

# National Councils for Sustainable Development

BONO  
SOSTENIBLE  
EUSKADI

*Euskadi, auzolana*

EUSKO JAURLARITZA



GOBIERNO VASCO

UN, July 8th







## 1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

### 2- AGENDA BASQUE COUNTRY 2030

### 3- SUSTAINABLE BONDS

#### 3.1- GENERAL CHARACTERISTICS

#### 3.2- FIRST BOND ISSUANCE: June 5th 2018

#### 3.3- FIRST IMPACT REPORT: June 2019

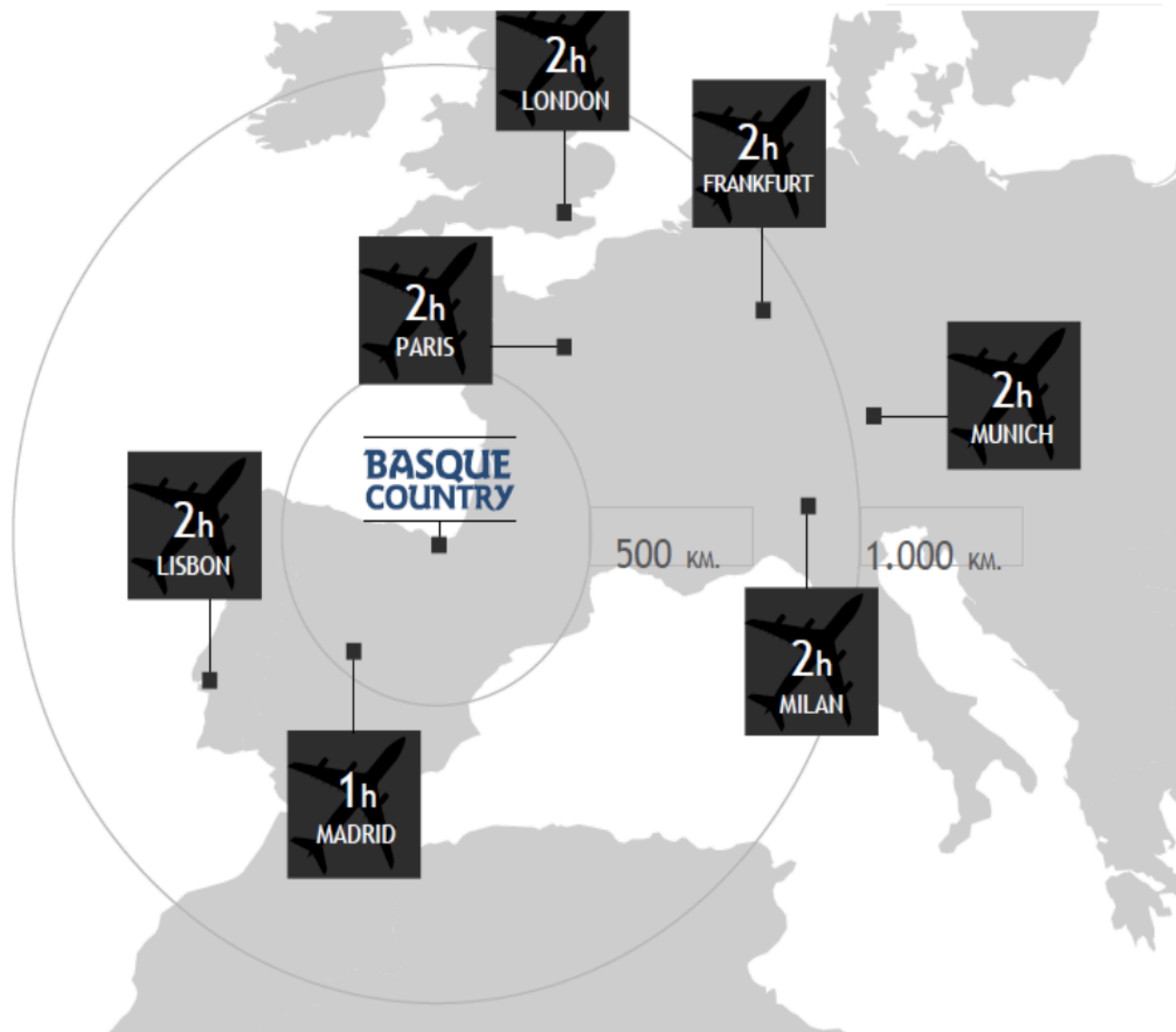
#### 3.4- SECOND BOND ISSUANCE April 8th 2019

### 4- CONCLUSIONS

Surface Area **7,234 sq Km.**

Population **2,173,210**

Market access within a radius of 1,000 km  
**507,416,607 inhabs.**





# BASQUE COUNTRY 'S FINANCING SYSTEM

*The Basque Country's financing system is different to the other autonomous communities in Spain, and it has its own tax system.*

*Full authority to manage, levy and collect practically all taxes.*

*Relations between the Basque Country and the Spanish State are governed by what is known as the Economic Agreement.*

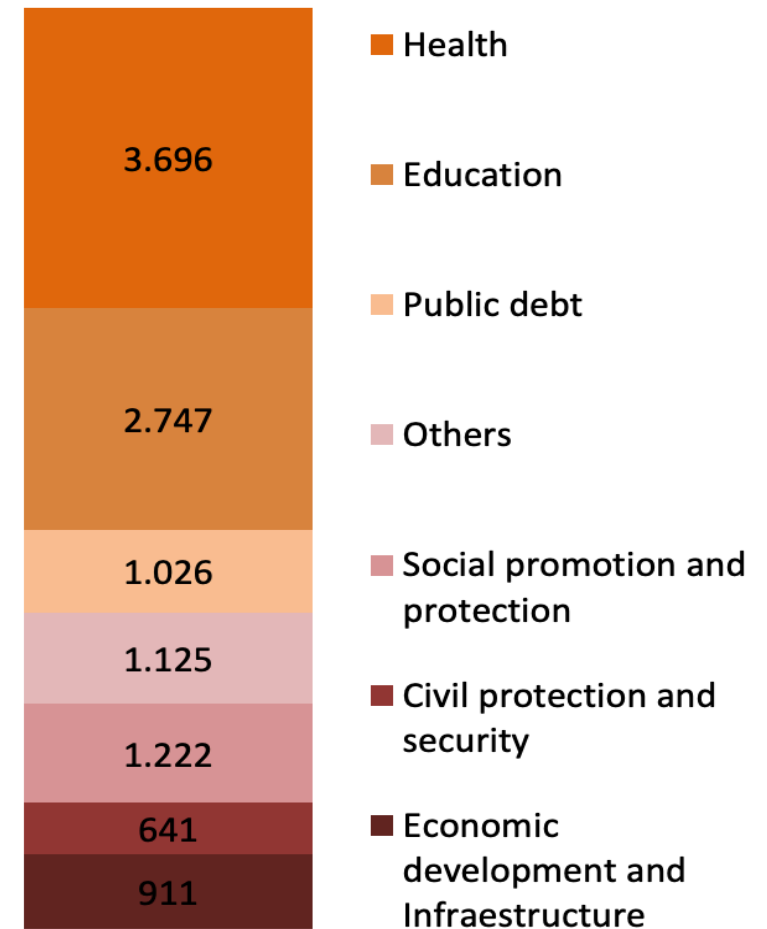
*The Basque Country collects and contributes with the agreed quota to finance the services that the Spanish State provides in this region.*



# Basque Government 2019 Budget (\*)

REVENUE (Mill. €) 11.386

EXPENDITURE (Mill. €) 11.367



## From Deficit to surplus

- ✓ The Basque Country has shown strict fiscal discipline, meeting all the set deficit objectives.
- ✓ From 2017 onwards it has registered a surplus

Basque Country							
Public deficit over GDP							
							Forecast
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 (*)</u> <u>Surplus</u>	<u>2018</u> <u>Surplus</u>	<u>2019</u> <u>Surplus</u>
-1.46%	-1.15%	-1.01%	-0.68%	-0.62%	1.50%	0.68%	0.20%

## Rating: Above the Sovereign rating by S&P and Moody's

- The rating agencies place a very positive value on its government management policies and fiscal autonomy, as well as its diversified economic base and long-standing industrial cultures.

Current rating		
Agency	Basque Country	Spain
Moody's	A3 (stable outlook)	Baa 1 (stable outlook)
S&P	A+ (positive outlook)	A- (positive outlook)
Fitch	A- (stable outlook)	A- (stable outlook)

Source: S&P, Moody's and Fitch.





1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

## 2- AGENDA BASQUE COUNTRY 2030

3- SUSTAINABLE BONDS

3.1- GENERAL CHARACTERISTICS

3.2- FIRST BOND ISSUANCE: June 5th 2018

3.3- FIRST IMPACT REPORT: June 2019

3.4- SECOND BOND ISSUANCE April 8th 2019

4- CONCLUSIONS



## Sustainability mandate of the Basque Government (1)


The Basque Government has an Agenda Euskadi Basque Country 2030 that reflects the degree of alignment and contribution of the Government Program with the 17 Sustainable Development Goals and 100 targets of the UN 2030 Agenda for Sustainable Development (Agenda 2030).

We see Agenda 2030 as an opportunity for the Basque Country because it is fully in step with our priorities: human development guaranteeing essential services for all, and sustainable growth generating job opportunities to higher levels of quality. This is the Basque model of growth and social welfare, now strengthened by the presentation of Agenda Euskadi - Basque Country 2030.

This Agenda Euskadi Basque Country 2030 represents a decisive step in the determination of the Basque Executive to focus its public policies on the challenges identified in the Agenda 2030 of United Nations. It is the First Agenda Euskadi Basque Country 2030 whose temporal scope covers the period 2016-2020.

It includes 93 of the 175 commitments acquired by the Basque Government in its Government Program, 80 Planning Instruments, 19 Legislative Initiatives and 50 Indicators. An effort that will make it possible to effectively align public policies in Euskadi with this universal Agenda 2030, and make visible the contribution of Euskadi to the implementation of the Agenda 2030 and the achievement of the Sustainable Development Goals.

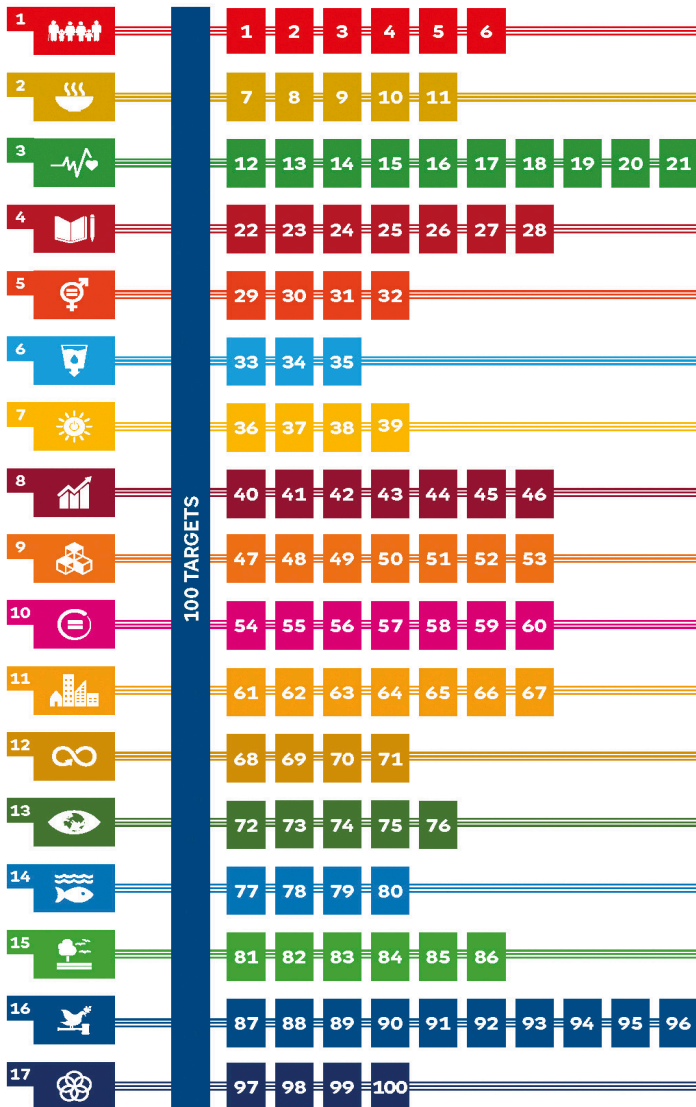
# SUSTAINABILITY MANDATE OF THE BASQUE GOVERNMENT (II)

UNITED NATIONS AGENDA 2030		PROGRAMA 2017-2020 GOBIERNO VASCO						
OBJETIVOS DESARROLLO SOSTENIBLE (ODS)	SPHERES OF IMPORTANCE	COUNTRY OBJECTIVES	COMMITMENTS	INITIATIVES	INDICATORS	STRATEGIC PLANS	SECTORAL PLANS	LAWS
17	5	15	175	650	100	15	54	28
1. An end to poverty 2. An end to hunger/food 3. Healthy lifestyle 4. Inclusive education 5. Gender equality	 PEOPLE	20% reduction in poverty Increased life expectancy Higher birth rate School dropout rate <8%. 75% of the population <25 years Basque-speaking Among the top 4 countries in terms of gender equality	65	225	33	Social Services Strategic Plan Health Plan 5th Professional Training Plan 4th University Plan 7th Equality Plan Strategic Agenda for the Basque language	18	10
6. Water and sanitation 7. Sustainable consumption and production 8. Climate change 9. Sea resources 10. Ecosystems	 PLANET	20% reduction in CO2 emissions	10	35	11	4th Environmental Framework Programme	11	3
11. Economic growth and employment 12. Infrastructures and innovation 13. Energy 14. Reducing inequality 15. Cities and urban settlements	 PROSPERITY	Unemployment < 10% 20,000 young people with job experience 125% of the EU's GDP 25% industrial GDP 100 strategic innovation projects Leader in terms of transparency indexes	64	278	51	Strategic Employment Plan Basque Industry 4.0 Industrialisation Plan Basque Science and Technology Plan 2017-2020 Tourism, Trade and Consumption Plan Governance and Public Innovation Plan	16	13
16. Peace and justice	 PEACE	Disarming and dissolving ETA	24	80	3	Co-habitation and Human Rights Plan Public Security Plan	6	2
17. Partnerships / cooperation for development	 PARTNERSHIP	New political status	12	32	2	"Euskadi - Basque Country" Internationalisation Strategy	3	



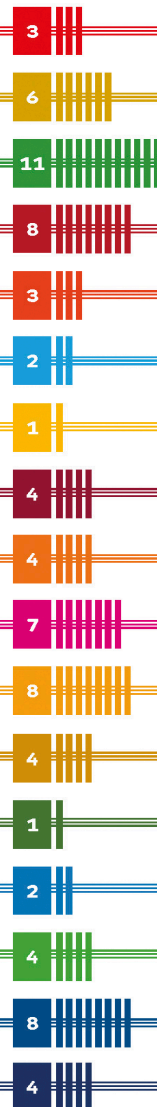
15 COUNTRY OBJECTIVES

17 SUSTAINABLE DEVELOPMENT GOALS



100 TARGETS

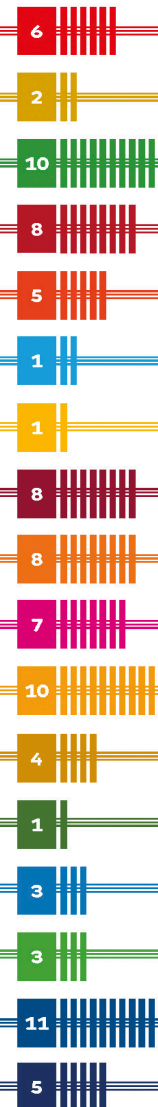
80 PLANNING INSTRUMENTS



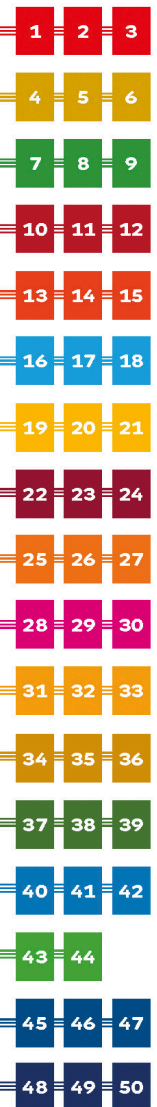
19 LEGISLATIVE INITIATIVES



93 COMMITMENTS



50 INDICATORS





1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

2- AGENDA BASQUE COUNTRY 2030

### 3- SUSTAINABLE BONDS

#### 3.1- GENERAL CHARACTERISTICS

3.2- FIRST BOND ISSUANCE: June 5th 2018

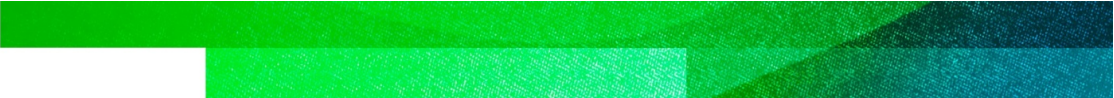
3.3- FIRST IMPACT REPORT: June 2019

3.4- SECOND BOND ISSUANCE April 8th 2019

4- CONCLUSIONS

- 1st Green Bond 2008: World Bank and Skandinaviska Enskilda Banken (EBS)
- Green Bond ---- Social Bond --- Blue Bonds --- Sustainable Bonds
- "Sustainable bonds are any type of debt issued by public and private institutions whose revenue will be used exclusively to fully or partially finance or refinance new and/or existing green and sustainable projects that contribute towards the fulfilment of the Sustainable Development Goals"
- 4 PRINCIPLES by the International Capital Market Association:
  - 1st: Revenue Allocation. The funds should be allocated to projects with clear sustainability benefits. These projects should be evaluated and, when feasible, quantified by the issuer.








- 
- 2nd: Assessment process and project selection The issuer of the bonds must notify investors of the sustainability objectives, the process which determines the way in which the projects fit into the categories and the eligibility criteria. Therefore, the projects must be transparent and allow external evaluation.
  - 3rd: Management of funds. The funds must be controlled by the issuer in an appropriate and transparent way and formally confirmed by the issuer. The issuer will allow the complementary review by an auditor or a third party in order to verify the monitoring method. **SUSTAINALYTICS**
  - 4<sup>th</sup>: Reports: The issuer must annually prepare a report on the use of funds and the Impact obtained according to the programmed indicators.

- **Basque Government Sustainability Bond Committee:**

- 4 X Department of Finance
- 1 X Environment
- 1 X Territorial Planning and Housing
- 1 X Work and Social Policies
- 1 X Health
- 1 X Education

# SUSTAINABILITY BOND FRAMEWORK: USE OF PROCEEDS (I)

ELIGIBLE CATEGORIES	ISSUANCE FRAMEWORK	SDG
AFFORDABLE HOUSING	The proceeds will be used to promote and increase the <b>availability and access to social housing</b> in the Basque country.	
ACCESS TO ESSENTIAL SERVICES: EDUCATION & HEALTHCARE	<p>Education: proceeds of the bonds will be allocated to <b>support public educational programs for young people between 14 and 25 years old and to support the successful integration of disadvantaged groups in the education system</b>. Disadvantaged group refers to young people in a situation of greater vulnerability because they have not finished Compulsory Secondary Education (ESO).</p> <p>Healthcare: proceeds of the bonds will be allocated to projects aimed to <b>guaranteeing universal access to quality public health care</b> for the citizens of the Basque Country (including, but not limited to, vulnerable groups).</p>	
SOCIOECONOMIC ADVANCEMENT	Proceeds of the bonds will be allocated to projects that <b>maintain and foster the Basque Universal Basic Income Guarantee model</b> , and promote social inclusion in the Basque Country.	
EMPLOYMENT GENERATION	Proceeds of the bonds will be used to <b>support employment generation</b> in the different economic sectors, and to finance programs that support <b>unemployed people in education and training</b> , in order to reduce the unemployment rate below 10% by the end of the term.	
RENEWABLE ENERGY	Proceeds of the bonds will be allocated to projects and programs aimed at promoting the <b>increase of renewable energy</b> in the Basque Country. Proceeds will be used to finance the renewable energy priorities included in the Euskadi Energy Strategy 2030 ("Estrategia Energética de Euskadi 2030"); Wind, Biomass (waste to energy), Solar Photovoltaic, Geothermal and Marine renewable energy.	

# SUSTAINABILITY BOND FRAMEWORK: USE OF PROCEEDS (II)

## CLEAN TRANSPORTATION

Proceeds of the bond will be used to **reduce the dependence on fossil fuel transport** in accordance with the lines of action included in the Master Plan for Sustainable Transport of Euskadi 2030.



## POLLUTION PREVENTION AND CONTROL

Proceeds of the bond will be used to **improve the quality of water, air and soil**, managing environmental risks and reducing human diseases related to environmental determinants, in accordance with the lines of action set out in the Environmental Framework Programme 2020 and the Biodiversity Strategy of the Basque Country 2030.



## SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

Proceeds of the bond will be allocated to projects and programmes that will support the protection and improvement of the ecological state of water masses; projects and programmes that will **support not only the improvements of water quality and its supply, but also the sanitation and urban sewage treatment**. Additionally, proceeds of the bond will be allocated to resolve water scarcity, waste minimization of water consumption, or recycling to alleviate sewage water generating.



## TERRESTRIAL AND AQUATIC BIODIVERSITY CONSERVATION

Proceeds of the bond will be allocated to projects and programmes aimed at **promoting protection and restoration of ecosystems** in the Basque Country as it is included in the Biodiversity Strategy of the Basque Country 2030.



## ENERGY EFFICIENCY

Proceeds of the bond will be used to **build a low carbon energy model and anticipate the risks of climate change** following the guidelines and lines of action foreseen in the 2030 Euskadi Energy Strategy and 2050 Climate Change Strategy Basque Country (Klima 2050).



## CLIMATE CHANGE ADAPTATION

Financing of plans of action and **activities to reduce the impacts of extreme climatic events in vulnerable areas, such as flood prevention, landslide, impact in coastal areas, etc .**





# ELIGIBLE ASSETS: SOCIAL PROJECTS

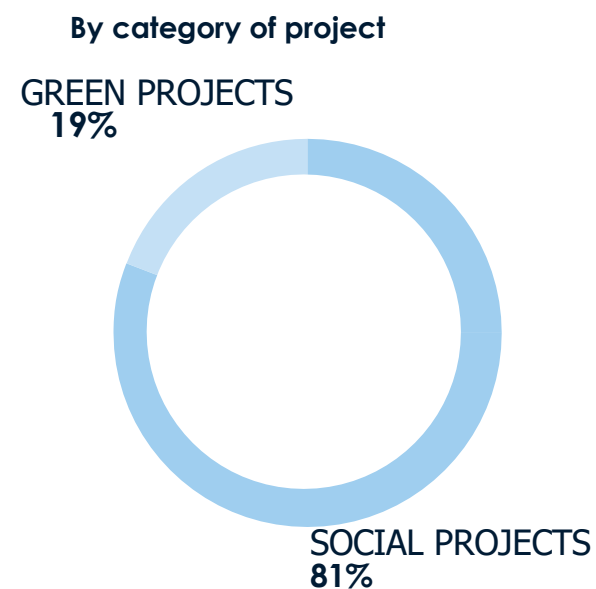
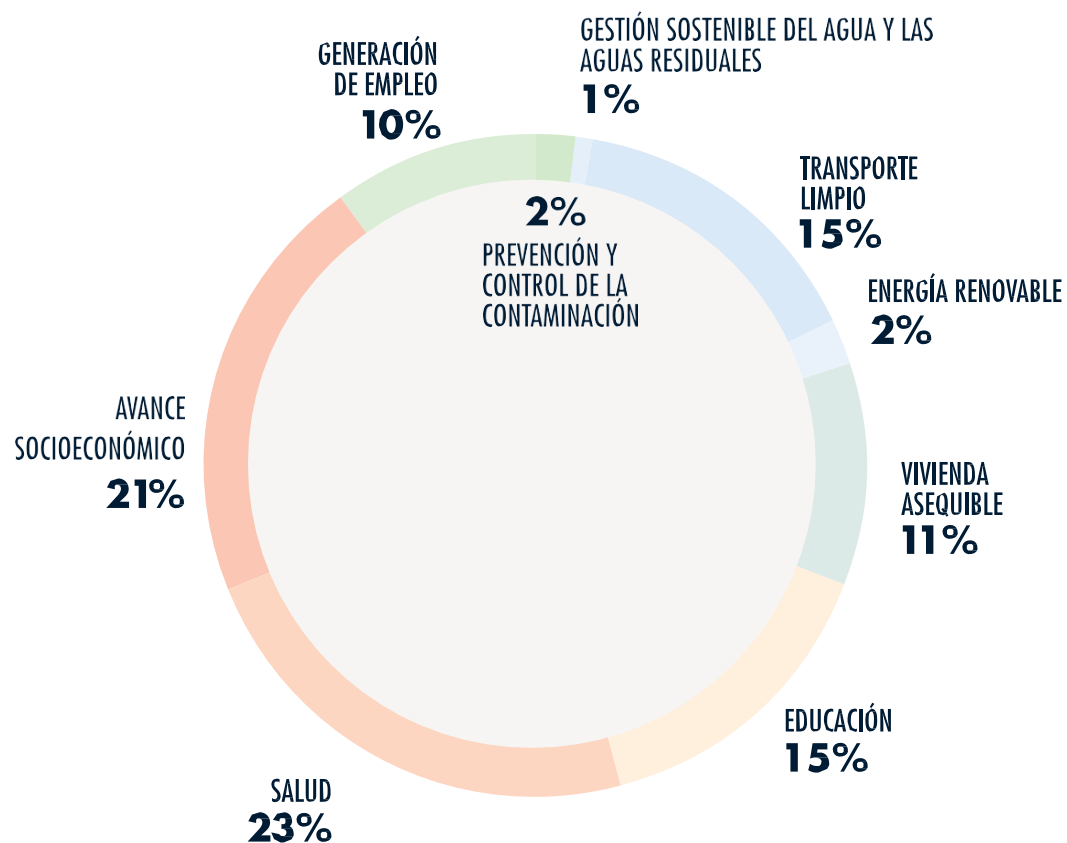
<b>AFFORDABLE HOUSING</b>		110.000.000	<b>SOCIO-ECONOMIC ADVANCEMENT</b>		210.000.000
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	60.000.000		Financing of social emergency assistance programmes	25.000.000	
Financing of the 'Bizigune' programme	20.000.000		Financing of family support benefits	40.000.000	
Building of homes to rent	8.000.000		Financing of income security allowance	145.000.000	
Aid to refurbish and/or renovate homes and buildings	22.000.000		<b>JOB CREATION</b>		104.000.000
<b>EDUCATION</b>		151.000.000	Local employment support and development projects - county employment plans	22.000.000	
Building and equipping nurseries and primary schools	35.000.000		Financing of labour market integration - career guidance for disadvantaged collectives, and qualified young people	8.000.000	
Building and equipping secondary and vocational training schools	20.000.000		Financing of Lehen aukera programme	3.000.000	
Financing of contract-programme and investment University of the Basque Country	9.000.000		Financing of programmes to promote employment - jobs supporting people with disabilities, recruitment of over-35s, special job centres	35.500.000	
Non-university scholarships	58.000.000		Financing of training programmes - sandwich courses for young people, training for unemployed people	35.500.000	
University scholarships	29.000.000		<b>HEALTH</b>		
<b>HEALTH</b>		235.000.000	Healthcare investments - expansion of existing hospitals, health centres, equipment	50.000.000	
Financing of the expenses of running the Basque Health Service: Osakidetza	110.000.000		<b>TOTAL €</b>		810.000.000
Financing of hospital and non-hospital pharmacy expenses	75.000.000				

# ELIGIBLE ASSETS: GREEN PROJECTS

CLEAN TRANSPORT	148.000.000	
Supply of new trains	26.000	
Construction of new infrastructure - doubling tracks, new trams in Vitoria-Gasteiz, Donostia-San Sebastian train line [popularly known as "Topo"]	67.000.000	Financing 55 m of investment in ETS [Basque train network] and 12 in the 5131 programme.
Smart electric bus in Vitoria-Gasteiz	10.000.000	
Financing railway operators	45.000.000	Financing 29 m of running costs in ETS and 16 in contributions to the CTB [Biscay transport consortium]
CONTAMINATION CONTROL AND PREVENTION		
SUSTAINABLE MANAGEMENT OF WATER AND WASTE WATER		
CONSERVATION OF TERRESTRIAL AND AQUATIC BIODIVERSITY		
ENERGY EFFICIENCY		Financed by the 4421, 5121 and 7311
CLIMATE CHANGE ADAPTATION		programmes, for a total of 42 m.
RENEWABLE ENERGY		

	BUDGET PROGRAMMES	TOTAL	ELEGIBLE
4421	Environmental protection	21.831.960	16.000.000
5121	Hydraulic administration and planning	13.400.002	11.000.000
5131	Rail transport management and infrastructure	162.401.900	148.000.000
5141	Transport planning	4.968.249	
7311	Energy (EVE group without SHESA)	18.506.476	15.000.000
		221.108.587	<b>190.000.000</b>

## SELECTED ELEGIBLE ASSETS FOR THE INNAGURAL ISSUANCE OF THE SUSTAINABILITY BOND





1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

2- AGENDA BASQUE COUNTRY 2030

3- SUSTAINABLE BONDS

3.1- GENERAL CHARACTERISTICS

**3.2- FIRST BOND ISSUANCE: June 5th 2018**

3.2- FIRST IMPACT REPORT: June 2019

3.3- SECOND BOND ISSUANCE April 8th 2019

4- CONCLUSIONS



# Basque Government 2018 €500m Inaugural 10yr Sustainable bond

1.45% due April 2028

On 5<sup>th</sup> June 2018, HSBC acted as Joint Bookrunner on the highly successful inaugural Sustainable 10y transaction for the Basque Govt

The deal represents the first transaction from a Southern European borrower in the aftermath of the Italian political crisis and the issuer's comeback to Benchmark Euro capital markets

The transaction was preceded by an extensive European Roadshow, which along with the SRI angle resulted in a outstanding international participation accounting for 66% of the total allocation

Strong demand of EUR 1.6bn allowed Basque Government to print at SPGB+15 bps, the tightest spread vs. Bonos achieved by a Spanish region in a public benchmark and -5 bps inside IPTs

The deal consolidates HSBC's #1 position in the Spanish Public Sector and Sustainable Capital Markets and it is a testament of strong perception of Basque Country among the international investor community

## Summary Terms & Conditions

Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date:	5 <sup>th</sup> June 2018
Settlement:	15 <sup>th</sup> June 2018
Maturity:	30 <sup>th</sup> April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICMA
Reoffer spread:	SPGB 1.4% 04/2028 + 15 bps
Reoffer Price / Yield:	99.346% / 1.522%
Denominations:	EUR 1k + EUR1k
ISIN	ES0000106619
UoP:	Allocated to a mix of beneficial environmental and social projects according to the Basque Government Sustainable Framework <sup>1</sup>
HSBC Role:	Joint Bookrunner

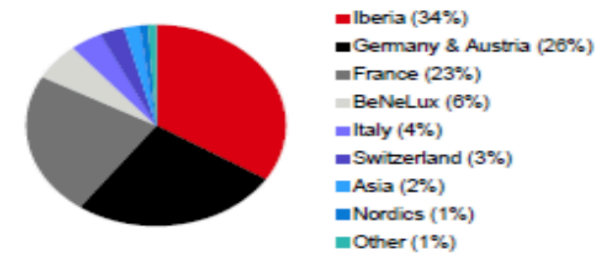
## Execution highlights

- On Tuesday, 5<sup>th</sup> June, Basque Government launched its inaugural EUR 500m 10-year Sustainable Bond at SPGB 1.4% 04/2028 +15 bps
- Basque Government announced the mandate on 16<sup>th</sup> May 2018 to meet investors across Paris, Frankfurt, Dusseldorf, Madrid and Bilbao, allowing the issuer to present its Sustainable Framework<sup>1</sup> along with its 2030 agenda which advances UN Sustainable Development Goals and UN 2030 Agenda for Sustainable Development
- Books were officially opened at 14:30h CET on Monday 4<sup>th</sup> June with IPTs of SPGB 1.4% 04/2028 +20 bps following a 2-day execution strategy
- Demand was strong from the outset, enabling the issuer to set price guidance at SPGB 1.4% 04/2028 + 19 bps with EUR 750m of bids
- With the book growing at a good pace throughout the morning, a sharp 5 bps move vs. IPTs was taken to land at +15 bps supported by EUR 1.6bn orderbook
- International distribution was extremely well diversified with German & Austrian accounts (26%) leading the way, followed by France (23%), BeNeLux (6%), Italy (4%), Switzerland (3%) and Asia (2%)
- Asset Managers and Insurance & PF dominated the allocation with 82% combined, complemented by Banks & PB (16%) and CB & OIs (2%)



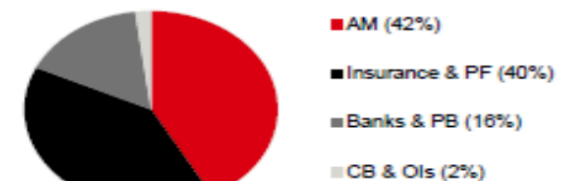
## Distribution by Geography

% of allocation



## Distribution by Investor Type

% of allocation



## Dedicated and committed SRI

% of allocation





# Important Facts about First Issuance

- Demand: 1.583 M € from 13 different countries. Tripled the Offered 500 M€
- The placement was made to 65 % international investors and 35% to Federal and Basque regional investors.
- One of the priority objectives carried out by the regional Minister of Finance and Economy, Pedro Azpiazu was to open up the Basque executive's debt to foreign investors in order to diversify it. Spain (172M), France (115.75M), Germany (94.85M), Austria (34.77M), Italy (19.45M), the Netherlands (19.2M), Switzerland (14.45M), Korea (10M), Luxembourg (8.2M), Sweden (5.5M), Portugal (4.6M), United Kingdom (1.21M) and United Arab Emirates (0.1M) are the 13 countries where the placements were made.
- The majority of investors were Investment Funds (38.66%), followed by entities in the Insurance sector (25.96%) and by Banks (22.92%), with pension funds, central banks and private companies being under-represented.
- The nominal rate of the issuance is 1.45% over ten years



1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

2- AGENDA BASQUE COUNTRY 2030

3- SUSTAINABLE BONDS

3.1- GENERAL CHARACTERISTICS

3.2- FIRST BOND ISSUANCE: June 5th 2018

**3.3- FIRST IMPACT REPORT: June 2019**

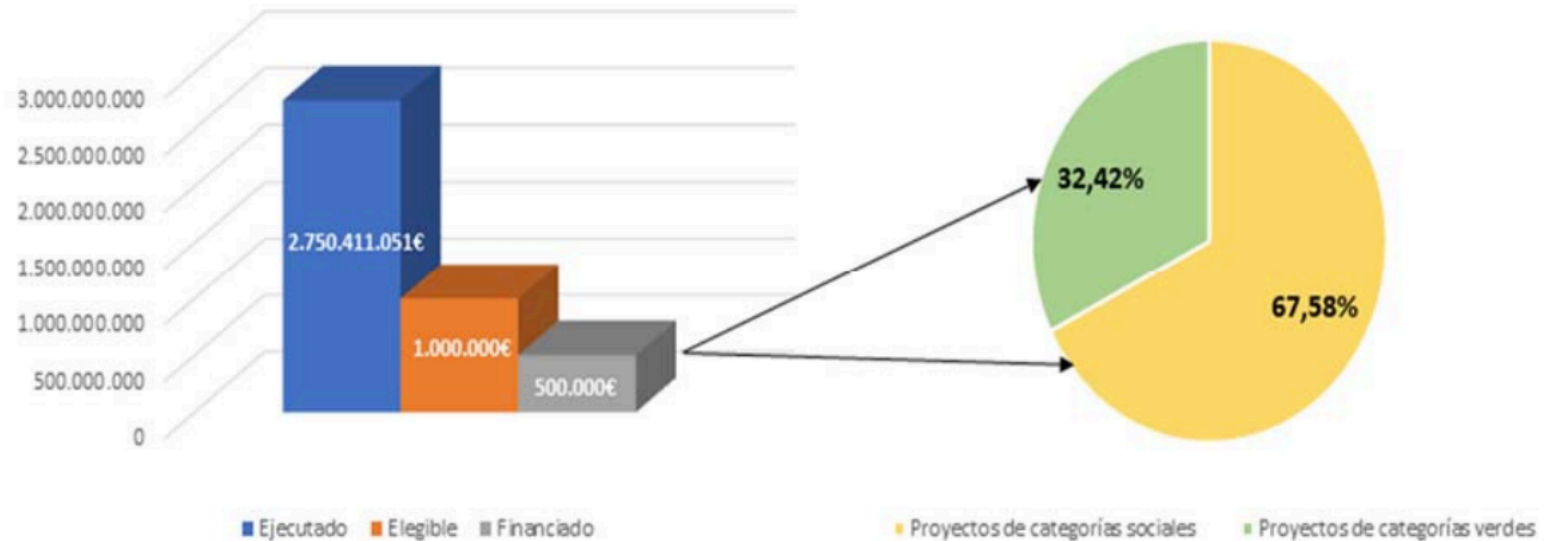
3.4- SECOND BOND ISSUANCE April 8th 2019

4- CONCLUSIONS

Link: [http://www.euskadi.eus/contenidos/informacion/7071/es\\_2333/adjuntos/Impacto%20bonos%20sostenibles\\_Ingles.pdf](http://www.euskadi.eus/contenidos/informacion/7071/es_2333/adjuntos/Impacto%20bonos%20sostenibles_Ingles.pdf)

## INFORMATION INCLUDED IN THE REPORT:

- 1- Description of the projects, their objectives and relationship to the SDG'S
- 2- Impact of the projects and the part of the impact attributable to the sustainable bond:
  - Social: number of beneficiaries (for example, students receiving grants, people who received different subsidies for housing, or new jobs created)
  - Environmental: energy savings, restored surface area, savings in materials or reduction of greenhouse gas emissions





Project Categories	Related SDG	Eligible	Spent (a)	Bond Allocation (b)	Allocated with respect to total bond	Financed Bond Spent (b)/(a)	Impact Indicators	
							Indicator	Units
Affordable Housing	SDG 1; SDG 11	110,000,000	126,058,007	68,410,928	13.68%	54.27%	Households benefiting from allowance	20,402
							Families benefiting from public rentals	966
							Number of jobs created	284
Education	SDG 4	151,000,000	122,491,931	45,551,550	9.11%	37.19%	Students benefiting from grants	78,909
Health	SDG 3	235,000,000	1,787,400,000	75,000,000	15%	4.20%	Jobs created	725.4
Socio-economic Progress	SDG 1; SDG 5; SDG 10	210,000,000	442,451,772	137,081,122	27.42%	30.98%	Recipients of AES	50,548
							Beneficiaries of subsidies to families	29,527
							People hired	226
							Recipients of RGI	11,020
Job Creation	SDG 8	104,000,000	96,884,508	11,877,606	2.38%	12.26%	People hired	1,124
Social Bond Projects		810,000,000	2,575,286,218	337,921,206	67.58%	13.12%		
Clean Transport	SDG 9; SDG 11	148,000,000	138,248,793	128,248,793	25.65%	92.77%	Trains Replaced	5
							CO2 emissions avoided (t/year)	161.06
Pollution Prevention and Control	SDG 11	6,655,292	4,168,481	2,387,049	0.48%	57.26%	Measurement Campaigns	24
							People with daily information	2,172,591
							New accredited stations	6
							Company consultations resolved	870
							Pollution Assessments	1,036
							Companies receiving subsidy	41
							Jobs created	12.92
Sustainable management of water and wastewater	SDG 6	11,000,000	17,224,586	16,836,184	3.37%	97.75%	Number of jobs created	139.95
							Number of actions	911
							Hectares conserved or restored	32
							Rivers assessed	107
Biodiversity, terrestrial and aquatic conservation	SDG 14; SDG 15	6,359,052	3,982,934	3,519,728	0.70%	88.37%	Number of visitors	90,198
							Technical studies financed	24
							Hectares with actions	25,060
							Km of pedestrian routes improved	79.4
Energy Efficiency	SDG 9	2,326,274	1,457,040	1,457,040	0.29%	100.00%	Material savings (t/year)	78,000
							Number of jobs created	60
							Number of young people trained	21
							Slag recycling variation rate	+19%
							RCD recycling variation rate	+3%
							Municipal recycling variation rate	+1%
Adaptation to Climate Change	SDG 13	659,382	412,998	0	0.00%	0.00%	-	-
Renewable Energy	SDG 7	15,000,000	9,630,000	9,630,000	1.93%	100.00%	Projects subsidised	878
							CO2 emissions avoided (t/year)	60,424
Green Bond Projects		190,000,000	175,124,833	162,078,794	32.42%	92.55%		
Total		1,000,000,000	2,750,411,051	500,000,000	100.00%	18.18%		

## EDUCATION: €45,551,550

The programmes in the education category financed with Basque Country sustainable bond funds address SDG 4: quality education.

PROJECTS	RELATED SDG	Eligible	Spent (a)	Bond Allocation (b)
		€	€	€
<b>EDUCATION</b>	SDG 4: Quality education	<b>151,000,000</b>	<b>122,491,931</b>	<b>45,551,550</b>
Construction and equipping of nursery and primary schools		35,000,000	18,833,961.17	0
Construction and equipping of secondary schools and vocational training centres		20,000,000	16,815,105.40	0
Contract-programme funding and UPV investment		9,000,000	6,197,086	0
Non-university grants		58,000,000	53,595,392	30,272,548
University grants		29,000,000	27,050,386	15,279,002

### Non-university Grants (€30,272,548)

#### Description

The Basque Government's Department for Education has a system of grants and subsidies that help to reduce the economic barriers that obstruct access to education for students from disadvantaged families. The final objective is to enable access to non-university education for students with economic problems.

#### Budget

The budget spent in 2018 amounted to €53,595,392, of which €30,272,548 were financed with the Basque Country sustainable bond.

#### Impact

For the 2017/2018 academic year, a total of 127,884 Non-University grants were awarded (from a total of 163,959 applications) called through an Order on 27th July 2017, by the Minister for Education. A total of 72,233 grants were funded with the Basque Country sustainable bond.

Indicator	Total Impact	Bond Impact
Number of vulnerable non-university students who are beneficiaries of a grant.	127,884	72,233

## RENEWABLE ENERGY: €9,630,000

The Energy Efficiency and Renewable Energy subsidy programmes are in line with SDG 7 (Renewable and non-polluting energy) and SDG 9 (Industry, innovation and infrastructures).

PROJECTS	RELATED SDG	Eligible	Spent (a)	Bond Allocation (b)
		€	€	€
RENEWABLE ENERGY	SDG 7: Renewable and non-polluting energy	15,000,000	9,630,000	9,630,000

### Energy Efficiency and Renewable Energy Subsidy Programmes (€9,630,000)

#### Description

The Subsidy Programmes are aligned with the Basque Country Energy Strategy for 2030 (3E2030) and represent an essential instrument for the planning of the energy policy of the Basque Energy Entity in relation to the granting of subsidies.

Their objectives, among others, are to foster investments in savings and energy efficiency and in the use of renewable energy in the different sectors of activity in the Basque Country (Industry, Tertiary, Transport, Local Public Administration, etc.); promote the use of biomass and geo-exchange; Foster the electric use of renewable energy; Attract projects to the test areas (BIMEP and MUTRIKU).

#### Budget

The budget spent in 2018 amounted to €9,630,000, which was fully funded by the Basque Country sustainable bond.

#### Impact

A total of 878 projects were subsidised through the budget for Energy Efficiency and Renewable Energy Subsidy Programmes, all of which were funded by the part allocated to the sustainable bond. These projects have achieved annual energy savings of 20,836 equivalent tonnes of oil. Assuming that these savings arise from a shift in the consumption of diesel fuel<sup>4</sup>, it is estimated that the emission of 60,424 equivalent tonnes of CO<sub>2</sub> a year will be avoided. All of this reduction is attributable to projects funded by the sustainable bond.

Indicator	Total Impact	Bond Impact
Number of projects subsidised	878	878
CO <sub>2</sub> emissions avoided (t/year)	60,424	60,424



1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

2- AGENDA BASQUE COUNTRY 2030

3- SUSTAINABLE BONDS

3.1- GENERAL CHARACTERISTICS

3.2- FIRST BOND ISSUANCE: June 5th 2018

3.3- FIRST IMPACT REPORT: June 2019

**3.4- SECOND BOND ISSUANCE April 8th 2019**

4- CONCLUSIONS



# Eligible Assets: Green Projects

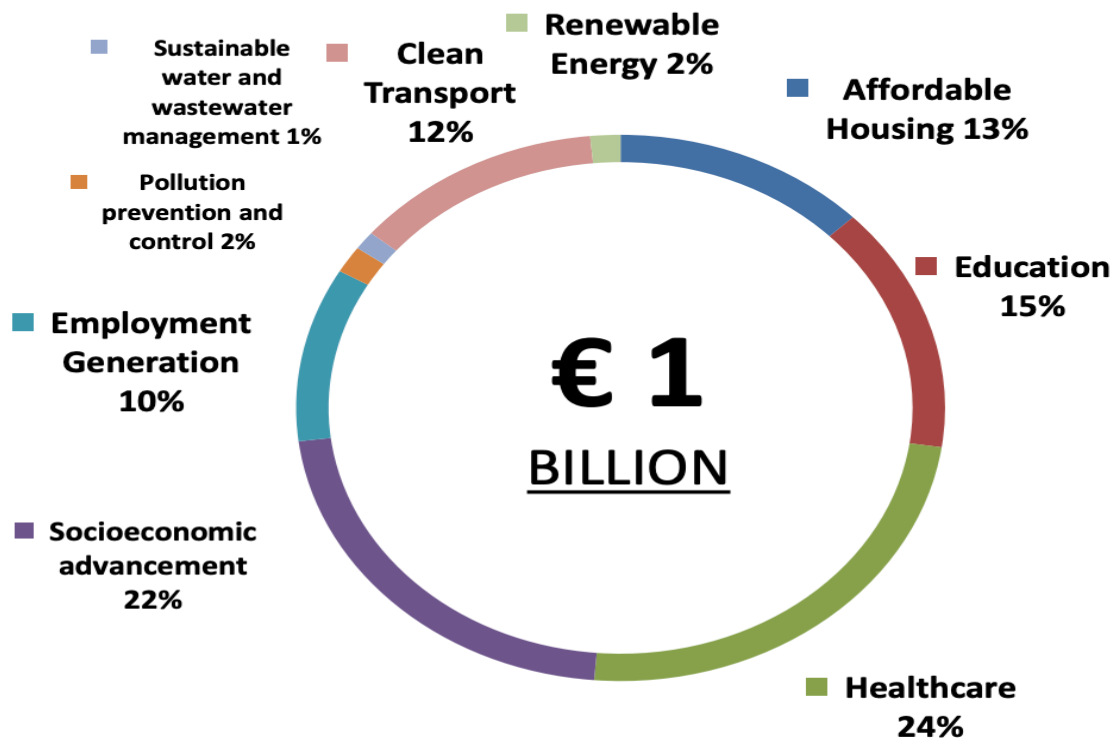
<b>Clean transport</b>	<b>124,500,000</b>	
Supply of new trams	14,500,000	
Construction of new infrastructure – doubling tracks, new trams in Vitoria-Gasteiz, Donostia-San Sebastian train line [popularly known as “Topo”]	60,000,000	Financing investment in ETS [Basque train network]
Financing railway operators	50,000,000	Financing 30 m of running costs in ETS and 20 in contributions to the CTB [Biscay transport consortium]
<b>Contamination control and prevention</b>		Financed by the 4421, 5121 and 7311 programmes, for a total of 42 m
<b>Sustainable management of water and waste water</b>		
<b>Conservation of terrestrial and aquatic biodiversity</b>		
<b>Energy efficiency</b>		
<b>Climate change adaptation</b>		
<b>Renewable energy</b>		

	<b>Budget programmes</b>	<b>Total</b>	<b>Elegible</b>
4421	Environmental protection	22,789,407	16,000,000
5121	Hydraulic administration and planning	13,861,952	11,000,000
5131	Rail transport management and infrastructure	182,066,829	124,500,000
7311	Energy (EVE group without SHESA)	26,526,476	15,000,000
		<b>245,244,664</b>	<b>166,500,000</b>

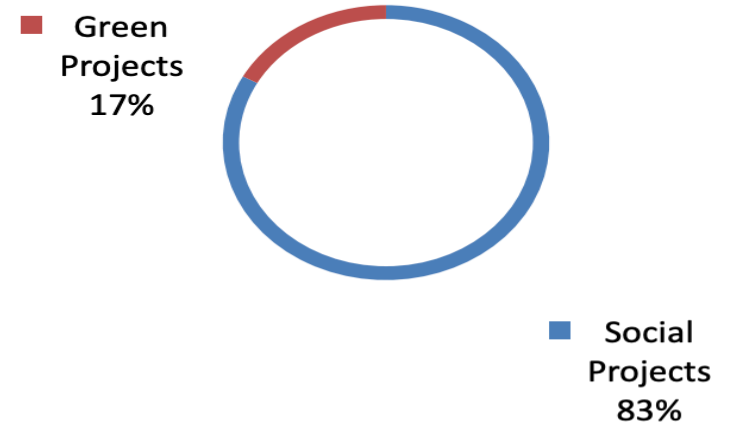
<b>Affordable housing</b>	<b>127,000,000</b>	<b>Socio-economic advancement</b>	<b>217,500,000</b>
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	68,000,000	Financing of social emergency assistance programmes	27,500,000
Financing of Bizigune programme	20,000,000	Financing of family support benefits	40,000,000
Building of homes to rent	12,000,000	Financing of income security allowance	150,000,000
Aid to refurbish and/or renovate homes and buildings	22,000,000		
<b>Gaztelagun programme</b>	<b>5,000,000</b>	<b>Job creation</b>	<b>103,000,000</b>
<b>Education</b>	<b>146,000,000</b>	Local employment support and development projects – county employment plans	21,000,000
Building and equipping nurseries and primary schools	30,000,000	Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	8,000,000
Building and equipping secondary and vocational training schools	24,000,000	Financing of <b>Lehen aukera programme</b>	3,000,000
Financing of contract-programme and investment University of the Basque Country	9,000,000	Financing of programmes to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	35,500,000
Non-university scholarships	57,000,000	Financing of training programmes – sandwich courses for young people, training for unemployed people	35,500,000
University scholarships	26,000,000		
<b>Health</b>	<b>240,000,000</b>		
Financing of the expenses of running the Basque Health Service: Osakidetza	110,000,000		
Financing of hospital and non-hospital pharmacy expenses	75,000,000		
Healthcare investments – expansion of existing hospitals, health centres, equipment	55,000,000		
		<b>TOTAL €</b>	<b>833,500,000</b>

# Selected Eligible Assets for 2019 Sustainability Bond

## By Projects



## By Category of Projects



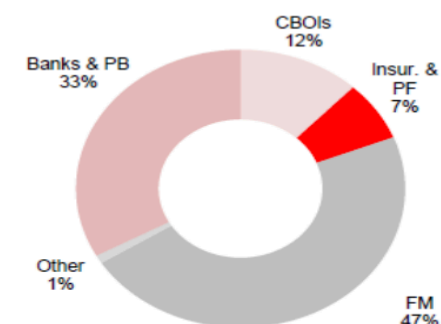
# Basque Government 2019 €600m 10yr Sustainable bond



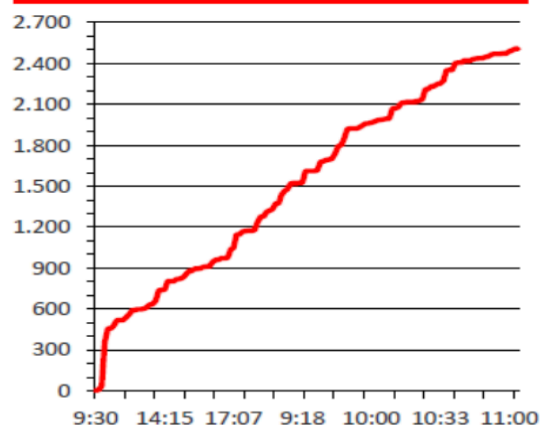
## Terms & Conditions

Issuer	Basque Government
Ratings	A3 (st) / A+ (pos) / A- (st)
Pricing Date	9 April 2019
Maturity	30 April 2029
Amount	EUR 600mn
Format	Fixed Rate - Sustainable
Coupon	1.125%
Reoffer Price	99.455%
Reoffer Spread	SPGB 1.45% 04/29 + 10 bps
Listing	Bolsa de Bilbao

## Breakdown by Investor Type\*



## Orderbook Evolution (CET, €m)



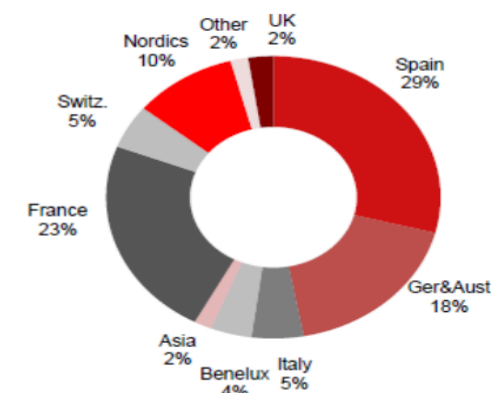
## Orderbook Analysis

Orders	Book Size	Transaction size	Over-subscription
120+	>€2,5bn	€600mn	~4.18x

## Transaction Highlights

- Basque Country successfully printed €600mn through a new 10-year benchmark, its second (and largest) Sustainable Bond transaction so far.
- Official mandate was announced on Friday 5<sup>th</sup> April at 12:15 CET, and bids were taken on Monday 8<sup>th</sup> 13:15 CET at a level of SPGB + 15 bps area. On the back of a very positive reaction during the afternoon and overnight, with interest in excess of €1.8bn, books were officially open on Tuesday 9<sup>th</sup> at 9:00, with a revised guidance spread of SPGB + 13 bps area.
- The momentum and traction continued with books subsequently rising to €2.3bn, which allowed to tight the spread to SPGB +11 bps (+/-1).
- Books were closed at 11:00 CET, with interest reaching €2.5bn and over 120 high quality investors involved (58% SRI), allowing the issuer to print its second Sustainable transaction at SPGB + 10 bps.
- Interest from international investors was substantial, with 71% of the transaction distributed to nondomestic accounts. France took 23%, Germany and Austria 18% and Nordics the 10%.
- In terms of investor type, demand was driven by real money accounts, which represented 67% of the allocation. Fund Managers accounted for 47%, while banks representing the 33%, Central Banks 12% and Insurance and Pension Funds represented the 7% of the allocation.

## Breakdown by Geography\*



\* By Allocation





# Important Facts about Second Issuance

- Demand: 2.500 M € 140 investors from 19 different countries. 4 times the Offered 600 M€
- The placement was made to 71% international investors 29% to Federal and Basque regional investors.
- France 23%, Germany and Austria 18% and Nordics 10%
- The majority of investors were Investment Funds (47%), followed by Banks (33%), Central Banks (12%) and pension funds (7%).
- The nominal rate of the issuance is 1.125% over ten years



1- INTRODUCTION ABOUT THE BASQUE COUNTRY AND ITS FINANCING SYSTEM

2- AGENDA BASQUE COUNTRY 2030

3- SUSTAINABLE BONDS

3.1- GENERAL CHARACTERISTICS

3.2- FIRST BOND ISSUANCE: June 5th 2018

3.3- FIRST IMPACT REPORT: June 2019

3.4- SECOND BOND ISSUANCE April 8th 2019

**4- CONCLUSIONS**



## CONCLUSIONS

- The Sustainable Bond's objective is to finance projects inside the Euskadi Basque Country Agenda 2030, BUT it is also to promote a sustainable and responsible financing model that matches our world's vision
- The Society is demanding us a Responsible and efficiente financing model to advance in the social, economic and environmental challenges.
- The times of “ maximize the investor's value” are gone. Now we must focus on maximizing the value for the whole society.

Thank you very much!  
Eskerrik Asko!



Jorge Fernandez – Delegate of The Basque Government to the United States

[j-fernandezquintela@euskadi.eus](mailto:j-fernandezquintela@euskadi.eus)