

The State of the Netherlands

POST-ISSUANCE VERIFICATION LETTER

MARINE RENEWABLE ENERGY, WIND ENERGY, SOLAR ENERGY, LOW CARBON BUILDINGS, LOW CARBON LAND TRANSPORTATION, AND WATER INFRASTRUCTURE CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April-May 2020

Approved verifier: Sustainalytics

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Scope and Objectives

In May 2019, The State of the Netherlands (the Dutch State) issued a green bond aimed at financing existing and future government expenditures that promote the Netherlands' realization of policy objectives aimed at decarbonizing the country's energy, housing and transportation sector, while building resilience to climate change in the following use of proceeds categories: renewable energy, energy efficiency, clean transportation, and climate change adaptation & sustainable water management. In April-May 2020, the Dutch State engaged Sustainalytics to review the projects funded through the issued green bond, and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include those related to:

- Marine renewable energy
 - Offshore wind energy
- Wind energy
 - Onshore wind energy
- Solar energy
 - Onshore solar electricity generation facilities
- Low carbon buildings
 - Residential property energy efficiency upgrades
- Low carbon land transportation
 - Public passenger transport infrastructure
- Water infrastructure
 - Engineered water infrastructure
 - Flood defence
 - Water distribution
 - Nature-based water infrastructure
 - Flood defence

Schedule 1 provides details of the green bond project portfolio and disbursement of proceeds per eligibility criteria.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity's Responsibility

The Dutch State is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Dutch State's green bond, issued to finance marine renewable, wind and solar energy projects, residential property energy efficiency upgrades, public passenger transport infrastructure projects, and water infrastructure projects, and provided an independent opinion informing the Dutch State as to the conformance of the green bond with the Post-Issuance requirements and Marine Renewable Energy, Wind Energy, Solar Energy, Low Carbon Buildings, Low Carbon Transportation and Water Infrastructure criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by the Dutch State with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by the Dutch State.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant Dutch State employees and review of relevant documentation to confirm the conformance of the Dutch State's green bond with the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No Exception were identified. All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance with the Marine Renewable Energy, Wind Energy, Solar Energy, Low Carbon Buildings, Low Carbon Transportation and Water Infrastructure criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of EUR 5,985 million from 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.

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Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of project portfolio funded by the green bond in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2B).	Project portfolio reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of project portfolio funded by the green bond in 2019 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Marine Renewable Energy, Wind Energy, Solar Energy, Low Carbon Buildings, Low Carbon Transportation and Water Infrastructure criteria and meet the related technical requirements.	Project portfolio falls under the Marine Renewable Energy, Wind Energy, Solar Energy, Low Carbon Buildings, Low Carbon Transportation and Water Infrastructure criteria and meet the related technical requirements.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below:

1) Marine renewable energy: Subsidies for the following wind offshore parks

Name	Capacity, MW	Number of windmills	Location	Allocation 2018 (EUR mn)	Allocation 2019 (EUR mn)
Gemini Offshore Wind Park	600	150	Dutch North Sea	364	348
Luchterduinen Offshore Wind Park	129	43	Dutch North Sea		

2) Wind and Solar Energy:

	Number of projects 2018	Allocation 2018 (EUR mn)	Number of projects 2019	Allocation 2019 (EUR mn)
Onshore wind projects	142	151	141	134
Solar projects	9,968	13	9,944	13

3) Low carbon buildings: Residential property energy efficiency upgrades

Incentive Scheme for Energy Performance in the Rental Sector (STEP). STEP awards subsidies for refurbishments of rental housing, require a minimum improvement of two Energy Index steps, but only grant subsidy when this also results in an improvement of a minimum of two or three EPC energy label steps.¹ This minimum improvement is in line with the 30% threshold required by the CBI Low Carbon Buildings Standard.² As part of the programme homes must be visited by a registered Energy Performance Advisor (EPA) in order to verify compliance with the energy efficiency improvements required by the programme. In 2018 and 2019, the average improvement per housing unit was 4 label steps.

Subsidies for energy savings upgrades in the rental housing sector:

Number of houses upgraded 2018	Allocation 2018 (EUR mn)	Number of houses upgraded 2019	Allocation 2019 (EUR mn)
29,463	106	45,289	134

4) Low Carbon Transportation:

Expenditures related to upgrading trajectories for higher-frequency passenger rail travel, railway capacity management, bicycle parking space at rail stations, and linkages to other modes of public transportation. To be eligible for Climate Bond Initiative Certification scheme, railway infrastructure must fulfill Criterion 3: Emissions threshold for public passenger transport, which is 75gCO₂/passenger/km for 2020 and 56gCO₂/passenger/km for 2030.

¹ STEP requirements available at: <https://www.rvo.nl/subsidies-regelingen/stimuleringsregeling-energieprestatie-huursector-step/voorwaarden-step/particulieren>

² As the State of the Netherlands is providing subsidies rather than investments, the CBI Standards Board confirmed, in February 2019, that the relative performance improvement is not required to scale based on the bond tenor.

In 2017, the average emissions for Dutch passenger trains were 6g CO₂/passenger/km. This performance is derived from data on the Dutch rail use,³ indicating 75% of Dutch passenger km transport via intercity electric trains, 20% local electric trains, and 5% local diesel trains. Given the average 6g CO₂/passenger/km, the State of the Netherlands' green bond fulfills the Climate Bond Initiative Criteria.

Expenditures and investments in the maintenance and management of railway infrastructure, development of railway infrastructure for passenger rail:

Number of realised projects 2018	Allocation 2018 (EUR mn)	Number of realised projects 2019	Allocation 2019 (EUR mn)
2	1,485	3	1,500

5) Water infrastructure expenditures include a variety of projects. In the following table examples of projects financed are included in the description:

Expenditure name	Description	Allocation 2018 (EUR mn)	Allocation 2019 (EUR mn)
Flood risk management investments	<p>Second Flood Protection Program (HWBP-2): Investments to get flood defences up to legal standard.</p> <p>Space for the River: Investments to bring safety along the Rhine branches and the downstream part of the dike Maas (from Hedikhuizen) into line with the legally required standard and contribute to improving the spatial quality of the river area, thereby strengthening the river area economically, ecologically and regarding landscape.</p> <p>Grensmaas and Zandmaas, nature development: primarily contributing to flood risk management and in addition, these projects realize nature that benefits the National Ecological Network (EHS).</p>	307	304
Freshwater supply investments	<p>The Delta Plan on Freshwater Supply 2015-2021: Large number of initiatives and measures to make the freshwater supply in the Netherlands more robust for the future effects of climate change and to tackle the bottlenecks that are already there.</p> <p>'Haringvliet Locks Management Decision' project: improves the situation for migratory fish, such as salmon, sea trout and glass eel and improves the fresh water to agricultural areas.</p> <p>The Water Authorities strive for a 30% improvement in energy efficiency in the period</p>	11	0

³ Data on the use of and emissions of the Dutch train systems can be found under "Personenvervoer" at: <https://www.co2emissiefactoren.nl/lijs-temissiefactoren/>

	2005-2020, including improvements in equipment. ^{4,5}		
Management, maintenance, and replacement	<p>Monitoring water levels, water quality and information provision.</p> <p>Crisis management and prevention.</p> <p>Regulation of use through licensing and enforcement.</p> <p>Complying with administrative agreements on water distribution and use (including in water agreements).</p> <p>Regulation of water distribution (updating and applying operational models, operation (storm surge) barriers, weirs, pumping stations and drains).</p>	208	195
Experimentation	Measures and provisions in other policy areas such as nature, the environment or economic development, subject to the condition that these measures are related to measures for water safety or freshwater supplies.	20	21
Network-related costs and other expenditures	<p>Equipment costs of Rijkswaterstaat (RWS) and the Delta Commissioner Staff.</p> <p>Other network-related expenses of RWS and program expenses of the Delta Commissioner that cannot be directly allocated to the individual projects from this Delta Fund.</p>	308	316
Water quality investments	Water safety and water quality improvements, with particular attention paid to development possibilities and safety of shipping and to nature compensation, recreation and the improvement of the habitat of flora and fauna.	20	28

⁴ <https://www.uvw.nl/waterschappen-kunnen-energie-besparen-op-poldergemalen/>

⁵ Example application of energy efficient equipment being applied at the Afluitdijk: <https://www.vanoord.com/news/2018-improvement-work-afsluitdijk>

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	4.1 Statement on the environmental objectives of the bond
	4.2 Nominated Projects meet the Climate Bonds criteria
	4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds
Use of Proceeds	5.1 Net Proceeds of the bond allocated to the Nominated Projects
	5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond
	5.3 Estimate of the share of the Net Proceeds used for financing and re-financing
	5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process
	5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance
Non-Contamination of Proceeds	6.1 Tracking of proceeds
	6.2 Managing of unallocated proceeds
	6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period
Confidentiality	7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board
	7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market
Reporting Post-Issuance	8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance projects in the areas of renewable energy, energy efficiency, clean transportation, and climate change adaptation and sustainable water and wastewater management (Nominated Projects).</p> <p>4.2 The State of the Netherlands confirms that the Nominated Projects meet the Eligibility Criteria.</p> <p>4.3 The State of the Netherlands confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the Nominated Projects.</p> <p>5.2 The State of the Netherlands has confirmed that funds have been allocated to Nominated Projects within eight months of the issuance.</p> <p>5.3 The State of the Netherlands allocated 50% of the proceeds for expenditures realised in 2018 and 50% for expenditure realised in 2019. Sustainalytics notes that The State of the Netherlands might have used green bond proceeds for refinancing.⁶</p> <p>5.4 The State of the Netherlands has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 The State of the Netherlands has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 The State of the Netherlands confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 The State of the Netherlands confirms that, as of December 2019, the proceeds of the green bond are fully allocated.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 The State of the Netherlands confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 The State of the Netherlands confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	None

⁶ The State of the Netherlands has used green bond proceeds for subsidies, operating expense, and direct investment. While the breakdown of the date that these expenditures were incurred has been provided, the issuer has not disclosed specifically the share of proceeds are related to financing vs. refinancing. Sustainalytics notes that projects financed are in conformance with the CBI sector criteria.

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Verification of requirements specified under Reporting Post-Issuance	8.1 The State of the Netherlands has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).	None
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