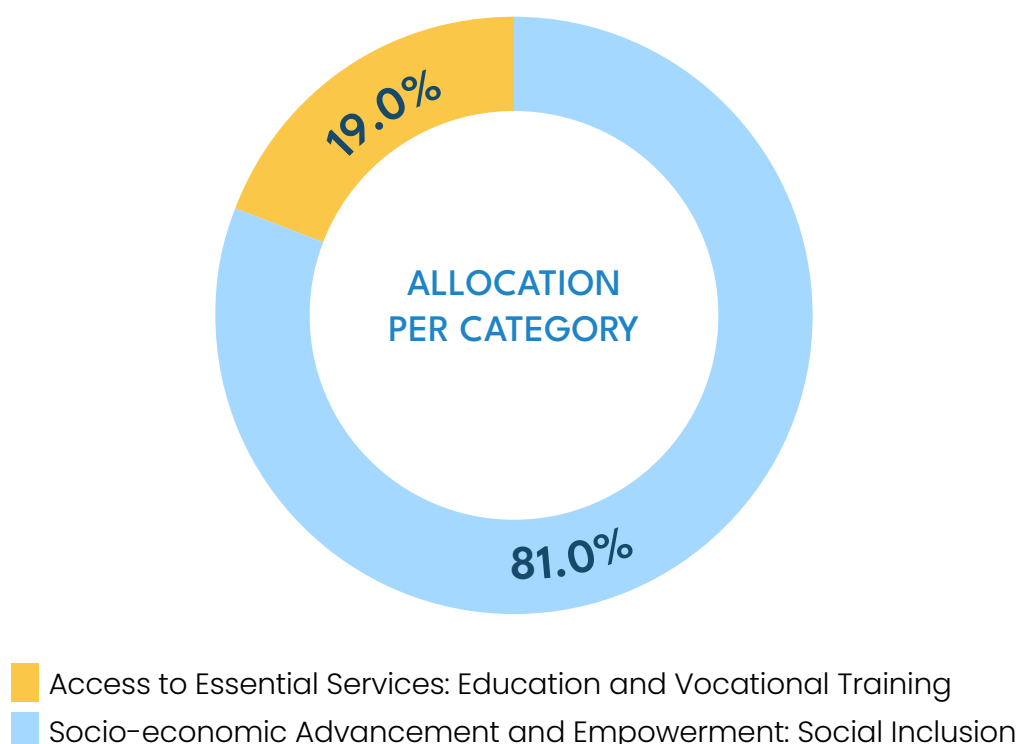
social value. The proceeds were directed towards areas that address essential social needs and deliver tangible benefits to the population, particularly in the fields of childcare, employment inclusion, and post-disaster recovery. The chosen expenditures – support for children’s groups, employment of persons with disabilities, wage compensation for businesses affected by floods, and emergency flood relief for households – represent measures with direct, evidence-based outcomes contributing to social cohesion and resilience.

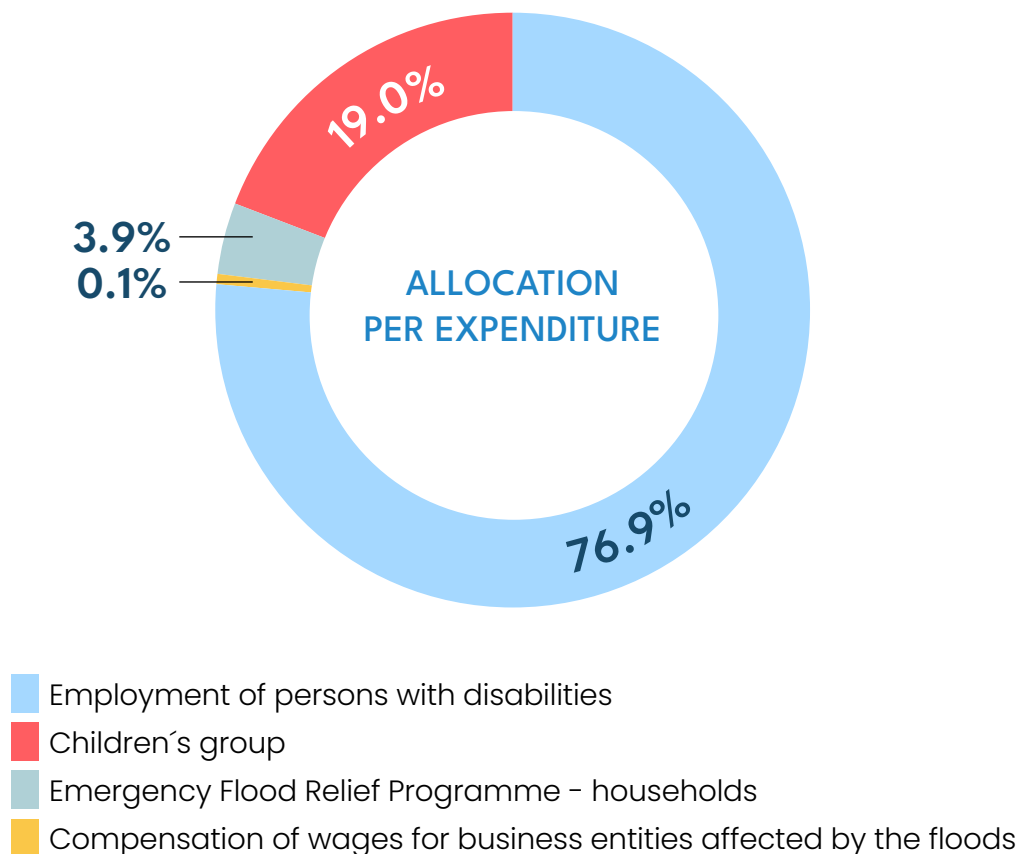
Support for children’s groups delivers long-term social benefits by improving access to early childhood care and education, thus enhancing equal opportunities for children from different social backgrounds. At the same time, it facilitates parents – especially mothers – to return to their jobs earlier.

The employment of persons with disabilities promotes social inclusion and equal access to decent work, strengthening the self-sufficiency and reducing the dependency on social benefits of the target population.

The compensation of wages for business entities affected by floods serves as an effective stabilisation measure during crises. It enables businesses to retain employees and preserve skilled labour in flood-affected regions, mitigating the risk of rising unemployment and social hardship. This measure has a clear socio-economic benefit in maintaining household income and supporting the continuity of local economies.

The emergency flood relief programme for households helps restore essential living conditions for affected families and prevents the deepening of poverty and social exclusion. Targeted assistance ensures regional social stability and enables communities to recover more quickly from the impacts of natural disasters.





CHILDREN'S GROUP

Financing of children's group represent a contribution from the state budget to the registered providers of children's groups to cover operating costs (e.g. the wages and salaries of caregivers, expenses related to ensuring mandatory further education of caregivers, expenses for children's meals, which is provided by the provider, and other operating expenses). The right to a contribution is set out in Act No. 247/2014 Coll (The Act on the Provision of Childcare Services in Child Groups). The childcare services consist of providing regular child care from six months to the start of compulsory school attendance. The contribution for the operation of a children's group is decided, paid and supervised by the Labour Office of the Czech Republic.

EMPLOYMENT OF PERSONS WITH DISABILITIES

The right to a contribution to support the employment of persons with disabilities arises for an employer with whom the Labour Office of the Czech Republic has concluded an agreement under the Act No. 435/2004 Coll. (Employment Act) and who meets the conditions set out in the Employment Act. The contribution is paid by the relevant regional branch of the Labour Office in whose district the employer is based. The contribution consists of several parts:

- Lump sum: CZK 1,000 per month for each person with a disability in employment,
- Wage component, which constitutes 75% of the employee's salary and

a maximum of CZK 17,300 according to government regulations for persons with 1st – 3rd degree of disability or a maximum of CZK 5,000 per month for persons with a health disadvantage,

- The contribution can be increased by the costs of operational assistants, transport or adaptation of the establishment.

The decision to provide the contribution is issued based on the employer's written request and the employer have to meet the conditions set out in the Employment Act:

- The employer has no tax arrears as of the last day of the relevant calendar quarter and has no arrears in social security contributions and penalties and state employment policy contributions and has no arrears in public health insurance contributions and penalties,
- The employer submits a list of employees for whom the contribution is requested and proves that they are persons with disabilities.

COMPENSATION OF WAGES FOR BUSINESS ENTITIES AFFECTED BY THE FLOODS

Support for employers affected by floods was provided through the Labour Office of the Czech Republic under the Act No. 240/2000 Coll. (Crisis Act). The Ministry of Labour and Social Affairs offered assistance to support employers who had to temporary interrupt their activities and were unable, due to flood-related damage or production disruptions, to assign work to their employees. Within this programme, affected employers may receive a wage contribution to partially compensate for payroll costs arising from their obligation to pay employees wage compensation during the period of the aforementioned work impediments, following cases were applied:

- Interruption of work due to property damage – the contribution applies to a work impediment on the employer's side. In such cases, employees are entitled to wage or salary compensation of at least 60% of their average earnings.
- Disruptions in energy or raw material supply – the employer was not directly affected by the flood but had to suspend operations due to a disruption in energy or raw material supply, constituting downtime. In this situation, the employer is required to pay employees at least 80% of their average earnings.

The contribution may cover up to 50% of the employer's wage costs, with a maximum of CZK 18,400 per month per employee.

EMERGENCY FLOOD RELIEF PROGRAMME - HOUSEHOLDS

The Extraordinary Immediate Assistance Benefit for households was part of the material need assistance system under the Act No. 240/2000 Coll. (Crisis Act). In the event of an emergency situation, the Government may decide to temporarily adjust the eligibility parameters to enable the fastest possible disbursement of the support. The aid can be specifically targeted at the regions directly affected by the extraordinary event. Through the Labour Office of the Czech Republic, the Ministry of Labour and Social Affairs provided support to individuals impacted by natural disasters, such as floods in

September 2024. The purpose of this benefit, referred to as Extraordinary Immediate Assistance – Floods, was to ensure temporary security for affected persons or families, cover their basic living needs, and provide initial assistance to mitigate the consequences of the disaster until other sources of support become available. The total amount of support may reach up to CZK 72,900, corresponding to fifteen times the subsistence minimum.



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