



Dutch State Treasury Agency  
*Ministry of Finance*

# State of the Netherlands Green Bond Framework

10 May 2022 update



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# 1. Introduction

In 2019, the State of the Netherlands issued the inaugural Green Dutch State Loan 2040 (the 'Green DSL 2040') and published its Green Bond Framework. Since then there have been significant developments in the sustainable finance market. This updated Green Bond Framework (the 'Framework') ensures that issuances or re-openings of a Green Bond are in line with best market practices.

The Netherlands is fully committed to the United Nations (UN) 2030 agenda for Sustainable Development and the Paris Agreement on Climate Change (the 'Paris Agreement'). The Netherlands aims to ambitiously contribute to the fight against global warming and is firmly dedicated to the goal set out in the European Green Deal to reduce carbon emissions by at least 55% by 2030 compared to 1990 levels.<sup>1</sup> Accordingly, in the 2021 – 2025 Coalition Agreement 'Looking out for each other, looking ahead to the future' (the 'Coalition Agreement'),<sup>2</sup> the government agreed to adjust the 2030-target in the national Climate Act (*Klimaatwet*)<sup>3</sup> to at least 55% reduction. In order to ensure that this target is reached, the Coalition Agreement outlines that policy will focus on increased carbon emission reductions, which will amount to approximately 60% by 2030. The Netherlands will continue to pursue ambitious carbon emission reductions after 2030 also. Therefore the aim is to achieve 70% reduction in carbon emissions by 2035, 80% reduction by 2040 and become climate neutral by 2050 at the latest, compared to 1990 levels. A minister for Climate and Energy has been appointed to oversee policy and the € 35 billion Climate and Transition Fund. Over a period of 10 years, this fund will help to create the nation's required energy infrastructure, establish a green industrial policy and make transport and the built environment more sustainable. In addition, extra investments will be made in research and innovation in climate-neutral technologies.

Additional to public investments, private investments also need to be mobilised. A green capital market will play a key role in mobilising finance for accelerating these investments. Since the initial placement of the Green DSL 2040, the Green Bond market has shown significant growth. Investor demand still surpasses supply. With the expected substantial reopening of the Green DSL 2040 in 2022, the State of the Netherlands aims to continue to support the further development of this market.

## 1.1 Dutch vision on global climate action

The central aim of the Paris Agreement is to strengthen the global response to the threat of climate change. This will be done by keeping the global average temperature rise above pre-industrial levels well below 2 degrees Celsius this century and pursue efforts to limit the temperature rise to 1.5 degrees Celsius.

The first pillar of the policy on climate change of the State of the Netherlands is climate change mitigation. Hereto the Netherlands has set out a clear and robust framework for the implementation of the Paris Agreement in the Climate Act. Under this Act, the government is required to draw up a Climate Plan setting out measures to ensure that the targets stipulated in the act are achieved. In the Coalition Agreement the targets specified in the Climate Act were raised further and the cumulative CO<sub>2</sub> reduction per sector by 2030 was estimated. The largest drivers of reduction are expected to be 'Infrastructure, innovation and customised approach', 'Built environment' and 'Electricity'.<sup>4</sup> As part of these efforts, the total capacity for offshore wind energy in 2030 will be doubled to around 21 gigawatt by developing three additional offshore wind-

1 European Commission – European Green Deal, 14 July 2021 (available [here](#)); European Commission – European Climate Law, 30 June 2021 (available [here](#))

2 2021 – 2025 Coalition Agreement 'Looking out for each other, looking ahead to the future', 15 December 2021 (available [here](#))

3 Climate Act 'Klimaatwet', as entered into force as of 1 January 2020 (available [here](#), in Dutch)

4 Financial appendix of 2021 – 2025 Coalition Agreement, 15 December 2021 (available [here](#))

farms.<sup>5</sup> After the European Union (EU) has adopted the full ‘Fit for 55’ package, the climate policy of the State of the Netherlands will be revised in order to bring it in line with the projected impact on carbon emissions and taking into account affordability for households and small and medium-sized enterprises. In addition, the State of the Netherlands supported the ‘Statement on International Public Support for the Clean Energy Transition’ at the COP26 (Conference of Parties) conference in Glasgow and will discontinue new direct public support for the international unabated fossil fuel energy sector by the end of 2022.<sup>6</sup>

In 2019 the Supreme Court ruled in the case of the Urgenda Foundation against the State of the Netherlands that greenhouse gas emissions in the Netherlands must be reduced by 25% compared to 1990 levels by the end of 2020.<sup>7</sup> In 2020 this emissions target was met as emissions were 25.5% lower than in 1990.<sup>8</sup> In 2021, emissions were only 23.9% lower than in 1990.<sup>9</sup> The government continues to make every effort to achieve this 25% goal and the subsequent targets set in the Coalition Agreement.

The second pillar of climate policy in the State of the Netherlands is climate change adaptation. Due to its geographical location, the Netherlands is vulnerable to climate change. On the national level, climate adaptation policy is laid down in the National Adaptation Strategy (NAS) and the Delta Programme, to ensure a climate-proof and water-resilient country by 2050. The NAS describes the main climate risks facing the Netherlands and sets a course for addressing these risks. The Delta Programme has its legal base in the Delta Act (*Deltawet waterveiligheid en zoetwatervoorziening*). It ensures that flood risk management, freshwater supply and spatial planning will be climate-proof and water-resilient by 2050. As part of the Delta Programme, the national Flood Protection Programme sets out the measures that are required to ensure primary flood defence systems meet the statutory safety standards, now and in the future. An increased investment in the Delta Fund to catch up on the maintenance backlog and accelerate the implementation of the National Delta Programme was agreed upon in the Coalition Agreement. The Ministry of Infrastructure and Water Management has made € 200 million available to accelerate implementation of measures for adaptation to rising water levels, drought, heat stress and to limit the consequences of floods as foreseen in the Delta Programme on Spatial Adaptation. This Impulse Programme started in the beginning of 2021. If measures are not taken, damage could rise to an amount between € 77.5 and € 173.6 billion by 2050.<sup>10</sup> The State of the Netherlands has taken the initiative, together with the UN and other countries, to establish the Netherlands-based Global Centre on Adaptation.

The State of the Netherlands also lives up to the commitments of the Paris Agreement by providing financial resources to assist developing countries with respect to both mitigation and adaptation through the Dutch Fund for Climate and Development.

## 1.2 Sustainable finance as a driver of climate action

Sustainable finance, in particular a green capital market, is considered key to reaching the targets of the Paris Agreement. This is also voiced by the European Commission in its ‘Strategy for Financing the Transition to a Sustainable Economy’.<sup>11</sup> This strategy aims to advance the flow of money towards investments that support the transition to a sustainable economy by proposing actions in the areas of transition finance, inclusiveness, resilience, and contribution of the financial sector and global ambition. According to the strategy, the EU has to close a yearly investment gap of € 350 billion to meet its 2030 emissions reduction target in energy systems alone, alongside the € 130 billion it will need for other environmental goals.

5 Ministry of Economic Affairs and Climate - Elaboration coalition agreement Climate and Energy, 11 Februari 2022 (available [here](#), in Dutch)

6 Statement on International Public Support for the Clean Energy Transition, 4 November 2021 (available [here](#))

7 The Supreme Court – Dutch State to reduce greenhouse gas emissions by 25% by the end of 2020, 20 December 2019 (available [here](#))

8 Statistics Netherlands – Urgenda target emission greenhouse gasses in 2020 was met, 9 Februari 2022 (available [here](#))

9 Statistics Netherlands – Emission greenhouse gasses 2,1 percent higher in 2021, 16 March 2022 (available [here](#))

10 Public Information Service – Climate adaptation in the Netherlands (available [here](#))

11 European Commission – Strategy for Financing the Transition to a Sustainable Economy, 6 July 2021 (available [here](#))

According to the 2021 progress report of The Glasgow Financial Alliance for Net Zero, written by a coalition of private sector institutions, the Financial Stability Board, the G20 and endorsed by the COP, the global investment gap is \$ 100 to 150 trillion over the next three decades.<sup>12</sup>

### 1.3 Background of the updated State of the Netherlands' Green Bond Framework

In 2019, the State of the Netherlands issued the Green DSL 2040 and published its inaugural Green Bond Framework. Since then there have been significant developments in the field of sustainable finance. Already in 2018, the European Commission's 'Action Plan: Financing Sustainable Growth' called for the creation of a common classification system for sustainable economic activities, or an 'EU Taxonomy' and an 'EU Green Bond Standard' in order to encourage the issuance of and investments in EU Green Bonds and improve the effectiveness, transparency, comparability and credibility of the market.<sup>13</sup> The State of the Netherlands fully supports the increased level of ambition and transparency these regulations introduce. Hence, the Dutch State Treasury Agency's (DSTA) Green Bond Framework is updated in order to align with the EU Taxonomy Climate Delegated Act (the 'EU Taxonomy') as well as the proposed EU Green Bond Standard on a best effort basis.<sup>14</sup> The aim of this voluntary alignment is to support market best practices and the uptake of the EU Taxonomy while being transparent about the level of alignment in the Second Party Opinion report. Simultaneously the eligible expenditures included in the Framework seek to align with the Climate Bond Initiative (CBI) Climate Bonds Standard version 3.0.<sup>15</sup>

The Green Bond issued by the DSTA ('Green Bond') enables the State of the Netherlands to attract dedicated funding for, among other things, government expenditures that primarily contribute to the EU Environmental Objectives of Climate Change Mitigation and Climate Change Adaptation. The Green Bond will provide investors with an opportunity to diversify their investment portfolios towards sustainable assets. In addition, it will further promote and develop the domestic and international Green Bond market.

As the sustainable finance market continues to evolve, the DSTA might provide future updates to this Framework to remain consistent with shifting investor expectations, best market practices and regulatory developments.

In terms of liquidity and general risk management, the proceeds of the Green Bond issued by the State of the Netherlands is in line with regular debt issuances by the DSTA.

<sup>12</sup> The Glasgow Financial Alliance for Net Zero – Our progress and plan towards a net-zero global economy, November 2021 (Available [here](#))

<sup>13</sup> European Commission – Action Plan: Financing Sustainable Growth, 8 March 2018 (available [here](#))

<sup>14</sup> European Commission – EU Taxonomy Climate Delegated Act (June, 2021), 4 June 2021 (available [here](#)); European Commission – [Proposal for a Regulation on European green bonds](#) (July 2021), 6 July 2021 (available [here](#))

<sup>15</sup> Sector Criteria under the Climate Bonds Standard version 3.0, developed and maintained by the Climate Bonds Initiative (CBI)

## 2. Green Bond Framework

The Green Bond Framework of the State of the Netherlands is set up in line with the voluntary guidelines of the International Capital Market Association (ICMA) Green Bond Principles 2021 (GBP).<sup>16</sup> The eligible expenditures seek to align with the sector criteria of the CBI Climate Bonds Standard version 3.0, as well as the criteria of the EU Taxonomy to the extent possible. In addition, the Framework reflects the requirements of the proposed EU Green Bond Standard where relevant and feasible.

The Framework will be presented along the following components:

- (1) Use of Proceeds
- (2) Process for Expenditure Evaluation and Selection
- (3) Management of Proceeds
- (4) Reporting
- (5) External review

### 2.1 Use of Proceeds

The Green Bond issued by the State of the Netherlands intends to exclusively finance or refinance, in whole or in part, expenditures which are part of the Central Government Budget and contribute to the EU Environmental Objectives of Climate Change Mitigation and Climate Change Adaptation ('Eligible Green Expenditures').




Eligible Green Expenditures include government expenditures in the form of direct investment expenditures, subsidies, fiscal measures (tax credits) and selected operational expenditures. The expenditures are limited to Central Government Budget expenditures in the budget year preceding the issuance, the budget year of issuance and the two budget years following the issuance.

The State of the Netherlands is closely working with government agencies and other public sector entities to ensure a cohesive and consistent effort to finance its climate action agenda. While Eligible Green Expenditures may include expenditures towards agencies and institutions which could potentially issue green bonds themselves, it is to be noted that these expenditures will only be included when there is no risk of 'double-counting' as a result of their potential eligibility for inclusion in other green financing instruments. In the event where the State of the Netherlands would co-finance green projects, it will be ensured that Eligible Green Expenditures only include the amount financed by the State of the Netherlands. Furthermore, Central Government Budget expenditures which obtain dedicated funding are excluded from the Eligible Green Expenditures. This for instance includes expenditures financed with the EU Recovery and Resilience Facility and subsidies for renewable energy production which are pre-funded through a tax surcharge on the energy bills of companies and households in the Netherlands.

Table 1 below provides an overview of the categories of Eligible Green Expenditures, a definition of the Eligible Green Expenditures within these categories and a non-exhaustive list of eligible budget articles in the Central Government Budget. The Eligible Green Expenditures are also mapped to the GBP categories, the relevant UN Sustainable Development Goals (SDGs), as well as Economic Activities and Environmental Objectives under the EU Taxonomy, to the extent possible:

<sup>16</sup> International Capital Market Association – The Green Bond Principles, updated June 2021 (available [here](#))





Table 1 - Eligible Green Expenditures

Green Bond Principles category & SDG mapping	Definition of Eligible Green Expenditures and main budget articles	EU Taxonomy Economic Activity
<p><b>Renewable Energy</b></p> 	<p>Expenditures to support the development of renewable energy generation capacity, limited to solar energy and onshore and offshore wind energy as well as the transport of renewable and other low-carbon gases.</p> <p><b>Main eligible Central Government Budget articles:</b>  <a href="#">Economic Affairs and Climate Policy, Article 4</a></p> <ul style="list-style-type: none"> <li>• Stimulation of Sustainable Energy Production (SDE) (excluding the pre-funded SDE+)</li> <li>• Studies 'Wind op Zee'<sup>17</sup></li> <li>• Hydrogen Backbone<sup>18</sup></li> </ul> <p><i>Subsidies and expenditures for the development of solar- and offshore and onshore wind energy generation projects in the Netherlands. Expenditures for retrofitting and developing a national main hydrogen network, which will connect industries, hydrogen storage facilities and production sites, as well as neighbouring countries.</i></p> <p>EU Environmental Objective: Climate Change Mitigation</p>	<p>4.1. Electricity generation using solar photovoltaic technology</p> <p>4.3. Electricity generation from wind power</p> <p>4.14. Transmission and distribution networks for renewable and low-carbon gases</p>
<p><b>Energy Efficiency</b></p>  	<p>Expenditures for the improvement of energy efficiency in the built environment.</p> <p><b>Main eligible Central Government Budget articles:</b><sup>19</sup>  <a href="#">Interior and Kingdom Relations, Article 3</a></p> <ul style="list-style-type: none"> <li>• Abolition of Landlord's tax (linked to binding investments in energy efficiency measures)</li> </ul> <p><i>Tax credit programme for housing corporations for the improvement of energy efficiency in the built environment with a requirement to improve the EPC label of all individual buildings in scope with at least three EPC label steps and to a minimum of EPC label of "B".</i></p> <p>EU Environmental Objective: Climate Change Mitigation</p>	<p>7.2. Renovation of existing buildings</p>

<sup>17</sup> Offshore Wind – Information on the studies conducted and the results (available [here](#))

<sup>18</sup> As the CBI sector criteria for hydrogen are still under development, the DSTA will not allocate towards these expenditures until the criteria are in place and the expenditures have been certified by CBI.

<sup>19</sup> In the previous version of the Green Bond Framework the Energy performance incentive scheme for the rental sector (*Stimuleringsregeling energieprestatie huursector, STEP*) was included in the Energy Efficiency category. Until 2021 proceeds have been allocated to the Energy performance incentive scheme. The subsidy is now almost fully assigned. Under this updated Green Bond Framework no proceeds will be allocated to the Energy performance incentive scheme, therefore this is not included in the table of Eligible Green Expenditures.

Green Bond Principles category & SDG mapping	Definition of Eligible Green Expenditures and main budget articles	EU Taxonomy Economic Activity
<p><b>Clean Transportation</b></p>  	<p>Expenditures for the development, maintenance and management of fully electrified railway infrastructure (including rail, light rail, tram and metro), excluding dedicated freight railway infrastructure.</p> <p><b>Main eligible Central Government Budget articles:</b>  <a href="#">Mobility Fund, Articles 13, 14 and 17</a></p> <ul style="list-style-type: none"> <li>• Maintenance and management of railway infrastructure, development of railway infrastructure for passenger rail</li> <li>• Regional Infrastructure and accessibility Projects</li> <li>• Mega Projects Traffic and Transportation</li> </ul> <p>Expenditures related to upgrading trajectories for higher-frequency passenger rail travel, regional tram, metro and light rail infrastructure, railway station (re)development, bicycle parking space at railway stations and linkages to other modes of public transportation.</p> <p>EU Environmental Objective: Climate Change Mitigation</p>	<p>6.14. Infrastructure for rail transport</p> <p>6.13. Infrastructure for personal mobility, cycle logistics</p> <p>6.15. Infrastructure enabling low-carbon road transport and public transport</p>
<p><b>Climate Change Adaptation &amp; Sustainable Water Management</b></p>  	<p>Expenditures under the Dutch Delta Programme to ensure flood risk management, freshwater supply and spatial planning will be climate-proof and water-resilient.</p> <p><b>Main eligible Central Government Budget articles:</b>  <a href="#">Deltafund, Articles 1, 2, 3, 4, 5 and 7</a></p> <ul style="list-style-type: none"> <li>• Article 1: Flood risk management investments</li> <li>• Article 2: Freshwater supply investments</li> <li>• Article 3: Management, maintenance and replacement</li> <li>• Article 4: Experimentation</li> <li>• Article 5: Network-related costs and other expenditures</li> <li>• Article 7: Water quality investments</li> </ul> <p>Expenditures include reinforcing flood defences, monitoring and management of water levels, water treatment &amp; distribution and related measures to improve water quality and anticipate higher (fresh) water levels.</p> <p>EU Environmental Objective: Climate Change Adaptation</p>	<p>5.1. Construction, extension and operation of water collection, treatment and supply systems</p>



In addition to the main eligible Central Government Budget articles included in Table 1, new or existing expenditures can potentially be considered as Eligible Green Expenditures under this Framework, given that certain conditions are met. Expenditures can qualify provided that they meet the definition of Eligible Green Expenditures (paragraph 2.1). In addition, these expenditures have to comply with the sector criteria of the CBI Climate Bonds Standard version 3.0 and the criteria of the EU Taxonomy Climate Delegated Act to the extent possible.

## 2.2 Process for Expenditure Evaluation and Selection

The evaluation and selection of Eligible Green Expenditures is the responsibility of the inter-departmental Green Bond Working Group and will be performed on an annual basis.

The DSTA coordinates this process and prepares an initial list of potential Eligible Green Expenditures by identifying expenditures in the Central Government Budget that contribute to the EU Environmental Objectives of Climate Change Mitigation and Climate Change Adaptation and meet the criteria and definition of the Eligible Green Expenditures (paragraph 2.1) at the time of the assessment. The list of potential Eligible Green Expenditures is subsequently evaluated by the Green Bond Working Group. This working group reviews the feasibility of including the expenditures, verifies whether the expenditures comply with the criteria and definition of Eligible Green Expenditures in this Framework and approves the selected expenditures as Eligible Green Expenditures.

### Green Bond Working Group

The Ministry of Finance has established an inter-departmental Green Bond Working Group, comprising of representatives from the:

- Dutch State Treasury Agency (Chair)
- Ministry of Finance
- Ministry of Economic Affairs and Climate
- Ministry of Infrastructure and Water Management
- Ministry of Interior and Kingdom Relations

The Green Bond Working Group is responsible for:

- The implementation and maintenance of the Green Bond Framework
- Evaluation and selection of Eligible Green Expenditures
- Allocation and management of Green Bond Proceeds
- Green Bond investor reporting

Eligible Green Expenditures can include government expenditures in the form of direct investment expenditures, subsidies, fiscal measures (tax credits) and selected operational expenditures related to economic activities in the Netherlands. The applicable (environmental & social) laws and regulations in which these activities take place, combined with the terms and conditions set by the Dutch government, address the Do No Significant Harm (DNSH) criteria and Minimum Social Safeguards as stipulated by the EU Taxonomy Climate Delegated Act. Appendix 2 includes an overview of the most relevant laws and regulations. It is intended that all Eligible Green Expenditures financed under this Framework will adhere to internationally recognised guidelines, specifically the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

## 2.3 Management of Proceeds

The DSTA will manage the proceeds of the Green Bond. On an annual basis, the DSTA will monitor the expenditure level of Eligible Green Expenditures via the National Financial Annual Report (*Financieel Jaarverslag van het Rijk*) which outlines the realised expenditure levels of the Eligible Green Expenditures. Based on the realised expenditure levels, the DSTA will decide upon the allocation of the net proceeds of the Green Bond towards Eligible Green Expenditures.

As the Eligible Green Expenditures include expenditures from the entire budget year preceding the issuance, the budget year of issuance and future budget years, the DSTA intends to allocate at least 50% of the net proceeds of the issuance or re-opening of a Green Bond to expenditures in the budget year of issuance or future budget years.

The DSTA intends to fully allocate the proceeds of Green Bonds within a timeframe of maximum two years after issuance. Pending the full allocation of the proceeds of the Green Bond to Eligible Green Expenditures, the DSTA will manage the unallocated proceeds in line with the treasury policy of DSTA.

The allocation of the proceeds of the issuance or re-opening of a Green Bond to Eligible Green Expenditures will be reviewed and approved by the Green Bond Working Group on an annual basis, until full allocation. In the event that expenditures have been cancelled, postponed, or otherwise become ineligible, the DSTA will, in coordination with the Green Bond Working Group, reallocate on a best effort basis the proceeds to other Eligible Green Expenditures as soon as reasonably practicable.

## 2.4 Reporting

For all issuances under this Framework, the State of the Netherlands is committed to provide investors with transparent reporting on the allocation of proceeds towards Eligible Green Expenditures as well as on the results and positive environmental impact of those expenditures. Both the allocation and impact reporting will be available on the [DSTA website](#).

### 2.4.1 Allocation of proceeds reporting

Within three months following the publication of the National Financial Annual Report of the year of the issuance or re-opening of a Green Bond, the DSTA will publish an allocation report outlining:

- An overview of the allocation of the issued Green Bond to the main categories of Eligible Green Expenditures;
- A breakdown of allocated proceeds per main category of Eligible Green Expenditures on a Central Government Budget Article level;
- A breakdown of the allocated proceeds per budget year;
- A breakdown of allocated proceeds per type of expenditures (direct investment expenditures, subsidies, fiscal measures (tax credits) and operational expenditures);
- The amount of unallocated proceeds.

The allocation report will be updated annually until full allocation of the proceeds of the Green Bond.

### 2.4.2 Impact reporting

The year following the issuance or re-opening of a Green Bond, the DSTA will publish an impact report addressing the positive environmental impact of Eligible Green Expenditures. The impact report will be based on existing publicly available reporting of the results and impact of Eligible Green Expenditures and will provide information on:

- Where feasible and available, specific results (e.g. total number of projects) and environmental impact indicators (e.g. avoided CO<sub>2</sub> emissions) related to the Eligible Green Expenditures to which green bonds proceeds have been allocated;
- Climate change related impact indicators for the Netherlands, for example:
  - Percentage of renewable energy production (2020: 11.5%);<sup>20</sup>
  - Total greenhouse gas emissions (2020: 138 billion kilograms CO<sub>2</sub>).<sup>21</sup>

The DSTA also strives to provide social impact metrics to illustrate the expected social benefits generated by the Eligible Green Expenditures when feasible and relevant, including for example the expected number of beneficiaries or expected job creation.

Where feasible, the impact report will be updated annually and until full allocation of the proceeds of the Green Bond. Where necessary, the DSTA 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 adopted by the State of the Netherlands.

An overview of anticipated results and environmental impact indicators per main category of Eligible Green Expenditures is included in Appendix I. The impact reporting also provides an estimation of adverse environmental and social impacts related to the Eligible Green Expenditures when feasible.

## 2.5 External review

The DSTA aims to adhere to the highest standards in terms of external review of the Framework. A two-step approach has been devised that incorporates the following steps:

### 1. Pre-issuance verification:

1. Second Party Opinion by Sustainalytics B.V. ('Sustainalytics');
2. Verification of alignment with the CBI Climate Bonds Standard version 3.0 Pre-Issuance Requirements by Sustainalytics;
3. Formal Pre-Issuance certification by the Climate Bonds Initiative.

### 2. Post-issuance verification:

1. Verification by the Independent Central Government Audit Service (*Auditdienst Rijk*) of the State of the Netherlands;
2. Verification of the alignment with the CBI Climate Bonds Standard version 3.0 Post-Issuance requirements by Sustainalytics.

### 2.5.1 Second Party Opinion

The DSTA has commissioned Sustainalytics to provide a Second Party Opinion on the Framework.

Sustainalytics has reviewed this Framework and concluded that the Framework is credible and impactful and aligns with the ICMA Green Bond Principles 2021.

<sup>20</sup> Statistics Netherlands – Adjustment share renewable energy 2020, 10 December 2021 (available [here](#), in Dutch)

<sup>21</sup> Emissionsregistratie – National greenhouse gas emissions according to IPCC (available [here](#), in Dutch)

Sustainalytics has also assessed the State of the Netherlands's Green Bond Framework for alignment with the EU Taxonomy as at 26 April 2022. Sustainalytics has assessed the State of the Netherlands's Green Bond Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework's four use of proceeds categories, which map to eight EU activities, all align with the applicable Technical Screening Criteria ("TSC") in the EU Taxonomy and Do No Significant Harm Criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Sustainalytics notes that the following eligible expenditures do not map to any of the Economic Activities as they either cannot be directly mapped to NACE activities and/or they are designed primarily to advance an environmental objective for which TSC do not yet exist: (i) studies related to wind power, (ii) flood risk management, (iii) monitoring and management of water levels, and (iv) improvement of water quality and anticipation on higher (fresh) water levels. Sustainalytics notes that this does not infer that such expenditures do not contribute to climate change mitigation and still have a positive environmental impact. Once the EU Commission discloses relevant criteria, Sustainalytics further notes that such expenditures may significantly contribute to climate change mitigation within the scope of the EU Taxonomy.

The Second Party Opinion is publicly available on the [DSTA website](#).

#### **2.5.2 CBI Certification**

The Eligible Green Expenditures were assessed against the Climate Bonds Standard of the CBI. Subsequently, the State of the Netherlands has obtained external pre-issuance certification in line with the recognised international standards of the Climate Bonds Initiative. On an annual basis, a post-issuance verification report on alignment with the CBI Climate Bonds Standard Post-Issuance Requirements will be provided by an independent external party until full allocation of proceeds of the issuance or re-opening of a Green Bond.

#### **2.5.3 Verification**

The year following the issuance or re-opening of a Green Bond, the DSTA will request the Independent Central Government Audit Service of the State of the Netherlands to provide an independent verification for the allocation of the proceeds to Eligible Green Expenditures in line with the criteria of this Framework. The report will be provided annually until full allocation. The verification report(s) are made publicly available on the DSTA website.

**Appendix 1 - Overview of anticipated impact indicators**

Eligible Green Expenditures	Result indicators	Environmental impact indicators
<b>Renewable Energy</b>		
<ul style="list-style-type: none"> <li>Stimulation of Sustainable Energy Production (SDE)</li> <li>Studies 'Wind op Zee'</li> <li>Hydrogen Backbone</li> </ul>	<ul style="list-style-type: none"> <li>Number of projects</li> <li>Number of projects split per renewable energy technology</li> <li>Total subsidized renewable energy capacity (in MW)</li> <li>Number and type of offshore wind feasibility studies</li> <li>Length of the hydrogen backbone (in kilometres)</li> <li>Capacity of the hydrogen backbone (in GW)</li> </ul>	<ul style="list-style-type: none"> <li>Actual annual energy production (in MWh)</li> <li>Annual greenhouse gas emission avoidance (in CO<sub>2</sub> equivalent)</li> </ul>
<b>Energy Efficiency</b>		
<ul style="list-style-type: none"> <li>Abolition of Landlord's tax (linked to binding investments in energy efficiency measures)</li> </ul>	<ul style="list-style-type: none"> <li>Number of applications</li> <li>Number of houses upgraded for energy performance</li> </ul>	<ul style="list-style-type: none"> <li>Annual energy savings (in MWh)</li> <li>Annual greenhouse gas emission reduction (in CO<sub>2</sub> equivalent)</li> </ul>
<b>Clean Transportation</b>		
<ul style="list-style-type: none"> <li>Maintenance and management of railway infrastructure</li> <li>Development of railway infrastructure for passenger rail</li> <li>Regional infrastructure and accessibility projects</li> <li>Mega projects Traffic and Transportation</li> </ul>	<ul style="list-style-type: none"> <li>Realised projects (case studies)</li> <li>Kilometres of infrastructure maintained</li> </ul>	<ul style="list-style-type: none"> <li>Annual passenger train kilometres</li> <li>Annual greenhouse gas emission avoidance (in CO<sub>2</sub> equivalent)</li> </ul>
<b>Climate Change Adaptation &amp; Sustainable Water Management</b>		
<ul style="list-style-type: none"> <li>Deltafund</li> </ul>	<ul style="list-style-type: none"> <li>Kilometres and percentage of dykes reinforced to a safe level</li> <li>Number and percentage of flood defences reinforced to a safe level</li> </ul>	<ul style="list-style-type: none"> <li>Availability of flood defences (percentage)</li> <li>Reduction of flood risk / frequency</li> </ul>

**Appendix 2 - Overview of applicable (environmental & social) laws and regulations addressing the Do No Significant Harm (DNSH) criteria and Minimum Social Safeguards**

Do No Significant Harm (DNSH)
<p><b>Adaptation:</b> The Netherlands adopted its National Adaptation Strategy (NAS)<sup>22</sup> in 2016 which sets clear guidelines for adaptation action in the Netherlands to prepare for a climate-resilient future. Spearheads have been set down, based on the six most urgent climate risks. The NAS will be updated in 2022 and included in the adaptation section of the Netherlands' National Contribution.<sup>23</sup> Per the Coalition Agreement, water and the soil/subsurface will be lead considerations in spatial planning. Water authorities will therefore be involved in the process at an earlier stage and flood risk assessments will carry more weight.</p>
<p><b>Water:</b> Dutch Water Act (<i>Waterwet</i>)<sup>24</sup> simplifies the implementation of the European Water Directives. This applies, among other things, to the Water Framework Directive, which is based on the management of international transboundary river basins (rivers, lakes and deltas), the Directive on the Assessment and Management of Flood Risks and the Marine Strategy Framework Directive.</p>

22 Knowledgeportal Climate Adaptation - National climate adaptation strategy 2016 (NAS), 2 December 2016, (available [here](#))

23 Ministry of Infrastructure and Water Management – The Netherlands submits Adaptation Communication ahead of COP26, 1 October 2021 (available [here](#))

24 Helpdesk Water – Legislation (available [here](#))

## Do No Significant Harm (DNSH)

**Circular Economy:** The National Waste Management Plan sets out the policy for waste management in the Netherlands.<sup>25</sup> The Third Waste Management Plan covers the period 2017-2023, looking ahead to the period up to 2029 and states the following objectives for the waste policy: (i) Restricting the creation of waste, (ii) Restricting the burden of production chains on the environment, (iii) Optimisation of the use of waste in a circular economy. Also, the Netherlands has formulated a timeline for the transition to a circular economy by 2050 and the national Circular Economy Implementation Programme was updated in 2021.<sup>26</sup>

The Dutch Building Decree (*Bouwbesluit 2012*)<sup>27</sup> implements the requirements resulting from the Energy Performance of Buildings 2010/31/EU and the Energy Efficiency 2012/27/EU Directives. It requires all new buildings to meet the Almost Energy Neutral Building requirements (*Bijna Energie neutrale Gebouwen*, BENG) norms, which replaces the Energy Performance Certificate (EPC). BENG requirements are assessed with NTA 8800. The Building Decree contains specific requirements related to refurbishing, building or demolishing buildings for separating building and demolition waste as well as safety, health, usability, energy efficiency and the environment.

**Pollution Prevention:** The Environmental Management Act (*Wet Milieubeheer*)<sup>28</sup> incorporates almost all national legislation on the environment. It sets out an integrated approach to environmental management in the Netherlands, including but not limited to environmental quality criteria for emissions and discharges of harmful substances such as greenhouse gases and heavy metals to air, water and soil. European environmental directives related to air pollution are implemented in the Environmental Management Act and the Activities Decree (*Activiteitenbesluit milieubeheer*)<sup>29</sup>.

The Industrial Emissions Directive which regulates emissions from large industrial sources is implemented in the Activities Decree. Emissions that are not regulated by the general binding rules of the Activities Decree are subject to permits. In order to prevent noise pollution, companies in the Netherlands must comply with noise regulations. These regulations are laid down in legislation, including the Environmental Permitting (General Provisions) Act (*Wet algemene bepalingen omgevingsrecht*, Wabo) and the Noise Abatement Act (*Wet geluidhinder*, Wgh)<sup>30</sup>. The emission limits for most substances emitted to air by industrial sources are given by the Netherlands Emission Guideline for Air.

The Asbestos (Products) Decree (*Productenbesluit asbest*) regulates which products may and which products may not be produced. The building regulations provide for the removal of asbestos from existing structures in a certain manner (and that this must be reported). This is an interplay between the rules in the Building Decree (*Bouwbesluit 2012*), the Asbestos Removal Decree (*Asbestverwijderingsbesluit*) and the Working Conditions Decree (*Arbeidsomstandighedenbesluit*)<sup>31</sup>. The Building Decree also contains indoor metrics for the maximum permissible amount of asbestos fibre and formaldehyde concentrations, as well as rules on nuisance, dust and pollution.

**Biodiversity:** In the Netherlands, Environmental Impact Assessments (EIA) are established in law in Chapter 7 of the Environmental Management Act (*Wet Milieubeheer*)<sup>32</sup>. An Environmental Impact Report (*milieueffectrapportage*, MER)<sup>33</sup> is a prerequisite for the construction of major infrastructure to state the possible positive or negative impact a proposed project may have. The EIA forms the basis for a zoning plan or a government-imposed zoning plan amendment and the application for the necessary permits.

As at the date of this Framework it is expected that effective as of October 2022, the Environmental and Planning Act (*Omgevingswet*) will embody 26 existing laws around built environment, housing, infrastructure, environment, nature and water such as the Crisis and Recovery Act (*Crisis- en herstelwet*), Spatial Planning Act (*Wet ruimtelijke ordening*) and the Environmental Permitting Act (*Wet algemene bepalingen omgevingsrecht*, Wabo)<sup>34</sup>. With the Environmental and Planning Act the current Building decree 2012 will expire. Technical requirements will be included in the Decree on construction works in the living environment (*Besluit bouwwerken leefomgeving*, Bbl), which will be one of the four General Administrative Orders that will implement the Environmental and Planning Act.

The National Ecological Network (NEN) and Natura 2000 are designed to protect nature areas, linking them more effectively with each other and with surrounding farmland. All Natura 2000 areas in the Netherlands are covered by the Nature Conservation Act (*Wet natuurbeschoud*). Nature areas, wild animals and plants in the Netherlands are also protected by the Nature Conservation Act, which took effect on 1 January 2017. The new Act replaces 3 other laws: the Nature Conservancy Act 1998 (*Wet natuurbeschoud 1998*), the Flora and Fauna Act (*Flora- en faunawet*) and the Forestry Act (*Boswet*)<sup>35</sup>.

25 LAP3 – National Waste Management Plan (available [here](#))

26 Ministry of Infrastructure and Water Management – Circular Dutch economy by 2050 (available [here](#))

27 Government information for entrepreneurs - Building regulations (available [here](#))

28 Ministry of Infrastructure and Water Management – Environmental Management Act (available [here](#))

29 Rijkswaterstaat – Air (available [here](#))

30 Government information for entrepreneurs – Noise regulations (available [here](#))

31 Environmental Health Atlas – Asbestors (available [here](#))

32 *Wet milieubeheer*, (available [here](#), in Dutch)

33 Government information for entrepreneurs – Environmental impact assessment (MER) (available [here](#)) and *Besluit milieueffectrapportage* (available [here](#), in Dutch)

34 Government information for entrepreneurs - Introduction of the Environmental and Planning Act (*Omgevingswet*) (available [here](#))

35 Ministry of Agriculture, Nature and Food Quality – Legislation protecting nature in the Netherlands (available [here](#))

## Minimum Social Safeguards

**Human rights in the Netherlands:** The Netherlands adheres to the UN Guiding Principles on Business and Human Rights. The National Action Plan on Business and Human Rights (NAP)<sup>36</sup> describes how the government expects companies to conduct business with respect for human rights both in the Netherlands and abroad. The action plan also specifies what the government can do to support businesses and encourage them to observe human rights, for example by combating child labour.

**International human rights agreements:** The Netherlands is a party to international human rights agreements, having signed and ratified the following human rights agreements:

- the International Covenant on Civil and Political Rights;<sup>37</sup>
- the International Covenant on Economic, Social and Cultural Rights;<sup>38</sup>
- the International Convention on the Elimination of All Forms of Racial Discrimination;<sup>39</sup>
- the Convention on the Elimination of All Forms of Discrimination against Women;<sup>40</sup>
- the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;<sup>41</sup>
- the Convention on the Rights of the Child;<sup>42</sup>
- the International Convention for the Protection of All Persons from Enforced Disappearance;<sup>43</sup>
- the Convention for the Protection of Human Rights and Fundamental Freedoms;<sup>44</sup>
- the European Social Charter.<sup>45</sup>

<sup>36</sup> Ministry of Foreign Affairs - Revision of the National Action Plan on Business and Human Rights (available [here](#))

<sup>37</sup> Office of the United Nations High Commissioner for Human Rights – International Covenant on Civil and Political Rights, 16 December 1966 (available [here](#))

<sup>38</sup> Office of the United Nations High Commissioner for Human Rights – International Covenant on Economic, Social and Cultural Rights, 16 December 1966 (available [here](#))

<sup>39</sup> Office of the United Nations High Commissioner for Human Rights – International Convention on the Elimination of All Forms of Racial Discrimination, 21 December 195 (available [here](#))

<sup>40</sup> Office of the United Nations High Commissioner for Human Rights – Convention on the Elimination of All Forms of Discrimination against Women, 18 December 1979 (available [here](#))

<sup>41</sup> Office of the United Nations High Commissioner for Human Rights – Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment, 18 December 2002 (available [here](#))

<sup>42</sup> Office of the United Nations High Commissioner for Human Rights – Convention on the Rights of the Child, 20 November 1989 (available [here](#))

<sup>43</sup> Office of the United Nations High Commissioner for Human Rights – International Convention for the Protection of All Persons from Enforced Disappearance, 18 December 1922 (available [here](#))

<sup>44</sup> Council of Europe – The European Convention on Human Rights, 4 November 1950 (available [here](#))

<sup>45</sup> Council of Europe – The European Social Charter, 18 October 1961 (available [here](#))

### Disclaimer

Potential investors should be aware that there is currently no globally accepted definition (legal, regulatory or otherwise) of, nor clear market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a globally accepted definition or consensus will develop over time. In addition, it is an area which has been, and continues to be, the subject of many and wide-ranging voluntary and regulatory initiatives to develop rules, guidelines, standards, taxonomies and objectives. Accordingly, no assurance is or can be given to potential investors that any projects or uses the subject of, or related to, any Eligible Green Expenditures will meet any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labelled performance objectives or that any 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 Green Expenditures.

Furthermore, no assurance can be given that the use of proceeds from the green bond for any Eligible Green Expenditures will satisfy, whether in whole or in part, any existing or future legislative or regulatory requirements, or any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Expenditures.

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