

A photograph of a dam with a long row of white wind turbines on top. The dam structure is made of concrete and has several pipes protruding from it. The water is greenish and turbulent at the base of the dam. The sky is a clear, pale blue.

NWB Bank (Nederlandse

Waterschapsbank N.V.)

Green Bond Framework

2022

# Introduction

## NWB Bank: The sustainable water bank

NWB Bank is a bank of and for the public sector, 100% owned by the Dutch state and local authorities, serving the public sector. We are their go-to financing partner for enhancing sustainability in the Netherlands where the transition to a climate-neutral and circular economy will require major investments in the coming decades. We are contributing to this by providing appropriate and low-cost financing with long term sustainability a critical underlying element.

The foundation of our strategy is our sustainable, efficient, and socially engaged organisation. We are one of the most cost-efficient and best-capitalised banks under the supervision of the European Central Bank.

Sustainable and social returns are the final pieces in our strategy puzzle. As a promotional bank, our aim is not to maximise profits. We put the public interest and long-term value creation for society at the centre of what we do.

## Sustainability and governance

Sustainability is integrated throughout NWB Bank's organisation, by means of the bank's strategy and its sustainability policy<sup>1</sup>. Sustainability is a key component of the bank's strategy. At the tactical and operational level, the strategy has been incorporated into the policy programme and concrete annual plans. An example of NWB Bank's commitment to reporting and transparency regarding GHG emissions is NWB Bank joining The Partnership for Carbon Accounting Financials in January 2019 (PCAF). Measuring and disclosing the emissions associated with NWB Bank's operations is the foundation of alignment with the Paris Agreement and a 1.5-degree trajectory. Next to measuring the carbon footprint of its loan portfolio, the bank has drafted a climate action plan on how it intends to reduce the footprint of its portfolio over time and in line with the Paris Agreement.

NWB Bank has a dedicated Corporate Social Responsibility (CSR) Committee to compose, monitor and amend its sustainability policy. Employees from various departments, the sustainability officer and a member of the Executive Committee are represented on the CSR Committee. The CSR Committee reports to the Executive Committee, which is ultimately responsible for sustainability. Sustainability is also an explicit focus area in meetings of NWB Bank's Supervisory Board.

The implementation of sustainability has been integrated into the bank's various departments. This means that sustainability is a joint responsibility of all employees. For example, the risk management department handles the management of environmental, social and governance (ESG) risks, sustainable lending is the responsibility of the public finance department and ESG reporting is handled by the finance & control department. The sustainability officer is responsible for the internal coordination of all matters relating to sustainability.

NWB Bank aims, as the major issuer of ESG bonds (Waterbonds and the SDG Housing bonds) in the Netherlands, to stay ahead of the game when it comes to alignment with the latest market developments. Therefore, we are closely monitoring the developments regarding the EU's Regulation on the establishment of a framework to facilitate sustainable investment (the Taxonomy

---

<sup>1</sup> [https://nwbbank.com/download\\_file/734/219](https://nwbbank.com/download_file/734/219)

Regulation)<sup>[1]</sup>. NWB Bank and the water authorities are collaborating on the appropriate alignment of NWB Bank’s activities as well as the associated reporting. This will be available through NWB Bank’s annual investor letter and developed in line with the Taxonomy over time.

### Updated Green Bond Framework

NWB started issuing Green Bonds in 2014 and they have become an indispensable part of the business operations. This framework, updated in March 2022, has been updated to align with the 2021 ICMA Green Bond Principles (GBP) and, on a best effort basis, the ongoing work of the EU Commission with respect to the Taxonomy Regulation<sup>[1]</sup>.

This Framework will be reviewed on a regular basis, including its alignment to updated versions of the Green Bond Principles, the EU Taxonomy for Sustainable Activities and, when it becomes available, the future EU Green Bond Standard.

### Use of proceeds

Proceeds from NWB Bank’s Green Bonds can be used to finance as well as re-finance Eligible Loans.

“Eligible Loans” means a selected pool of loans to water authorities, provided in whole or in part, by NWB Bank that promote the transition to a low-carbon and/or climate resilient growth as determined by the water authorities according to their legal mandate. The duties and responsibilities of the Dutch water authorities are established by law and cover the overall management of the water system and water sanitation. Dutch law prescribes that the water management, carried out by the water authorities, is aimed at preventing floods and water shortage, protecting and enhancing the chemical and ecological quality of water systems and fulfilling the societal function of water systems. Hence, the statutory duties and responsibilities of Dutch water authorities are largely consistent with activities in the field of climate change mitigation, climate change adaptation and biodiversity protection. Proceeds from Green Bonds will be used to exclusively fund NWB Bank’s lending to the water authorities. Eligible Loans are loans that are used for carrying out the legal duties and responsibilities of water authorities in the field of:

- a) mitigation of climate change, being waterway management (“Mitigation Loans”)
- b) adaptation to climate change, including investments in climate-resilient growth (“Adaptation Loans”) and/or
- c) protection and/or restoration of biodiversity and ecosystems, being loans that are related to water related biodiversity projects.

Eligible Loans fall under one of the categories detailed in the table below.

Environmental objective GBP	Eligible Assets (examples)	EU Objective <sup>2</sup> Taxonomy regulation
Mitigation	Energy recovery from wastewater and extraction of phosphor	Climate change mitigation  Waterway management

<sup>[1]</sup> Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment

<sup>2</sup> EU Taxonomy Environmental Objectives (Article 9 of the Taxonomy Regulation EU 2020/852).

Environmental objective GBP	Eligible Assets (examples)	EU Objective <sup>2</sup> Taxonomy regulation
Adaptation	Flood protection	Circularity
	Other flood defenses	Pollution Prevention
Biodiversity	Pumping stations	Climate change adaptation
	Sustainable use of water	Waterway management
	Water shortages	
UN Sustainable Development Goals	Sanitation and dredging of waterbeds	Protection and restoration of biodiversity and ecosystems;
	Water treatment	Climate change mitigation;
	Transport and cleaning of wastewater	Climate change adaptation
	Disposal of sewage sludge	Waterway management



## Selection of Eligible Loans

Water authorities levy taxes from individuals and the private sector. This counts for more than half of their funding. The remaining funding requirement is raised in the capital markets independently or through NWB Bank. The Bank's share of these borrowings is around 90%.

NWB Bank's lending to the water authorities is budget financing, where the Bank finances the balance sheet activities of the water authorities, not the underlying projects. All of the activities of the water authorities can be attributed to climate adaptation, climate mitigation and biodiversity. In addition to these there can be administrative expenses and overheads, however these are covered by the water authorities' tax income.

On that basis all NWB Bank's lending to the water authorities qualifies as green under the Eligible Loan criteria and therefore all lending to the water authorities qualifies as use of proceeds under this Green Bond Framework.

## Management of proceeds

NWB Bank applies a portfolio approach to its Green Bond program, given the Green Bonds issued under the Framework fund a portfolio of Eligible Loans. NWB Bank immediately allocates Green Bond issuance to the Eligible Loan portfolio. NWB Bank's Eligible Loans and Green Bond issues are earmarked internally by means of a Green Register. NWB Bank will at all times maintain an outstanding balance of Green Bonds that is smaller than that of the total balance of Eligible Loans minus any co-financing volumes.

## Transparency and Reporting

To enable investors to follow the development and provide insight to prioritised areas, NWB Bank will through its website ([www.nwbbank.com](http://www.nwbbank.com)) provide an annual investor letter to investors including 1) a list of Eligible Loans financed in the period 2) a selection of project examples, 3) a summary of the NWB Bank's Green Bond development, 4) a mapping of the activities of the water authorities to EU Taxonomy activities, and 5) where relevant and accessible, an assessment of environmental impact, examples of which include water authorities':

- share of sustainable energy in total energy consumption
- Quantity of biogas produced in millions of m3
- Share of own renewable energy production in their total energy consumption
- Carbon footprint in tonnes of CO<sub>2</sub>
- % of quantity of substances eliminated from wastewater
- Km of primary flood defenses meeting the safety standards by the Dutch Water Authorities

## External review

NWB has appointed the Norway-based Centre for International Climate Research (CICERO) as an external reviewer of NWB's Green Bond Framework. This assessment is publicly available on NWB's website.

# Further information

NWB:

<https://www.nwbbank.com>

Water Authorities:

<https://www.dutchwaterauthorities.com/>