



Dutch State Treasury Agency
Ministry of Finance

Investor presentation Green Dutch State Loan (DSL) 2040

Prepared for reopening through a Dutch
Direct Auction (DDA) on 14 June 2022

by the Dutch State Treasury Agency

Latest update: 20 May 2022



Reasons to buy Green DSL 2040

Strong green credentials

- › First Framework designed to jointly comply with the EU Taxonomy, the ICMA 2021 Green Bond Principles and the CBI Climate Bonds Standard
- › Ambitious climate commitment: aim for 60% emissions reduction in 2030
- › Priority allocations to identified Green Investors via the Investor Letter

Creditworthy issuer

- › Highest credit rating (Aaa/AAA/AAA)
- › Strong economic recovery from pandemic and 3.6% GDP growth projected for 2022
- › Solid budget: EMU-debt level well below 60% GDP





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1. Climate Outlook



Climate change is already affecting the Netherlands

- › Average yearly temperature **increased 1.1°C** between 1961-1990 and 1991-2020 and there has been an **8% increase in precipitation** over same period*
- › Extreme weather conditions are occurring more often (both precipitation and drought)
 - Example: floodings in the southern province Limburg in July 2021
- › As a **low-lying country**, more than 50% of the country is vulnerable to flooding
- › Measures already taken:
 - [Room for the River](#) programme
 - [Delta Works](#)

*Source: The Royal Netherlands Meteorological Institute (KNMI) (2021), Klimaatsignaal '21, ([link](#), in Dutch)



Climate mitigation is a policy priority

- › **New government** was appointed on 10 January 2022
- › Coalition agreement* covers renewed ambitions for **climate policy** by adopting the targets set in the EU Green Deal:
 - Reduction in carbon emissions of at least 55% in 2030 (aiming for 60%), 70% by 2035 and 80% by 2040
 - Ambition to becoming **climate-neutral by 2050**
- › Appointment of **first ever minister for Climate and Energy Policy** (next to the minister for Economic Affairs and Climate)
- › Revision of climate policy expected to bring it in line with European '**Fit for 55**' package after adoption

*Source: Coalition Agreement 'Looking out for each other, looking ahead to the future' ([link](#))



New policies include the establishment of a Climate and Transition Fund and measures to reduce emissions

Climate and Transition Fund

- › Fund of more than € 30 billion for the next 10 years
- › Additional to current Renewable Energy Grant Scheme SDE++
- › Fund will cover:
 - Investment in required energy infrastructure (electricity, heat, hydrogen and CO2)
 - Green industrial policy
 - Sustainable transport and built environment

Reducing emissions

- › Increased supply of renewable energy by doubling the target for offshore wind generation from 11 to 21 GW in 2030;
- › Construction of a national hydrogen backbone to link five industrial clusters and neighbouring countries;
- › The implementation of a National Insulation Programme to insulate 2.5 million houses by 2030;
- › Binding, customised agreements with the 10 to 20 biggest emitters of greenhouse gases.



2. The Green DSL



Green Bond Framework was updated in May 2022

The Framework aligns with best market practices

- › EU Taxonomy 2021 Delegated Act
- › Green Bond Principles 2021, as administered by ICMA
- › CBI Climate Bonds Standard Version 3.0

DSTA obtained a Second Party Opinion by Sustainalytics confirming the alignment of the Green Bond Framework with the above market standards and regulation





The structure of the Green Bond Framework

1. Use of Proceeds

Four Green Bond Principles categories:

| | |
|-------------------|--|
| Renewable Energy | Clean Transportation |
| Energy Efficiency | Climate Change Adaptation & Water Management |

2. Process for Evaluation & Selection

Interdepartmental Green Bond Working Group to conduct an annual evaluation

3. Management of Proceeds

Eligible Green Expenditures will be monitored via the National Financial Annual Report. The DSTA intends to allocate at least 50% of the net proceeds to expenditures in the budget year of issuance or future budget years and applies a look-back period of maximum two years. Full allocation targeted within two years after the issuance.

4. Allocation & Impact Reporting








Reporting annually until full allocation will be available on the [DSTA website](#)

5. External Reviews

Pre-issuance: SPO by Sustainalytics and Pre-Issuance certification by CBI
Post-issuance: Verification by the Independent Central Government Audit Service and Verification of the alignment with the CBI Post-Issuance requirements by Sustainalytics.



Eligible Green Expenditures included in the Framework

| GBP Category and SDG's | Eligible Green Expenditures (Eligible expenditures in 2021 and 2022) | EU Taxonomy Economic Activity |
|---|---|---|
| Renewable Energy  | Expenditures to support the development of renewable energy generation capacity, limited to solar energy and onshore and offshore wind energy as well as the construction of a national transport network for hydrogen . (€ 1,312 mln.) | 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power 4.14. Transmission and distribution networks for renewable and low-carbon gases |
| Energy Efficiency   | Expenditures for the improvement of energy efficiency in the built environment . (€ 150 mln.) | 7.2. Renovation of existing buildings |
| Clean Transportation   | Expenditures for the development, maintenance and management of fully electrified railway infrastructure (including rail, light rail, tram and metro), excluding dedicated freight railway infrastructure. (€ 4,414 mln.) | 6.13. Infrastructure for personal mobility, cycle logistics 6.14. Infrastructure for rail transport 6.15. Infrastructure enabling low-carbon road transport and public transport |
| Climate Change Adaptation & Sustainable Water Management   | Expenditures under the Dutch Deltaprogramme to ensure flood risk management, freshwater supply and spatial planning will be climate-proof and water-resilient. (€ 2,402 mln.) | 5.1. Construction, extension and operation of water collection, treatment and supply systems |



The Eligible Expenditures align with the EU Taxonomy, for certain Eligible Expenditures there are no TSC yet

- › Sustainalytics assessed the alignment of the use of proceeds criteria with the EU Taxonomy. Sustainalytics could map Eligible Expenditures to eight EU activities. These eight all fully align with the applicable Technical Screening Criteria 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.
- › For Studies 'Wind op Zee' and certain expenditures under the Deltafund such as flood risk management there are no TSC yet. According to Sustainalytics, this does not infer that such expenditures do not contribute to climate change mitigation and still have a positive environmental impact.



Reporting will be in line with the objectives set out in the EU Taxonomy

- › Allocation and impact reports will be published the year following the issuance or re-opening of a Green Bond on the [DSTA website](#)
- › The impact report will be based on existing publicly available reporting of the results and impact of Eligible Green Expenditures

Anticipated Impact Indicators

- Specific results (e.g. total number of projects)
- Environmental impact indicators (e.g. avoided CO₂ emissions)
- Climate change related impact indicators for the Netherlands (e.g. percentage of renewable energy production)
- 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 (e.g. number of beneficiaries)
- When feasible, an estimation of adverse environmental and social impact related to the Eligible Green Expenditures will be provided.



3. Economic Outlook



The economy recovered strongly from the pandemic

| % change compared to same period last year | 2019 | 2020 | 2021 | 2022* | 2023* |
|--|------|------|------|-------|-------|
| GDP | 2.0 | -3.8 | 4.8 | 3.6 | 1.7 |
| Consumption (households) | 0.9 | -6.6 | 3.5 | 4.7 | 1.5 |
| Consumption (government) | 2.8 | 1.0 | 7.1 | 1.7 | 2.6 |
| Investments | 7.7 | -5.4 | -2.0 | 5.4 | 4.4 |
| Imports | 3.2 | -5.5 | 5.2 | 5.5 | 5.5 |
| Exports | 2.0 | -4.8 | 6.9 | 4.9 | 4.3 |

Source: CPB, March 2022 ([link](#))

* Forecast by CPB, March 2022



Risks to the outlook, but mitigating factors exist

RISKS

Tight labour market

- › Mismatch between vacancies and skills of unemployed, shortages in multiple sectors

High inflation

- › Levels of inflation were already high as a result of the pandemic

War in Ukraine

- › Sanctions are further driving up inflation, leading to a decrease in purchasing power
- › The Dutch economy is relatively sensitive to trade distortions in Europe. However, Ukraine and Russia are no big trading partners

MITIGATING FACTORS

Resilient financial landscape

- › The Dutch economy and financial sector are able to absorb macroeconomic shocks

Strong fundamentals

- › Recovery from pandemic shows resilience of the Dutch economy

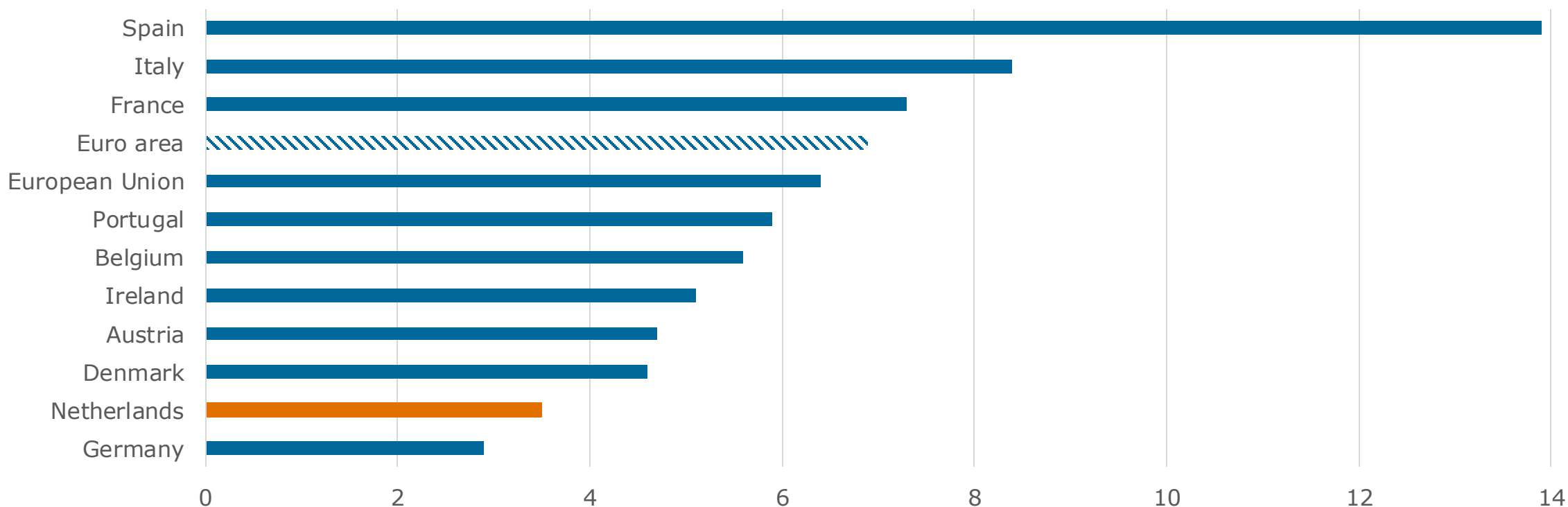
Solid budgetary position

- › Current budgetary position leaves room for relevant interventions



Labour market in the Netherlands is historically tight

Unemployment rate March 2022 (in %)

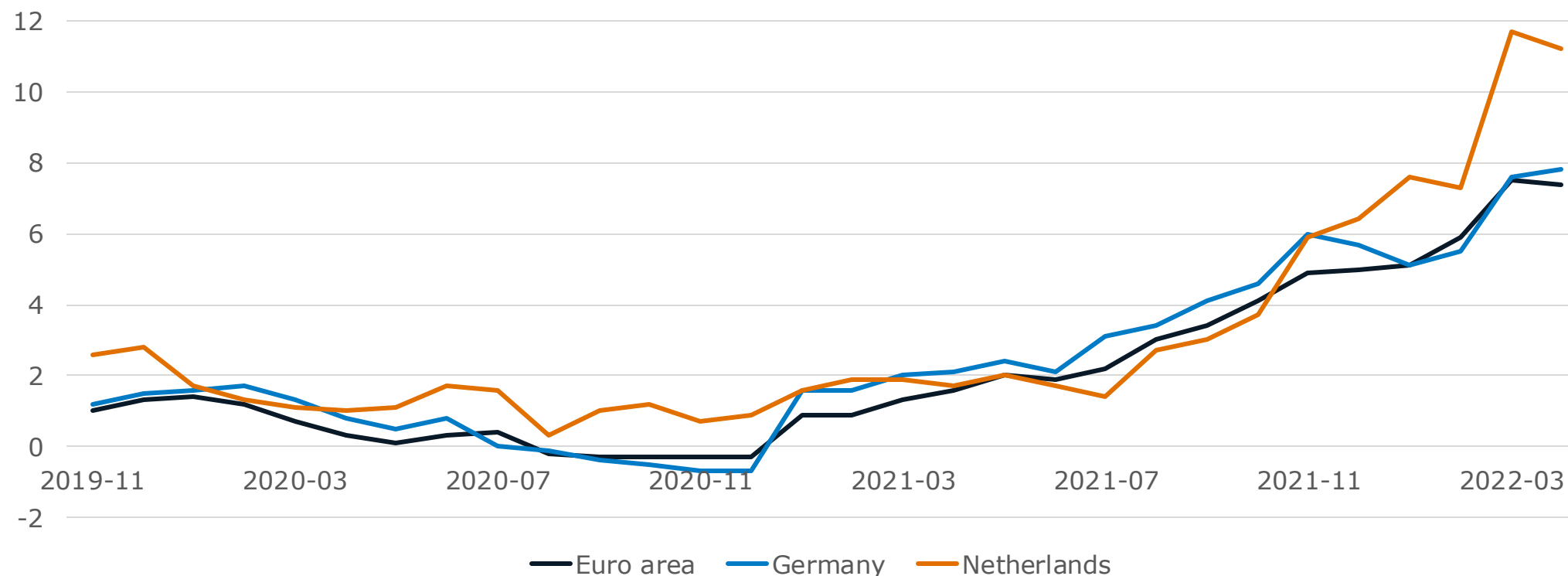


Source: Eurostat, April 2022 ([link](#))



Dutch inflation strongly affected by rising gas prices

Inflation, HICP annual rate of change



Source: Eurostat (2022) HICP – monthly data (annual rate of change) ([link](#))



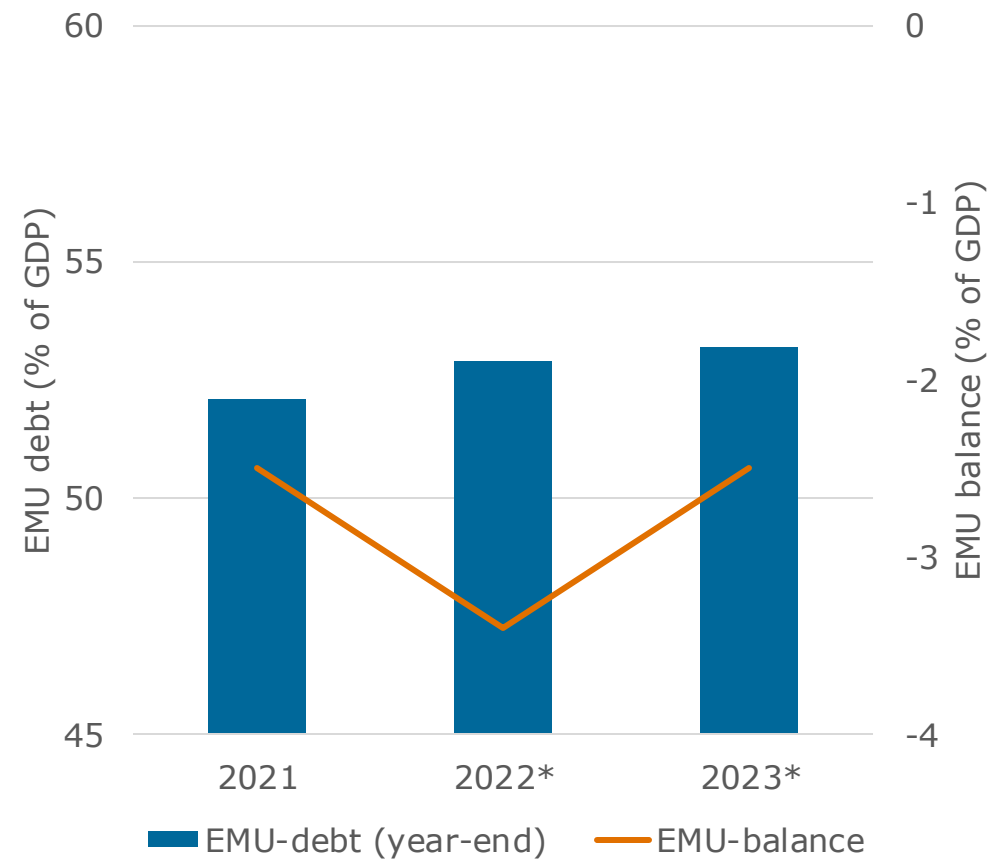
4. Budgetary Outlook



Debt to GDP remains below debt ceiling

Fiscal position remains strong after large amount of pandemic related budget support

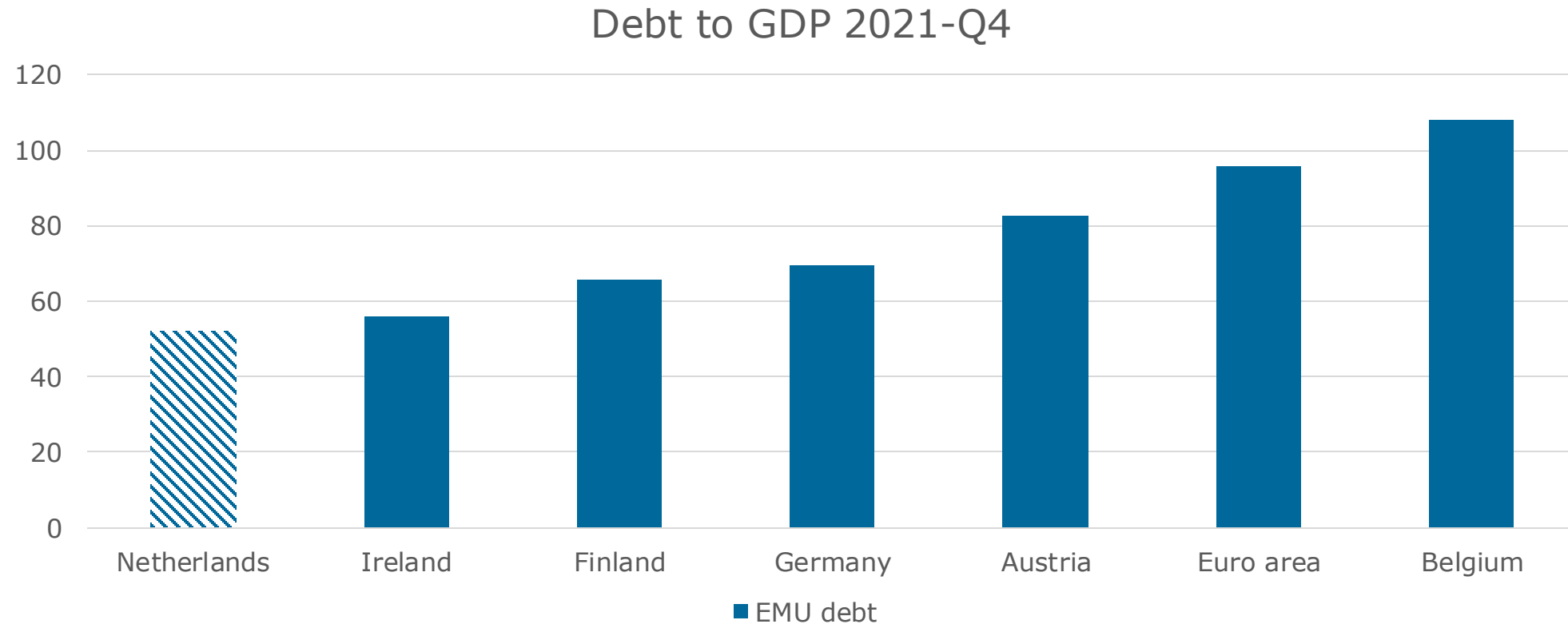
| in % of GDP | 2021 | 2022* | 2023* |
|-------------|------|-------|-------|
| EMU-balance | -2.5 | -3.4 | -2.5 |
| EMU-debt | 52.1 | 52.9 | 53.2 |



Source: Financial annual report 2021 ([link](#)) and Spring note 2022 ([link](#))
* Forecast



Low debt to GDP compared to peers



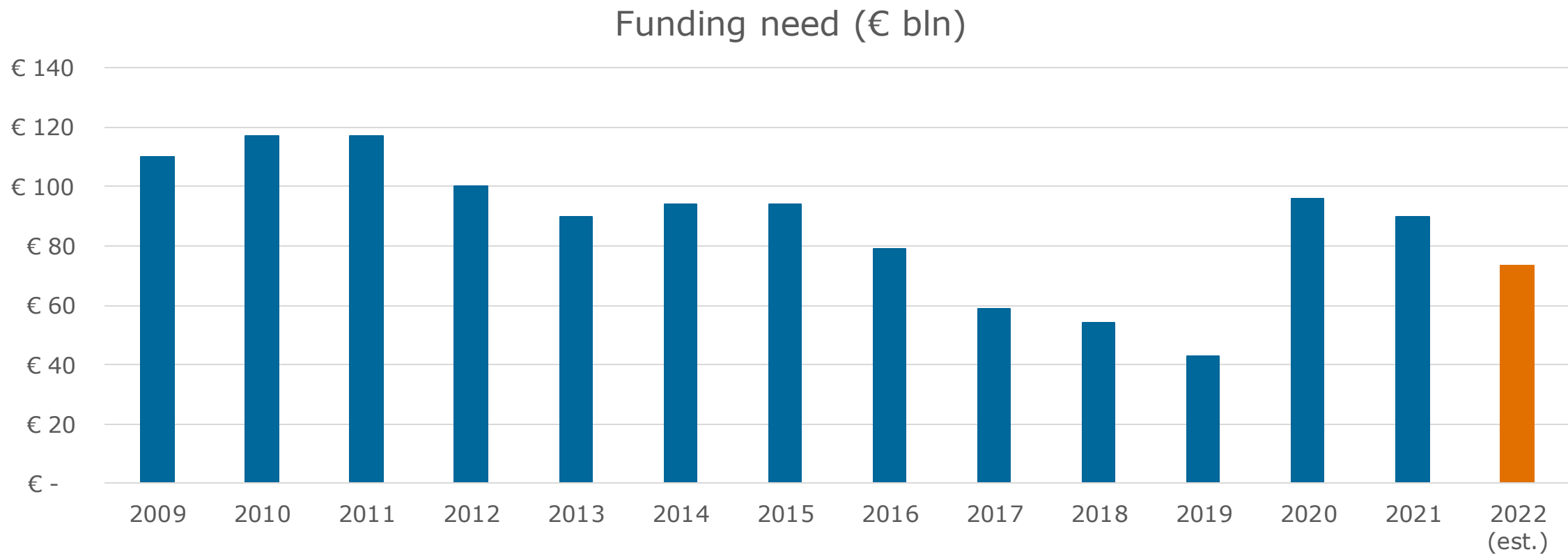
Source: Eurostat (2022) General government gross debt – quarterly data ([link](#))



5. Funding and issuance



Funding need 2022 lower than previous two years





A closer look at the funding need

- › Funding need may increase due to extra government expenditures, such as:
 - Energy compensation measures;
 - Extra defense expenditures.
- › However, tax revenue remains robust
- › Final impact on funding need is subject to uncertainty

| Funding need | Amounts (in € bn) |
|---------------------------------|-------------------|
| Capital market redemptions 2022 | 30.7 |
| Money market ultimo 2021 | 19.3 |
| Cash deficit* | 23.3 |
| Total funding need 2022 | 73.3 |

* A cash deficit is shown as a positive number because it increases the total borrowing requirement



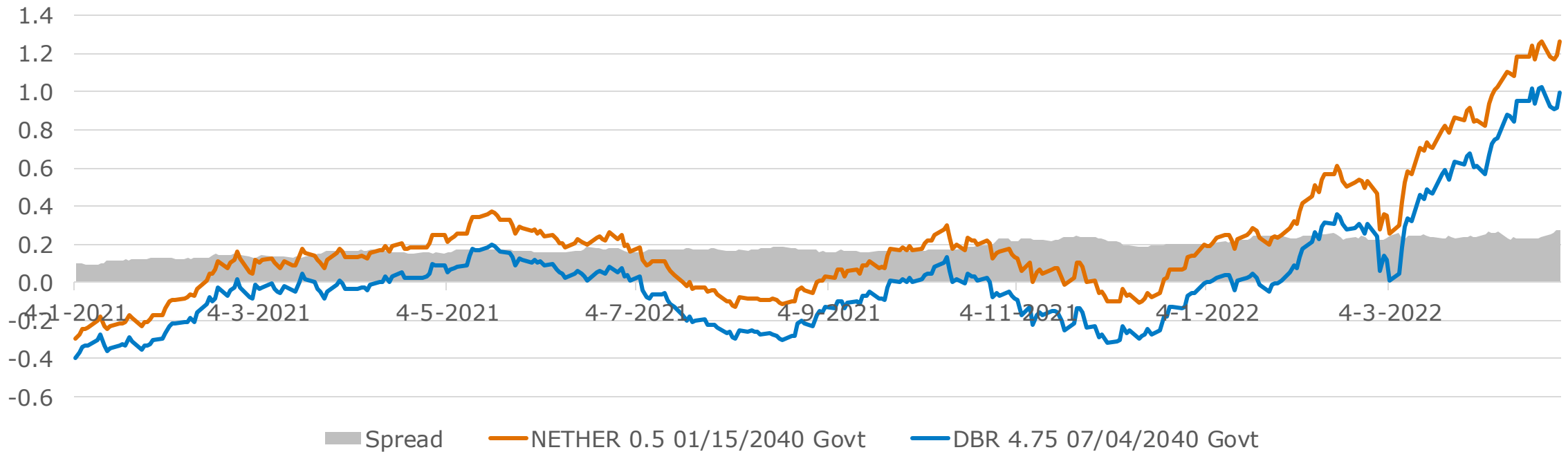
DSL Issuance in 2022

- › Around €45 billion of capital market issuance in 2022
- › Consisting of:
 - Reopening of the Green DSL 2040;
 - Launch of a new 10-year benchmark bond; *(launched on 15 February)*;
 - Launch of a new 30-year benchmark bond;
 - Launch of a new DSL 15 January 2026 *(launched on 11 January)*;
 - Tap auctions in on-the-run and off-the run DSLs.
- › So far the total amount raised on the capital markets is €23.4 billion



Dutch yield spreads attractive vs. German bund

DSL 15 January 2040 vs. DBR 4 July 2040





6. Auction Details



Auction details Green Dutch State Loan 2040

| Reopening Green DSL 2040 | |
|---------------------------------|---|
| Auction date | Tuesday 14 June 2022, start 10:00 CET |
| Maturity date | 15 January 2040 |
| Reference bond | DBR 4.75 % 4 July 2040 |
| Target volume | € 4 - € 5 billion |
| Current outstanding volume | € 10.7 billion |
| Pricing | Aim to price on the auction day, but no later than 12:00 CET on Wednesday 15 June |
| Settlement date | Two days after the issuance price is set |
| Coupon | 0.50% |
| Initial spread guidance | To be announced on Monday 13 June 2022 |
| Country rating | Aaa/ AAA / AAA |



Time schedule DDA of Green DSL 2040

- › Book opens 10:00 CET on Tuesday 14 June 2022
- › Final spread guidance will be announced no later than 15:00 CET on the auction day
- › Book closes at the latest 17:00 CET on the auction day
- › Allocation communicated as soon as possible after closing the book; preferably on the auction day but no later than 09:00 CET the following business day
- › Pricing from 30 minutes after allocation and preferably on the auction day itself; but no later than 12:00 CET the following business day



An overview of the Dutch Direct Auction

- › Rule-based, all investors receive equal treatment. A single uniform price avoids the winner's curse
- › Primary auction with direct participation of end-investors
- › Bids can be placed via Primary Dealer(s) of choice and orders can be split via several dealers.
- › PDs receive a total of € 17 mln. including advisory fees for their performance during the year
- › The DSTA is the sole book runner
 - Level playing field among all PDs
 - Confidential participation of investors
- › PDs must sign a DDA Allocation and Price Compliance Statement as indicated in the General Conditions for PDs (<https://english.dsta.nl/subjects/d/dealers>)
- › The DDA rules can be found on the DSTA [website](#). The process of the DDA is also set out in this short [video clip](#)



Green investor allocation rule

- › DSTA aims to attract a high number of investors with a green focus to the deal
- › To incentivize participation from Green Real Money clients, DSTA has decided to give a [preference to green investors in the allocation](#)
- › DSTA reserves the right to allocate up to ten percentage points more to green real money investors vis-a-vis normal real money investors at the cut-off spread
- › Investors have to register themselves as green via a registration letter, found on www.dstanl.nl. Letter has to be submitted to GreenInvestor@minfin.nl before 7 June 2022 17.00
 - Please note that investors that were qualified as green during the launch of the Green bond in 2019 will have to [re-register](#) as green investor



7. Appendix





Case Study 1 Renewable Energy

Subsidy for hydrogen infrastructure
"Hydrogen Backbone"

- Key network to facilitate the transportation of hydrogen between five industrial clusters, storage facilities, and neighbouring countries
- Around 85% of the network is existing infrastructure: recycling of natural gas pipelines
- € 135 mln. in 2022.



Case Study 2 Energy Efficiency

Abolition of Landlords' tax

- Landlords are making more than 45,000 social homes more sustainable
- Upgrade of at least 3 label steps, and to a minimum of EPC label B to ensure an improvement in primary energy demand of at least 30%
- € 150 mln. in 2021



Case Study 3 Clean Transportation

Programme "*Highfrequent Railtransport*"

- Increasing the capacity of the railway infrastructure
- This mega project includes:
 - Expansion of emplacements;
 - Redesign of train stations to increase capacity for passenger flows;
 - Redesign of crossings;
 - Mitigation of potential disturbances such as limiting noise disturbance and vibrations.
- € 424 mln. in 2021 and 2022



Case Study 4

Climate Change Adaptation & Sustainable Water Management

Flood risk management investments
"Maaswerken"

- Improving protection against high water levels at the river Maas
- Spatial planning, making 'room for the river'
- Total flood risk management investments in 2021 and 2022 € 835 mln.



Annex I – The future of Green Dutch State Loans

- › The DSTA has been part of the sustainable bond market since the launch of its inaugural Green bond in 2019
- › The DSTA has the ambition to further develop its presence in the green bond market
- › The DSTA will therefore look into the possibilities to launch a new Green Bond in 2023 (or 2024) based on more detailed government plans and investments



Annex II – Green Bond Framework - 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 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**
- › 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'**
- › Central Government Budget Expenditures which **obtain dedicated funding are excluded** from the Eligible Green Expenditures



Annex II – Green Bond Framework - Project selection and evaluation

- › The Green Bond Working Group is responsible for the annual evaluation and selection of Eligible Green Expenditures. The DSTA coordinates this process.
- › The list of potential Eligible Green Expenditures is subsequently evaluated by the Green Bond Working Group according to their **feasibility and compliance with the set criteria**
- › 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.**

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



Annex II – Green Bond Framework - Management of proceeds

- › On an annual basis, the DSTA will decide upon the allocation of the net proceeds of the issued Green Bond towards Eligible Green Expenditures based on the realised expenditure levels in the National Financial Annual Report
- › 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 issued Green Bond to expenditures in the budget year of issuance or future budget years
- › Pending the full allocation of the proceeds of the issued 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



Annex II - Green Bond Framework - Impact Indicators

| Eligible Green Expenditures | Result indicators | Environmental impact indicators |
|---|---|--|
| <i>Renewable Energy</i> | | |
| <ul style="list-style-type: none">Stimulation of Sustainable Energy Production (SDE)Studies 'Wind op Zee'Hydrogen Backbone | <ul style="list-style-type: none">Number of projectsNumber of projects split per renewable energy technologyTotal subsidized renewable energy capacity (in MW)Number and type of offshore wind feasibility studiesLength of the hydrogen backbone (in KM)Capacity of the hydrogen backbone (in GW) | <ul style="list-style-type: none">Actual annual energy production (in MWh)Annual greenhouse gas emission avoidance (in CO₂ equivalent) |
| <i>Energy Efficiency</i> | | |
| <ul style="list-style-type: none">Energy savings in the rental housing sector | <ul style="list-style-type: none">Number of applicationsNumber of houses upgraded for energy performance | <ul style="list-style-type: none">Annual energy savings (in MWh)Annual greenhouse gas emission reduction (in CO₂ equivalent) |
| <i>Clean Transportation</i> | | |
| <ul style="list-style-type: none">Maintenance and management of railway infrastructureDevelopment of railway infrastructure for passenger rail | <ul style="list-style-type: none">Realised projects (case studies)KM of infrastructure maintained | <ul style="list-style-type: none">Annual passenger train kilometres |
| <i>Climate Change Adaptation & Sustainable Water Management</i> | | |
| <ul style="list-style-type: none">Deltafund | <ul style="list-style-type: none">KM and percentage of dykes reinforced to a safe levelNumber and percentage of flood defences reinforced to a safe level | <ul style="list-style-type: none">Availability of flood defences (percentage)Reduction of flood risk / frequency |



Annex II - Green Bond Framework - External Review: Pre- and Post-issuance

Pre-issuance review

- › Sustainalytics is of the opinion that:
 - the State of the Netherlands Green Bond Framework is **credible and impactful** and aligns to the four core components of the Green Bond Principles 2021;
 - 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 highlights that all expenditures eligible under the Framework must comply with the sector criteria of **the Climate Bonds Standard**. Sustainalytics views this as a robust practice that will facilitate alignment with a 2-degree global warming scenario, consistent with the commitments set out in the Paris Agreement.



Annex II - Green Bond Framework - External Review: Pre- and Post-issuance

Post-issuance Verification

- › The Independent Central Government Audit Service of the State of the Netherlands provides an independent verification for the allocation of the proceeds to Eligible Green Expenditures in line with the criteria of this Framework starting one year after issuance
- › Verification of the conformity with the Climate Bonds Standard by Sustainalytics
- › The verification report(s) are made publicly available on the [DSTA website](#) as part of the Green Bond report.

Green bond report 2020:

- **Audit Service of the State of the Netherlands:** “In our opinion the allocation report is prepared, in all material respects, in accordance with the principles as described in the Green Bond Framework of the Dutch State.”
- **Sustainalytics:** “Based on the limited assurance procedures conducted and evidence obtained, nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the allocation of EUR 3,008 bn from the the Dutch State Green Bond, issued to fund eligible green projects, is not in conformance with the Post-Issuance Requirements of the Climate Bonds Standard.”



Annex III - DSL Issuance calendar Q1 & Q2 2022

| Auction Date | Details | Target volume (in € bn) | Realisation (in € bn) |
|-------------------------|---|-------------------------|-----------------------|
| 11 January 2022 | New DSL 15 January 2026 | 3 – 5 | 5.4 |
| 25 January 2022 | Reopening DSL 15 January 2052 | 1 – 2 | 2 |
| 15 February 2022 | New 10-year bond: DSL 15 July 2032 | 4 – 6 | 6.0 |
| 8 March 2022 | Reopening DSL 15 January 2029 | 1.5 – 2.5 | 2.1 |
| 22 March 2022 | Reopening DSL 15 July 2028 | 1.5 – 2.5 | 2.5 |
| 12 April 2022 | Reopening DSL 15 July 2032 | 1.5 – 2.5 | 2.5 |
| 10 May 2022 | Reopening DSL 15 January 2026 | 2.0 – 3.0 | 2.5 |
| 24 May 2022 | Reopening DSL 15 July 2052 | 1 – 2 | |
| 14 June 2022 | Reopening 20-year green bond: DSL 15 January 2040 | 4 – 5 | |