

Providing for the Future

NRW's Sustainability Bond (Update April 2024)

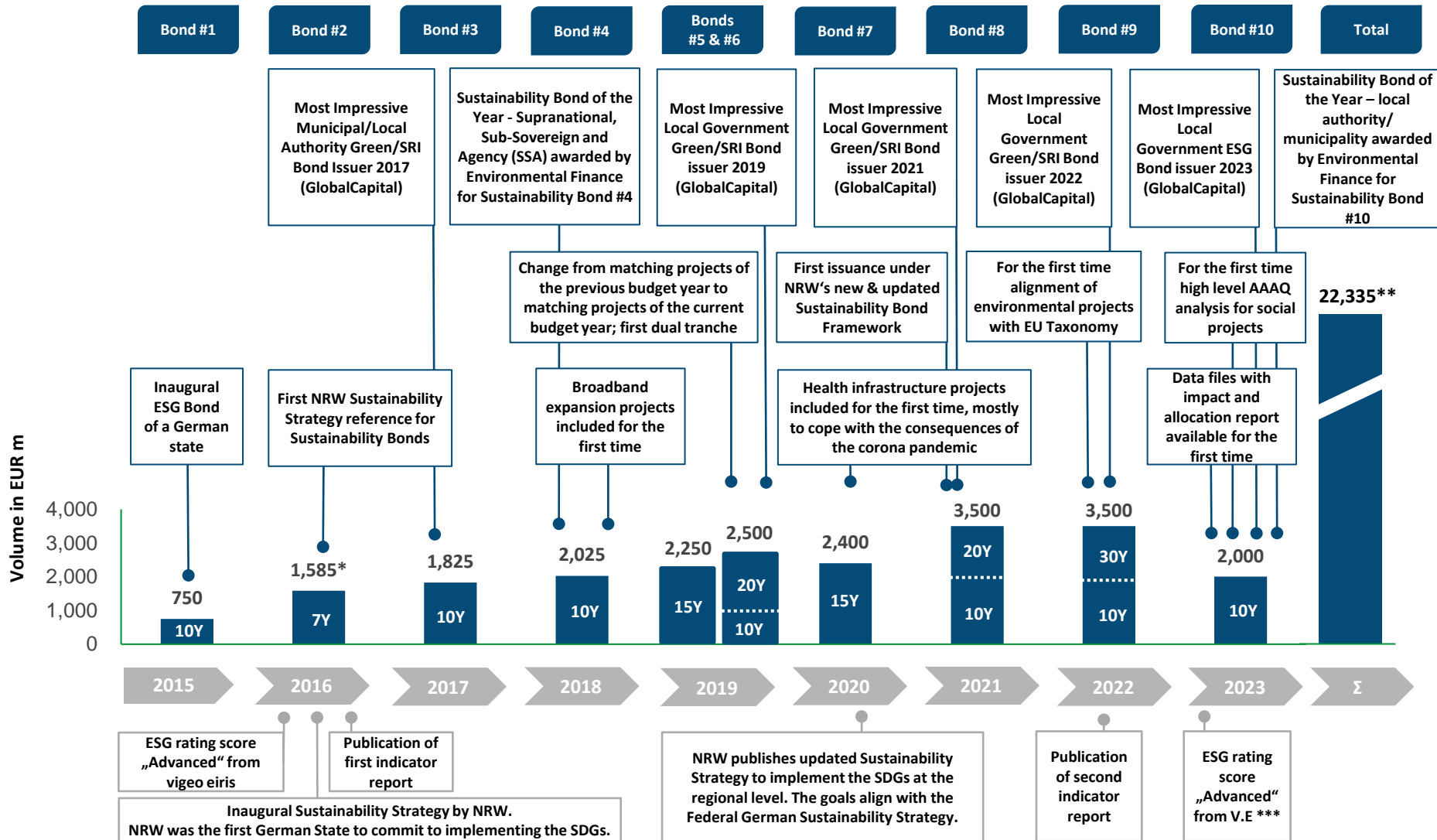




- Sustainable development is a guiding principle for the State of NRW. It actively joins the global efforts under the umbrella of the Agenda 2030 adopted by the UN in 2015 and the 17 Sustainable Development Goals (SDGs).
- The State Government adopted the NRW Sustainability Strategy in 2016 and an updated version in 2020. The Strategy is designed to implement the global Sustainable Development Goals (SDGs) at the regional level. It also serves as the political reference for NRW's Sustainability Bond.
- The core of the [Sustainability Strategy](#) is a set of 67 specific goals and indicators covering 16 of the 17 SDGs (without SDG 14). These goals and indicators are closely aligned with the goals at the federal level. Ecological, economic and social interaction are equally taken into account.
- A separate [indicator report](#) covers the development of the indicators. A dedicated [website](#) enables ongoing progress reporting on the indicators.
- Currently, the Sustainability Strategy is being updated.

Time Flies

A History of NRW Sustainability Bonds



A History of Successful SRI Issuances



NRW Sustainability Bonds

Transaction	ISIN	Settlement	Maturity	Coupon	Size (EUR m)	Reoffer Spread 6ME (bps)	Budget Year
Sustainability Bond #1	DE000NRW0GP1	11.03.2015	11.03.2025	0.500%	750	-11	2014
<i>Sustainability Bond #2</i>	<i>DE000NRW0JF6</i>	<i>16.03.2016</i>	<i>16.03.2023</i>	<i>0.125%</i>	<i>1,585</i>	<i>-2</i>	<i>2015</i>
Sustainability Bond #3	DE000NRW0KB3	07.03.2017	16.02.2027	0.500%	1,825	-14	2016
Sustainability Bond #4	DE000NRW0K03	13.03.2018	13.03.2028	0.950%	2,025	-14	2017
Sustainability Bond #5	DE000NRW0LM8	13.03.2019	13.03.2034	1.100%	2,250	10	2018
Sustainability Bond #6/1	DE000NRW0LZ0	26.11.2019	26.11.2029	0.000%	1,000	-3	2019
Sustainability Bond #6/2	DE000NRW0L02	26.11.2019	25.11.2039	0.500%	1,500	9	2019
Sustainability Bond #7	DE000NRW0ML8	12.10.2020	12.10.2035	0.000%	2,400	7	2020
Sustainability Bond #8/1	DE000NRW0MY1	04.06.2021	04.06.2031	0.125%	2,000	0	2021
Sustainability Bond #8/2	DE000NRW0MZ8	04.06.2021	04.06.2041	0.600%	1,500	9	2021
Sustainability Bond #9/1	DE000NRW0NF8	15.06.2022	15.06.2032	1.875%	2,000	-6	2022
Sustainability Bond #9/2	DE000NRW0NG6	15.06.2022	14.06.2052	2.250%	1,500	35	2022
Sustainability Bond #10	DE000NRW0N67	07.06.2023	07.06.2033	2.900%	2,000	3	2023
Weighted Average Coupon / Total Volume Issued				0.927%	22,335		
Weighted Average Coupon / Total Size Outstanding				0.988%	20,750		

Awards and Sustainability Rating



Recognized Achievements

• Awards

- GlobalCapital „Most Impressive Municipal/Local Authority Green/SRI Bond Issuer” 2017
- Environmental Finance “Sustainability bond of the Year - supranational, sub-sovereign and agency (SSA)” 2019
- GlobalCapital “Most Impressive Local Government Green/SRI Bond Issuer” 2019
- GlobalCapital “Most Impressive Local Government Green/SRI Bond Issuer” 2021
- GlobalCapital “Most Impressive Local Government Green/SRI Bond Issuer” 2022
- GlobalCapital “Most Impressive Local Government ESG Bond Issuer” 2023
- Environmental Finance “Sustainability bond of the Year – local authority/municipality” 2024

• Sustainability Rating (Moody's ESG)

- Top grade „Advanced“ in 2023, score: 65/100, rank 2/29 (regional and local authorities across Europe, [scorecard](#))



Sustainability Bond Framework



Update & New Structure in 2021

- Separate [NRW Sustainability Bond Framework](#) aligned with the ICMA Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018).
- Projects classified in 14 ICMA Use of Proceeds categories: 6 SBP and 8 GBP categories.
- Aligned with updated NRW Sustainability Strategy (2020).
- New components: Do no harm principle, compliance to social safeguards, controversies, exclusions.
- SPO for Sustainability Bond Framework from ISS ESG.
- Eligible assets will be made public before issuance of each Sustainability Bond and evaluated with a separate SPO.

Future Sustainability Bond Framework



Update expected for 2025

- **No** issuance of **Sustainability Bond** in **Q2/2024**; issuance of **Sustainability Bond #11** expected for **Q4/2024** under current framework.
- Reason: **Sustainability Bond framework** currently **updated**, publication expected for **2025**.
 - Currently issue refers to projects of the **same fiscal year**; with future framework issue refers to projects of the **previous fiscal year**.
 - ➔ Issue of Sustainability Bond 2024 referring to projects of the year 2024, issue of Sustainability Bond 2025 referring to projects of the year 2024.
 - ➔ **Eligible assets** of fiscal year **2024** need to be **shared** by two Sustainability Bonds and need to fit both frameworks.
 - ➔ Sustainability Bonds 2024 & 2025 will be for once smaller compared to previous Sustainability Bonds because of shared project pool.
 - Adaptation to latest version of ICMA Principles.
 - Taking into account evolution of EU Taxonomy.
 - Update of NRW Sustainability Strategy.

Use of Proceeds of NRW's Sustainability Bonds



14 SBP and GBP Categories with Projects Related to SDGs

- A. Affordable basic infrastructure
- B. Access to essential services
- C. Affordable housing
- D. Employment generation
- E. Food security and sustainable food systems
- F. Socio economic advancement and empowerment

- G. Renewable energy
- H. Energy efficiency
- I. Pollution prevention and control
- J. Natural resources and land use
- K. Clean transportation
- L. Sustainable water and wastewater management
- M. Climate change adaptation
- N. Green buildings



Alignment with Principles



ICMA

The Sustainability Bond complies with the four core components of ICMA's Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018):

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting



Process for Project Evaluation and Selection



Comprehensive Pre-Issuance Disclosure

- Projects are selected in accordance with the categories and criteria set out in the "Sustainability Bond Framework".
- Only the State's own discretionary spending (net of EU grants, federal grants or other revenues earmarked for specific purposes) is taken into account. Thus, double counting of expenditures in other SRI Bonds is ruled out.
- Projects prescribed by federal law are excluded. Thus, eligible projects are voluntarily provided by the State.
- The State's personnel costs are excluded.
- Prospective allocation of net proceeds is disclosed pre-issuance. A detailed description of all projects ("Eligible Assets") is available at the [website of Sustainability Bond #10](#).

Management of Proceeds



Funding the Public Sector: Sustainability Bond #10

- An amount equivalent to the net issue proceeds of the State Treasury Notes will be used to cover expenditures for selected environmental and social projects.
- All projects are part of the State's discretionary spending of the fiscal year 2023 and can be traced to the [NRW 2023 Budget Plan](#) (Haushaltsplan 2023). Some projects run for more than one year, but for the issuance at hand, only the expenditures of the current year are taken into account.
- In the unlikely event that net issue proceeds exceed the State's expenditures for eligible projects in the fiscal year 2023, the remaining proceeds will be used to cover expenditures for similar projects of the fiscal year 2024.
- Final budget results for 2023 and final allocation of proceeds will be set out in the impact reporting.

Sustainability Quality of the Bond



Verification and Evaluation

- SPOs for Framework and Eligible Assets both provided by ISS ESG.
- SPO for NRW's Sustainability Bond Framework confirms that the Framework is in line with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines administered by ICMA and that the Use of Proceeds categories are consistent with the State's Sustainability Strategy.
- SPO for Eligible Assets finds a contribution to the SDGs for each project.
- As part of the SPO for Eligible Assets, ISS ESG also conducted an EU Taxonomy Alignment Exercise showing that more than half of the State's Green Eligible Assets in Sustainability Bond #10 are aligned with the EU Taxonomy.





- Impact reporting with regard to projects financed by the Sustainability Bonds is published on a regular basis and covers social and environmental impacts. Reports are provided by Wuppertal Institut für Klima, Umwelt, Energie gGmbH post issuance.
- The evaluation carried out by Wuppertal Institut comprises an analysis of projects related to the most current issuance as well as a consolidated analysis of the GHG savings over the lifetime of projects related to all Sustainability Bonds NRW issued so far (portfolio approach).
- An allocation report about the previous Sustainability Bond as well as an overview of allocations of all previous Sustainability Bonds is provided in the appendix.

Sustainability Bond #10 NRW



More Detailed Information for Investors

- In total, Sustainability Bond #10 relates to 53 specific projects mapped to 14 SDGs.
- Eligible assets amount to EUR 3.0bn with focus on education, research and renewable energy.
- Alignment with EU Taxonomy for selection of environmental projects.
- For the first time high-level AAAQ analysis of social projects in line with proposed Social Taxonomy.
- Data for investors available at website.

Sustainability Bond #10 NRW

















Prospective Allocation of Proceeds

SBP Project Category	Eligible Assets [EUR m]	Share of Assets	GBP Project Category	Eligible Asset [EUR m]	Share of Assets
A. Affordable basic infrastructure	351.6	11.7%	G. Renewable energy	225.0	7.5%
B. Access to essential services	1,421.5	47.4%	H. Energy efficiency	106.4	3.5%
C. Affordable housing	117.4	3.9%	I. Pollution prevention and control	31.3	1.0%
D. Employment generation	10.7	0.4%	J. Natural resources and land use	45.4	1.5%
E. Food security and sustainable food systems	3.7	0.1%	K. Clean transportation	65.5	2.2%
F. Socioeconomic advancement and empowerment	145.5	4.9%	L. Sustainable water and wastewater management	110.5	3.7%
			M. Climate change adaptation	27.8	0.9%
			N. Green buildings	335.0	11.2%
Social Projects	2,050.4	68.4%	Green Projects	946.8	31.6%
Total Volume Eligible Assets	2,997.2				

Sustainability Bond #10 NRW



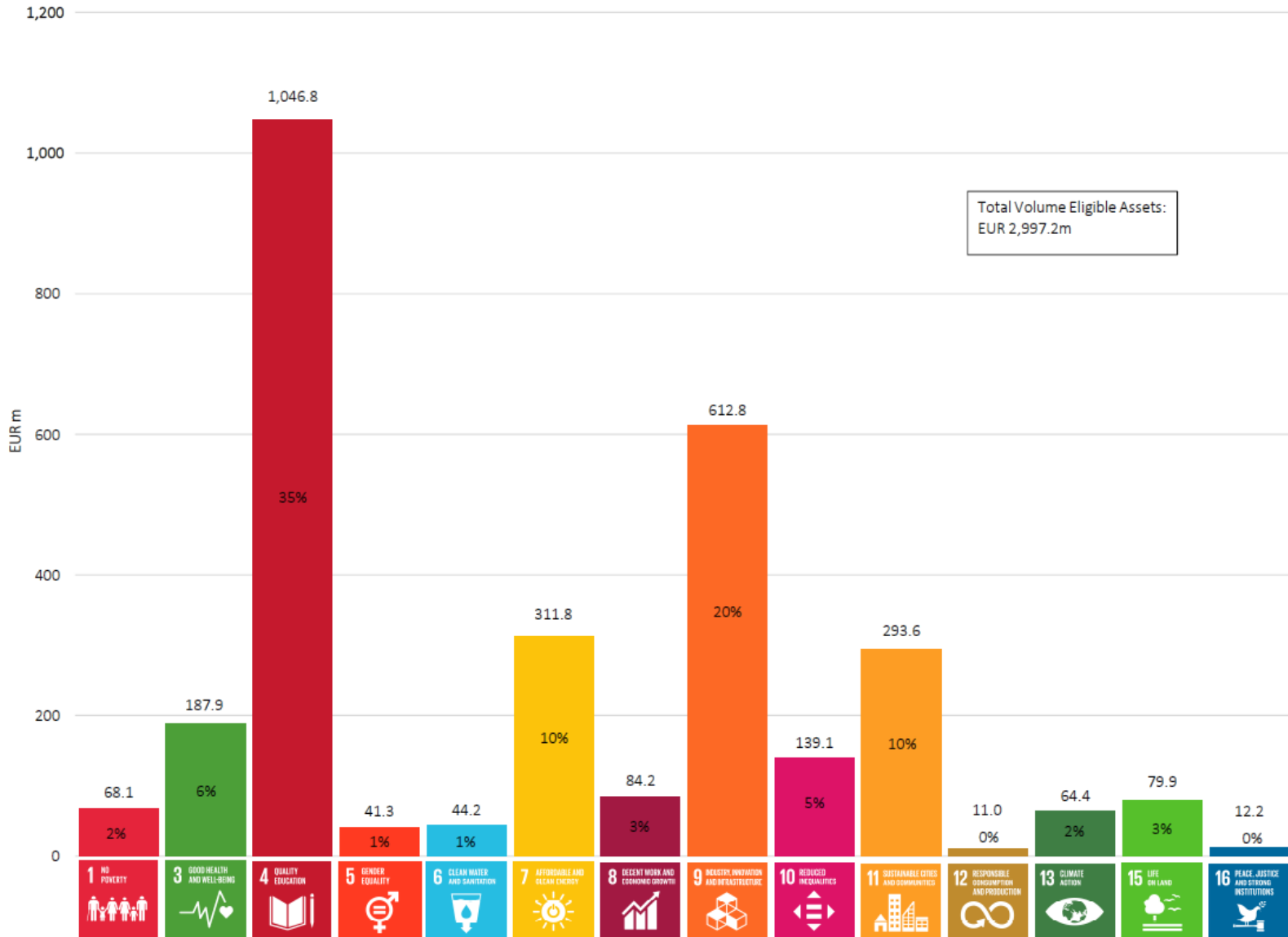
Implementing the SDGs at State Level

GBP/SBP Use of Proceed categories:															# projects
Affordable basic infrastructure	1	-	-	-	-	-	-	1	-	2	-	-	-	-	3
Access to essential services	1	9	12	-	-	-	4	3	5	-	2	-	-	-	22
Affordable housing	-	-	-	-	-	-	1	3	-	3	-	-	-	-	3
Employment generation	-	-	-	-	-	-	2	1	1	-	-	-	-	-	2
Food security and sustainable food systems	-	1	1	-	-	-	-	-	-	-	-	-	-	-	1
Socioeconomic advancement	1	-	3	4	-	-	4	-	4	1	-	-	-	3	10
Renewable energy	-	-	-	-	-	2	-	-	-	-	-	-	-	-	2
Energy efficiency	-	-	-	-	-	2	-	1	-	-	1	-	-	-	2
Pollution prevention and control	-	-	-	-	-	1	-	2	-	-	-	1	-	-	2
Natural resources and land use	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
Clean transportation	--	-	-	-	-	-	-	-	-	1	-	-	-	-	1
Sustainable water and wastewater management	-	-	-	-	1	-	-	-	-	-	-	1	1	-	1
Climate change adaptation	-	-	-	-	-	-	-	-	-	-	-	2	2	-	2
Green buildings	-	1	-	-	-	-	-	2	-	-	-	-	-	-	1
Total	3	11	17	4	1	5	11	13	10	7	3	4	4	3	53

Sustainability Bond #10 NRW



Eligible Assets per SDG



Alignment with EU Taxonomy



Mapping of Green Eligible Projects to EU Economic Activities

Category: Project Name	Budget Item	Budget Plan* (EUR m)	EUT Aligned (EUR m)	EU Activity	TSC	DNSH	MSS
G. Energy and heat transition	# 14 300 tg 65	213.0	56.9	4.1, 7.6, 9.1	✓	✓	✓
G. Energy storage	# 14 300 tg 67	12.0	12.0	4.10	✓	✓	✓
H. Climate protection technologies and low-emission mobility	# 14 300 tg 63 and # 14 022 tg 63	99.6	99.6	4.1, 6.4, 6.5, 7.4, 7.6, 9.1	✓	✓	✓
H. Enhancement of resource efficiency	# 10 060 tg 68	6.9	6.9	9.1	✓	✓	✓
I. Innovation for the climate-neutral energy and economic system of the future	# 14 300 tg 69	21.5	21.5	9.1	✓	✓	✓
J. Protection of nature	# 10 030 tg 82	45.4	33.2	8.1*	✓	✓	✓
K. Infrastructure for cyclists and pedestrians	# 10 140 tg 61 and # 10 150 777 14	65.5	65.5	6.4, 6.13	✓	✓	✓
L. Flood protection	# 10 050 tg 66 and # 10 080 tg 78	110.5	110.5	5.1	✓	✓	✓
M. Forests restoration	# 15 030 tg 78	24.2	24.2	1.2	✓	✓	✓
N. Conservation, remediation and enlargement of university clinics as well as other investments	# 06 102 tg 63, title 891 20 of chapters # 06 103–108, respectively, and title 891 30 of chapters # 06 103–108	335.0	82.3	7.7	✓	✓	✓
			31.0***	7.2	✓	○****	✓
TOTAL		933.5	512.5		✓	✓	✓

*Out-of-scope green projects are excluded from this analysis.

**Based on proposed criteria released in March 2022 by the Platform on Sustainable Finance. In April 2023, released proposed criteria for the proposed Environmental Delegated Act with a four weeks consultation period, which was ongoing at the time of the taxonomy alignment and SPO drafting.

*** Not included in the total amount of EUT Aligned Eligible Assets.

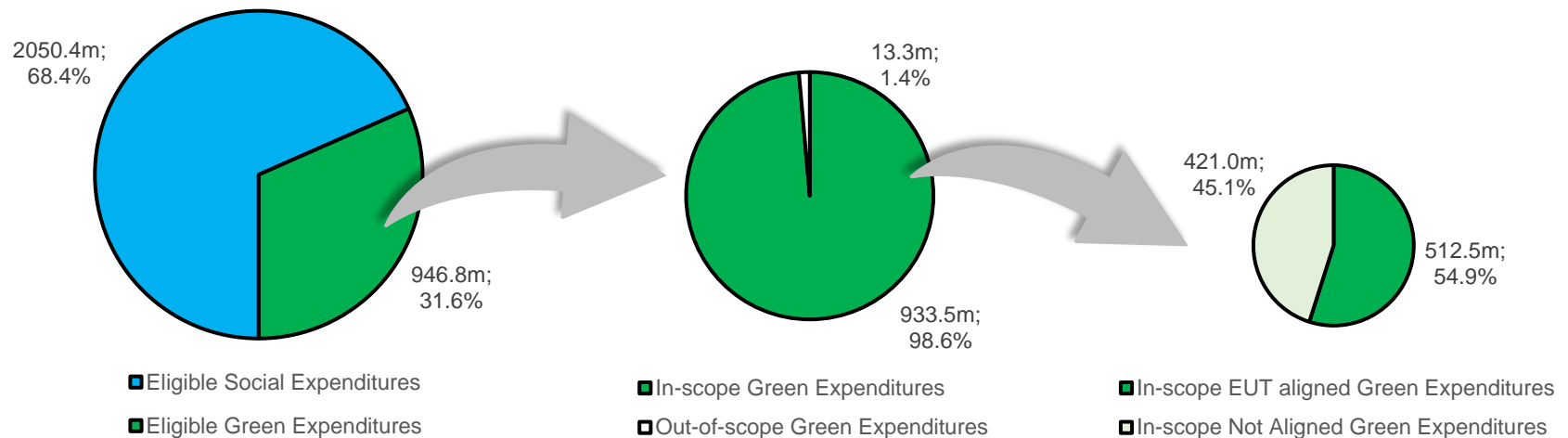
**** Except for the DNSH criteria for Water and Marine Resources for 7.2 (Renovation of existing buildings). Some university clinics do meet the taxonomy criteria in terms of water efficiency for majority of their fittings in newly renovated buildings, although not all fittings can meet the criteria because of specific uses e.g. medical taps for hygiene purposes (where no criteria exist within the EU Taxonomy).

Alignment with EU Taxonomy



Overview of Aligned Eligible Projects

- Alignment out of all social and green expenditures: 17.1%
- Alignment out of all green expenditures: 54.1%
- Alignment out of in-scope green expenditures: 54.9%



Alignment with Proposed EU Social Taxonomy



High Level Assessment and AAAQ analysis

- Eligible social projects from Sustainability Bond #10 were mapped to relevant EU Social Taxonomy Core Objectives, Sub Objectives and analysed versus the criteria based on the AAAQ concept in the proposed EU Social Taxonomy*.
- Overall 34 out of 41 eligible social projects were deemed to be aligned with the proposed Social Taxonomy*.
- The majority of projects target EUT core objective no. 3 (Inclusive and sustainable communities and societies) or EUT core objective no. 2 (Adequate living standards and wellbeing for end users):
 - 14 projects solely target EUT core objective no. 3
 - 13 projects solely target EUT core objective no. 2
 - 5 projects target both EUT core objective no. 1 and 3
 - 2 projects target both EUT core objectives no. 2 and 3

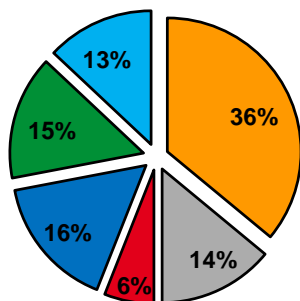
Recent Benchmark Issues



Sustainability Bond #10

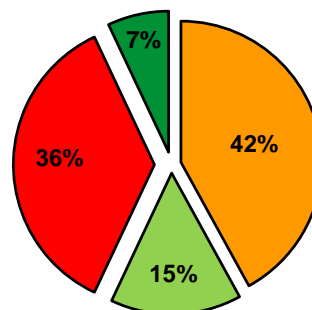
Issuer	State of North Rhine-Westphalia
Issuer Rating	Aa1 by Moody's (stable), AA by S&P (stable), AAA by Fitch (stable)
ESG Rating	Advanced, 65/100 (Moody's ESG Solutions)
Issue Size	EUR 2.0bn
Status and Format	Collective Debt Register Claim, RegS, Senior Unsecured
Maturity Date	07 June 2033
Settlement Date	07 June 2023
Coupon	2.90% annually act/act ICMA
Reoffer Spread	MS +3bps
ISIN	DE000NRW0N67
Lead Managers	Crédit Agricole, Erste Group, ING, J.P. Morgan, NatWest Markets, Nordea

Geography



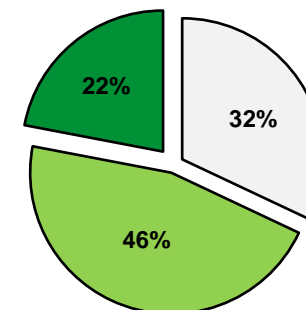
■ DACH ■ Other ■ BeNeLux
■ UK ■ France ■ Scandinavia

Investor Type



■ Banks ■ CB/OI ■ Asset Managers ■ Other

ESG Shading



■ Conventional ■ Light ■ Dark

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