

The State of Baden-Württemberg

Fourth Green Bond Baden-Württemberg

Investor Presentation

October, 2024



Baden-Württemberg

MINISTERIUM FÜR FINANZEN

Agenda

01 Executive Summary

02 The State of Baden-Württemberg

03 Sustainability Strategy

04 Green Bond Framework

Executive Summary

THE STATE OF BADEN- WÜRTTEMBERG

- No. 3 among the German federal states in terms of GDP, population and surface area
- Rating: Aaa / AAA / AA+ (Moody's / Scope / S&P)¹⁾
- Established frequent EUR benchmark issuer

SUSTAINABILITY STRATEGY

- Since 2007, but continuously amended in accordance with EU requirements
- Established reporting structures on key indicators and on measures of each separate ministry
- Supporting measures in financial management include procurement strategy, asset management and the Green Bond Baden-Württemberg issuance activity

GREEN BOND FRAMEWORK

- Use of proceeds comply with the guidelines of the ICMA Green Bond Principles, environmental objectives of the EU Taxonomy and UN Sustainable Development Goals
- Second Party Opinion (SPO) and external taxonomy assessment provided by EthiFinance
- Impact evaluations for the Green Bonds 2021, 2022 and 2023 have been published by Wuppertal Institut

FOURTH GREEN BOND

- Fourth Green Bond Baden-Württemberg expected to be priced in October 2024 - subject to market conditions
- Total of EUR **691.6** million eligible expenditure from budget year 2023
- An issuance volume of EUR 650 million leads to 94% allocation of eligible expenditure

Agenda

01 Executive Summary

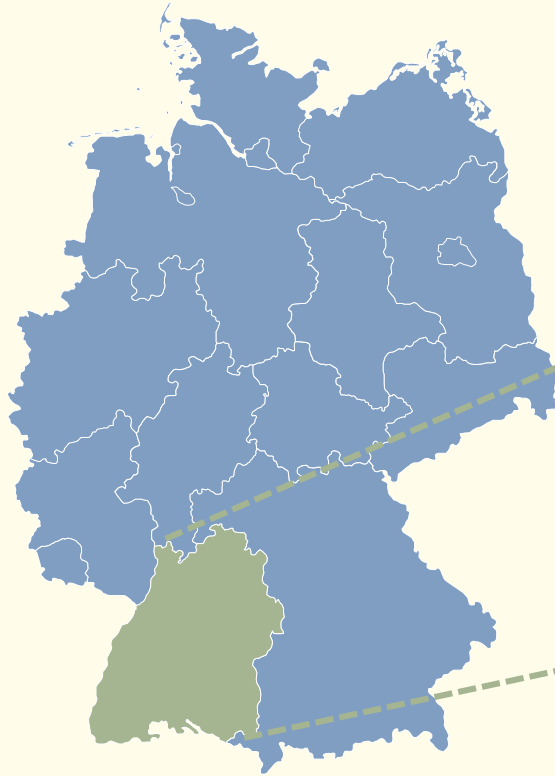
02 The State of Baden-Württemberg

03 Sustainability Strategy

04 Green Bond Framework



The State of Baden-Württemberg is one of the largest German states by population, GDP and surface area



The State of Baden-Württemberg

	Ranking within German states	Value ¹⁾
Population	No. 3	11.34 mn (2023)
GDP	No. 3	EUR 615 bn (2023)
Surface area	No. 3	35,751 km ² (2022)

The State of Baden-Württemberg is a federal state with its own parliament, government and budget autonomy



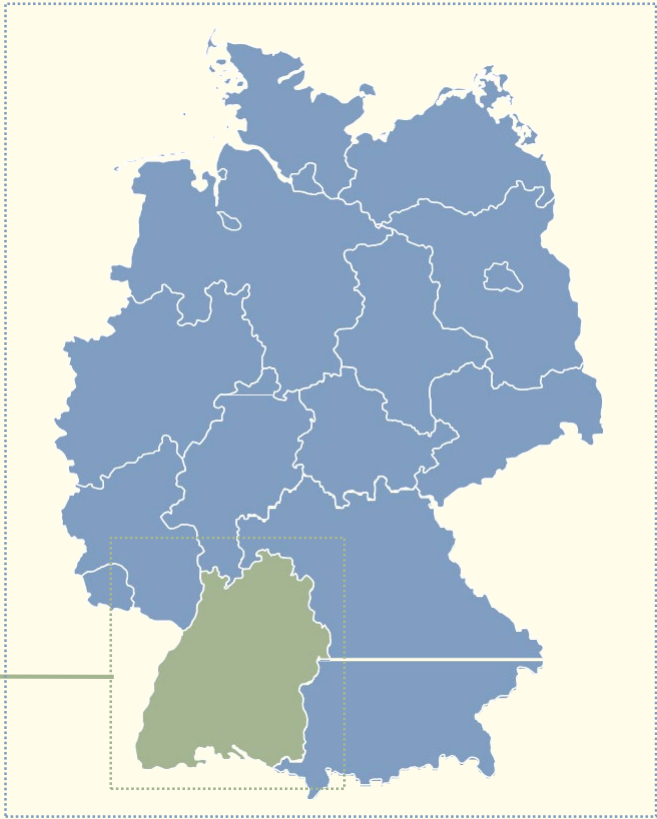
The State of Baden-Württemberg

Expenditure (2023)¹⁾:
EUR 66.2 bn

Current government:

**Green
Party**

Conservatives



Federal Republic of Germany

Expenditure (2023)¹⁾:
EUR 457.7 bn

Current government:

**Social
Democrats**

**Green
Party**

**Free
Democrats**



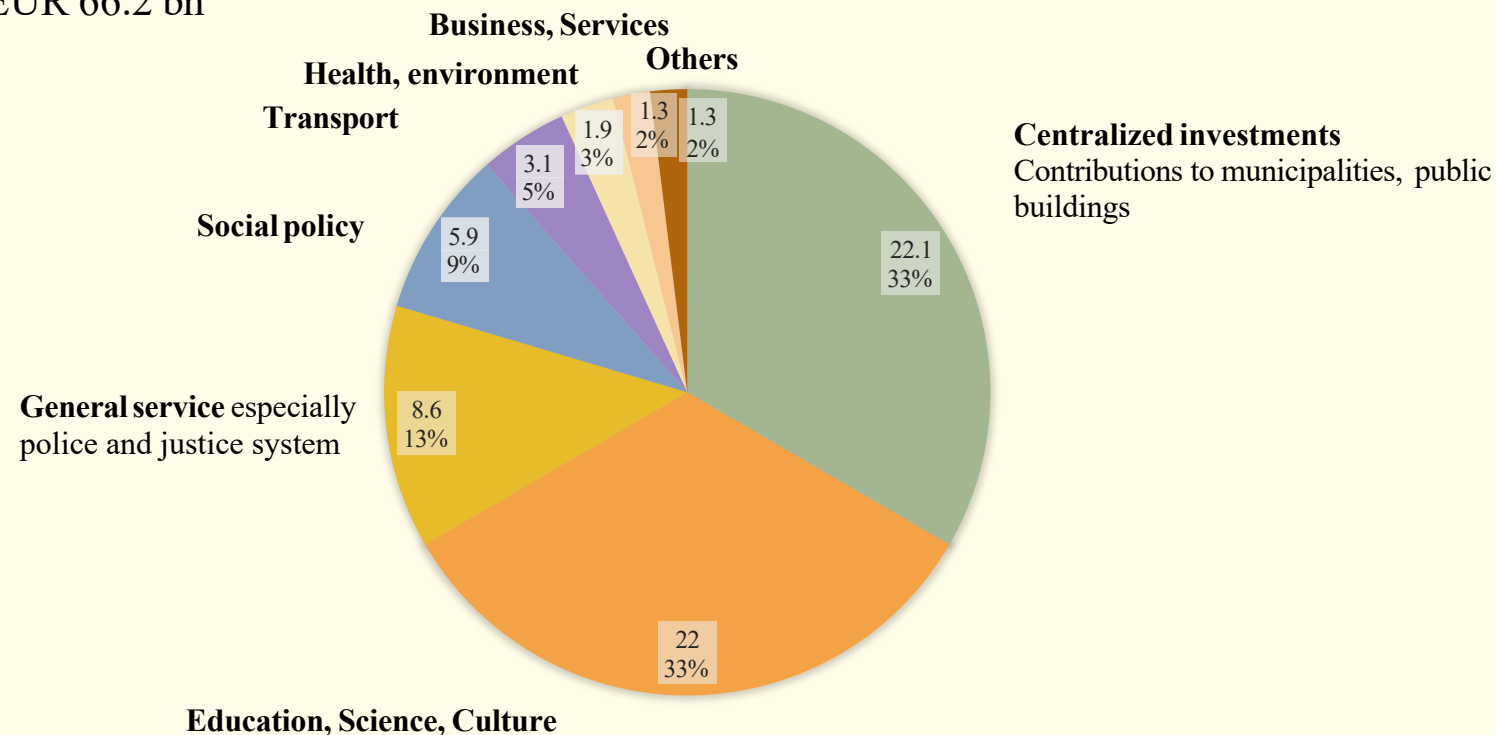
Basic Law for the Federal Republic of Germany: "The Federation and the *Länder* shall be autonomous and independent of one another in the management of their respective budgets." (Article 109, § 1)

Source: Budget accounts
1) Rounded figures

66.2 bn expenditure focuses on financing municipalities, public buildings, education, science, police & justice system

State expenditure¹⁾

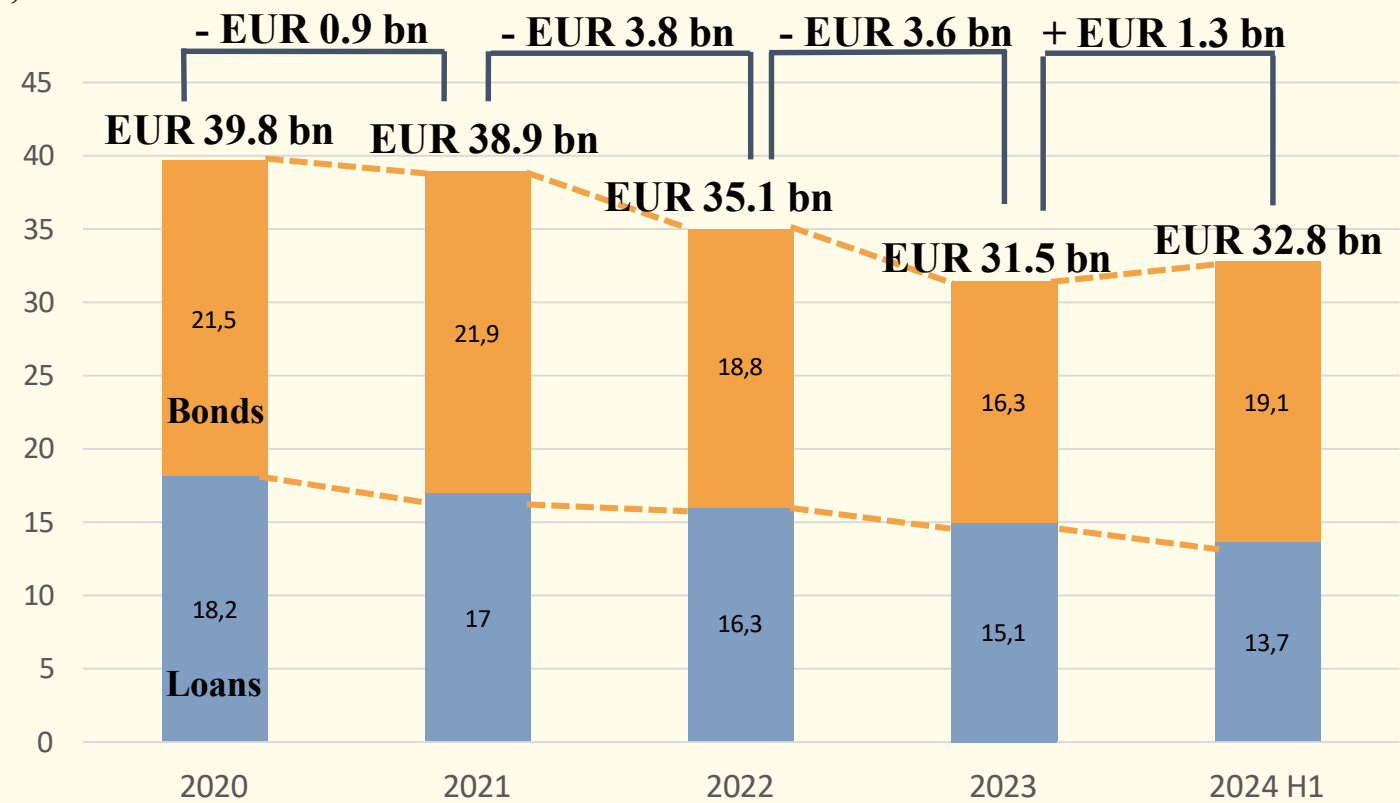
2023 actual, by area of activity, EUR 66.2 bn



Source: The State of Baden-Württemberg
1) Rounded figures

Total capital market debt is at historically low levels and credit rating consistently best quality

Total capital market debt¹⁾
by type, EUR bn



Credit Ratings²⁾

Moody's

Aaa

S&P

AA+

Scope

AAA

Source: The State of Baden-Württemberg

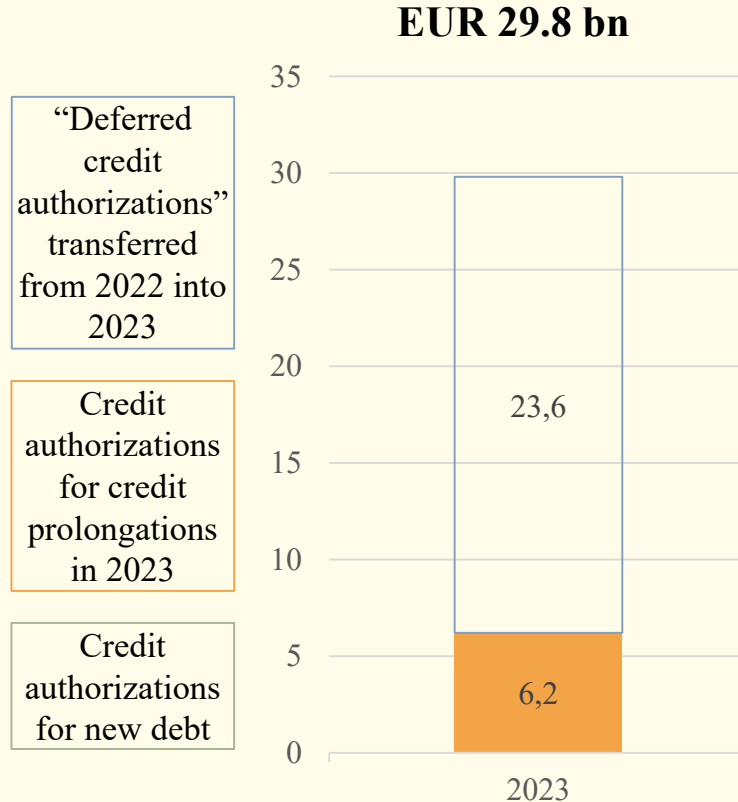
1) Rounded figures

2) Ratings: Moody's as of 29/07/2024; S&P 24/09/2024;
Scope 10/05/2024

Liquidity outflow in 2023 still remained lower than expected and most credit authorizations were deferred

Gross credit authorizations 2023¹⁾

EUR bn

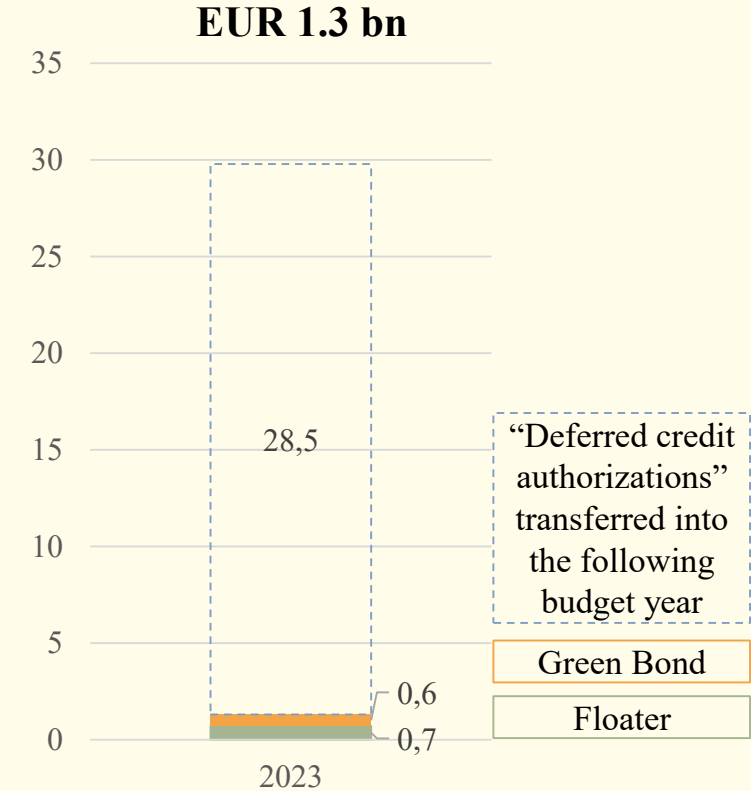


Deferred credit authorizations generally allow for:

- Delay in spending, postponing funding needs
- Balanced capital market activity
- Liquidity management

Capital market activity 2023¹⁾

EUR bn



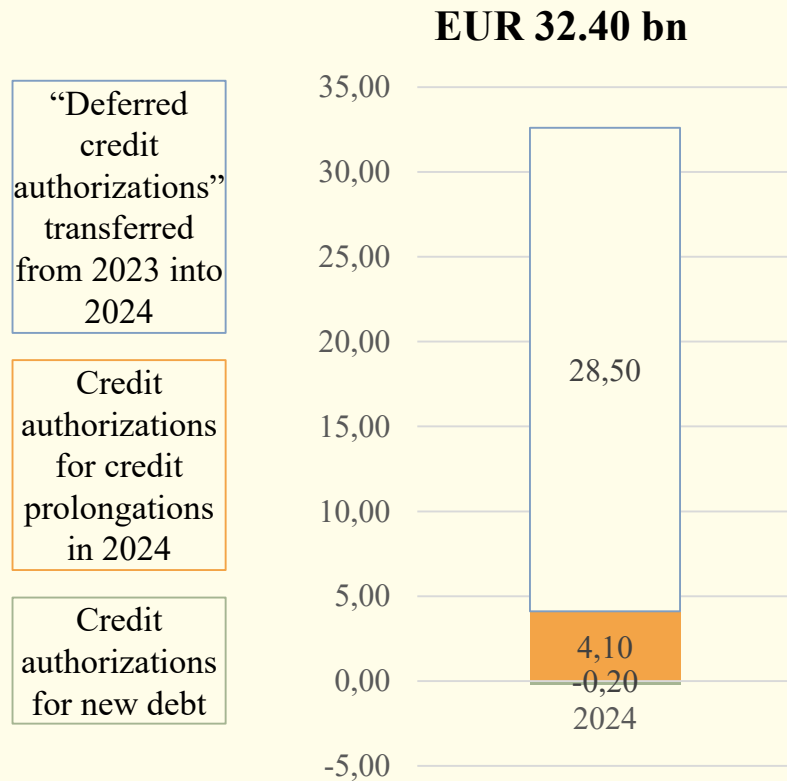
Source: The State of Baden-Württemberg

1) Rounded figures

Market activity for 2024 is higher than in previous years reducing level of deferred credit authorizations

Gross credit authorizations 2024¹⁾

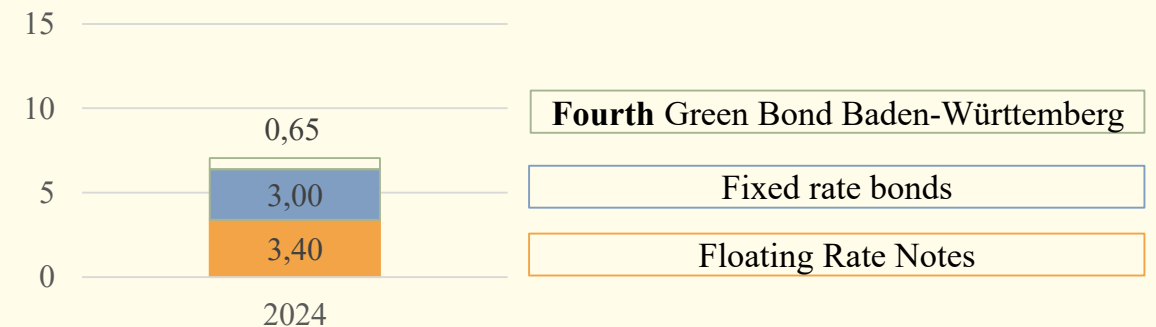
EUR bn



Expected capital market activity 2024¹⁾

EUR bn

~ EUR 7.05 bn

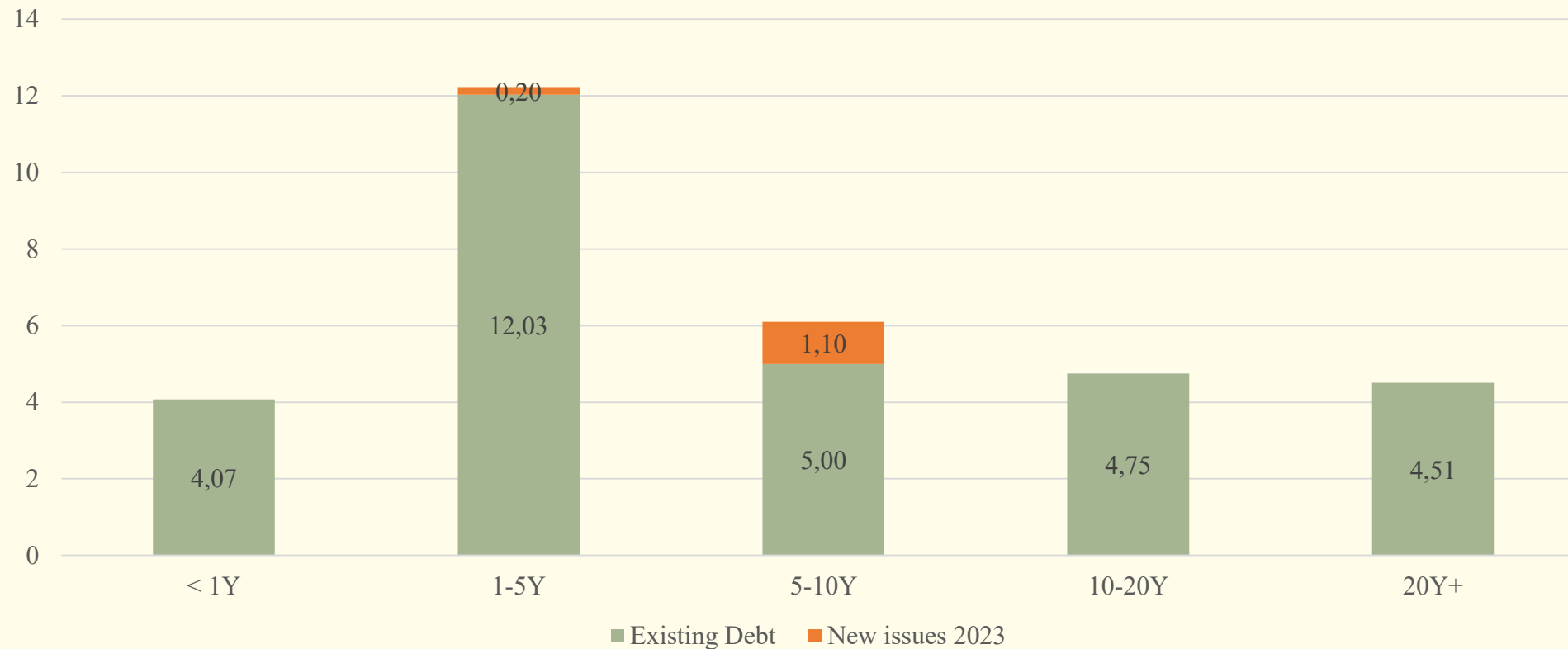


Source: The State of Baden-Württemberg
1) Rounded figures

Maturity profile is 7.94 years on average – Floating rate issues within 1 to 6 years, fixed rates typically longer

Capital market debt by maturities as of 31/12/2023¹⁾

EUR bn

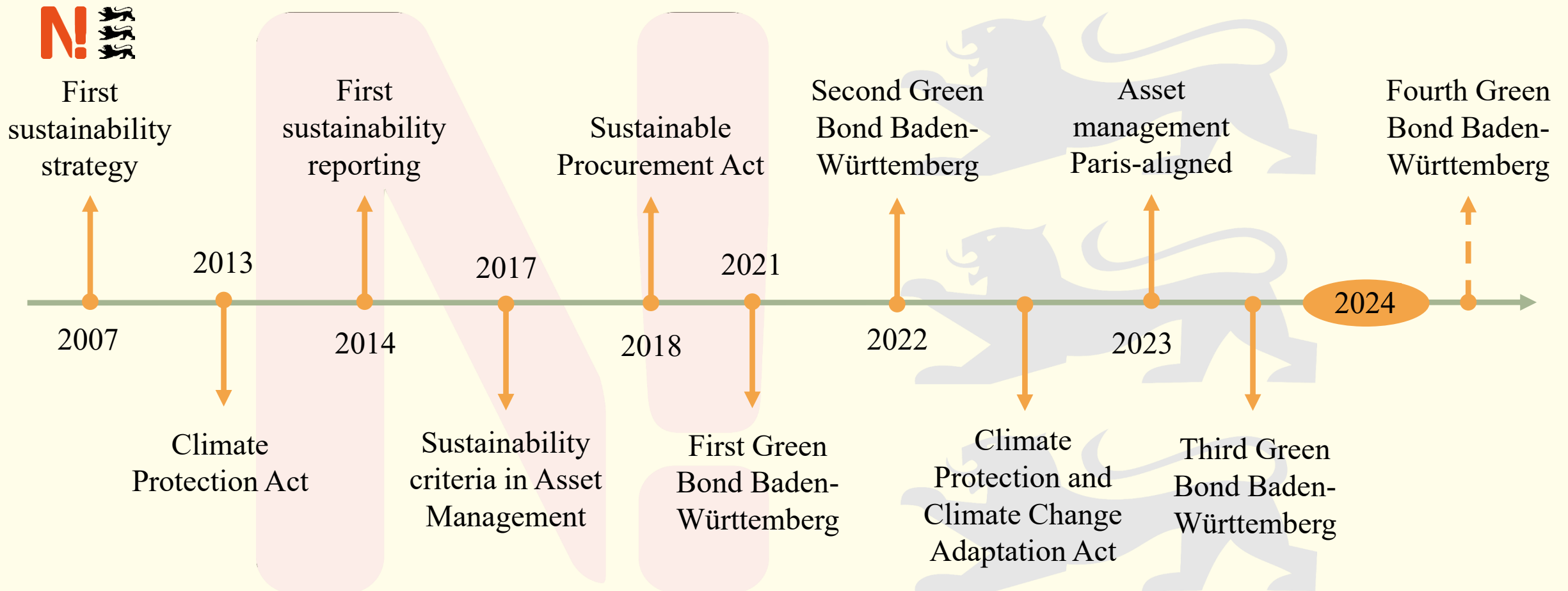


Source: The State of Baden-Württemberg
1) Rounded figures

Agenda

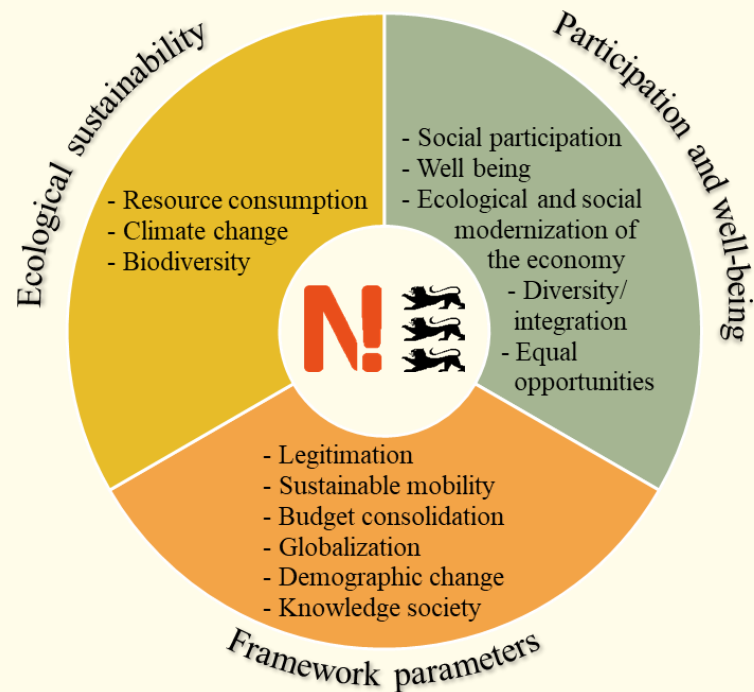
- 01 Executive Summary
- 02 The State of Baden-Württemberg
- 03 Sustainability Strategy**
- 04 Green Bond Framework

Baden-Württemberg has initiated a sustainability strategy back in 2007 that has constantly evolved



The sustainability strategy comprises all areas of sustainable governance

Sustainability challenges



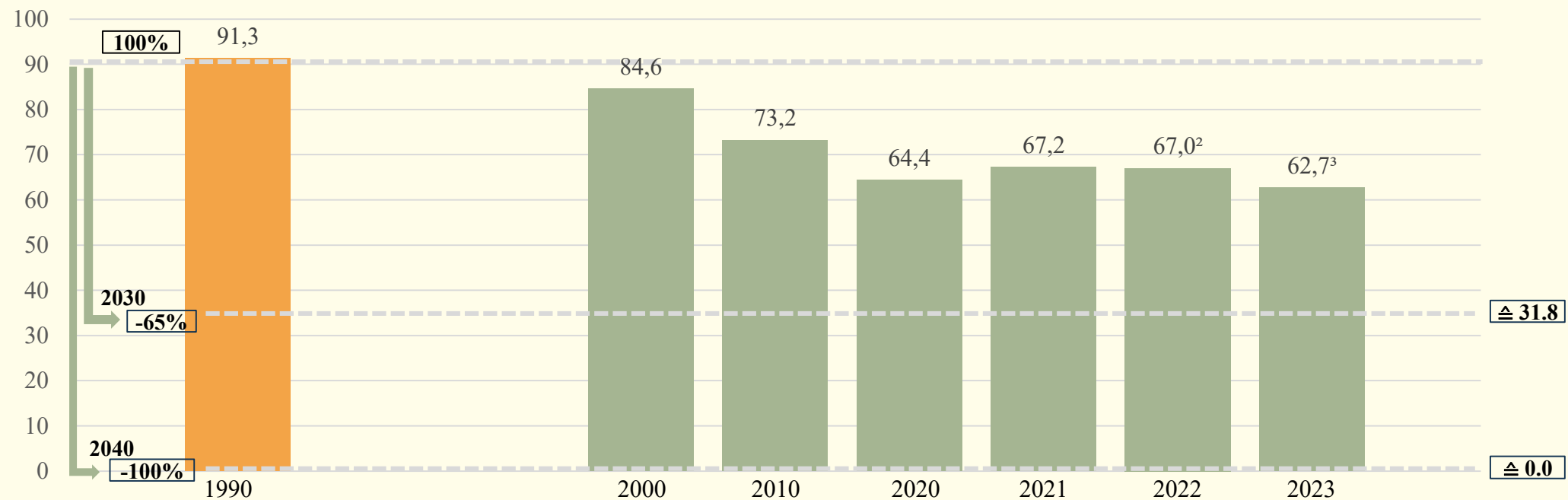
Guiding principles (selection)

“Acting sustainably in Baden-Württemberg means...”

- I. ... implementing the energy transition quickly, safely and affordably with the involvement of civil society.
- II. ... perceiving climate protection as a cross-sectional task and minimising environmental-related threats due to climate change.
- III. ... promoting and implementing innovative, environmentally friendly and social mobility concepts.
- IV. ... implementing a future-oriented urban and spatial development.
- V. ... optimising the use of resources and decoupling economic growth from the consumption of natural raw materials.
- VI. ... protecting and preserving the livelihood, diverse nature and unique cultural landscapes of the state and keeping the impact on humans, nature and the environment as low as possible beyond the state boundaries.

Climate protection and climate change adaptation act of 2023 (KlimaG BW) requires net GHG neutrality in 2040

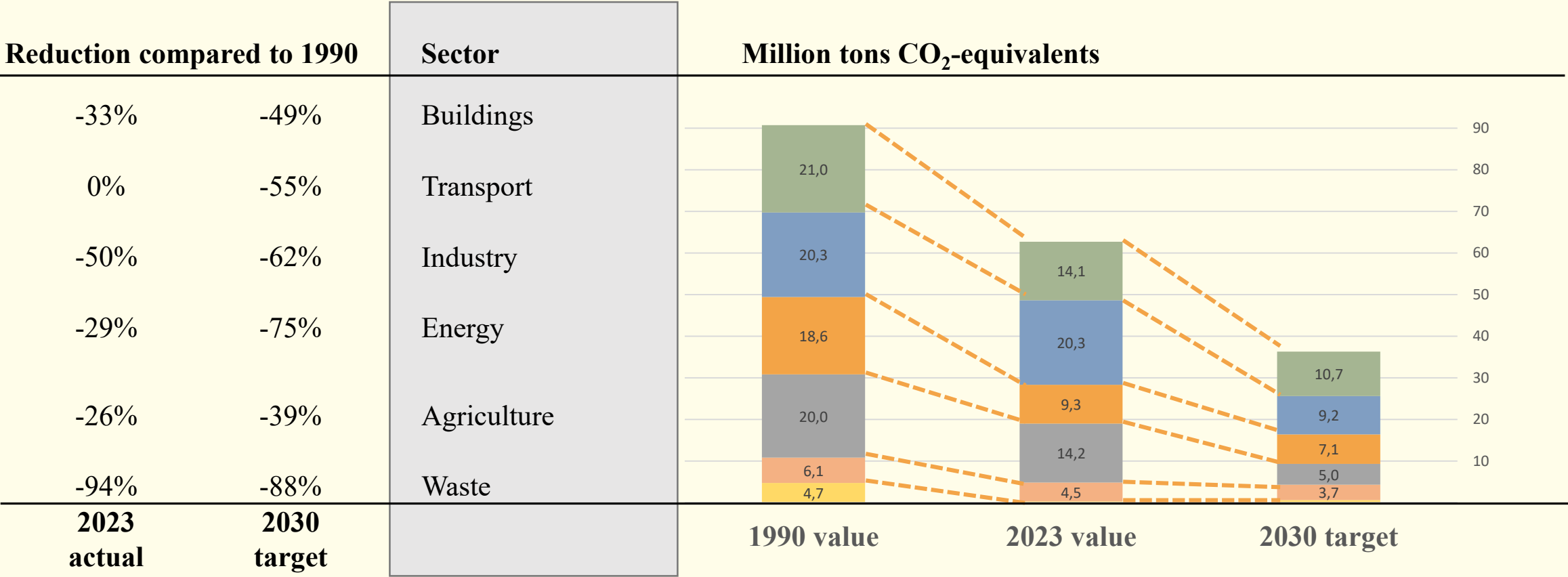
GHG emissions including LULUCF except for 2023¹⁾
mn t CO₂-equivalent



Committed reduction targets for 2030 and 2040 compared to 1990 baseline numbers

Source: The State of Baden-Württemberg – Emission Report 2023 of the State Statistical Office Baden-Württemberg
1) Rounded figures. Greenhouse gas emissions including carbon dioxide, methane, nitrous oxide and fluorinated greenhouse gases. Figures include land use, land use change and forestry (LULUCF).
2) 2022 figure now includes emissions and sinks from LULUCF.
3) 2023 is an estimate of the statistical office from June 2024 and does not include emissions and sinks from LULUCF.

Half of the 65% target¹⁾ reached, but strong differences by sector target achievement, which BW monitors



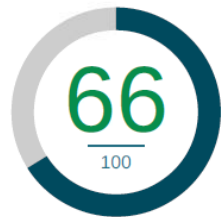
1) 65% includes sink of 4.4 mn t CO₂-equivalents via LULUCF.

Source: Emission reporting for 2023, Q3/2024

ESG issuer rating reflects overall sustainability commitment – best-in-class results in January 2023

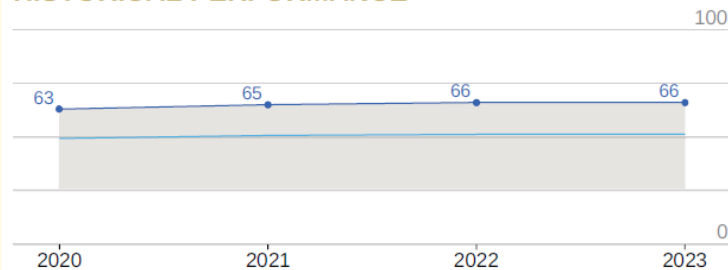
Local/Regional Authority and Sector Performance

OVERALL SUSTAINABILITY PERFORMANCE



Rank in Sector	1/29
Company Reporting Rate	87%
Sector Average Reporting Rate	80%
High severity controversies	Yes

HISTORICAL PERFORMANCE



Local/Regional Authority and Sector Performance

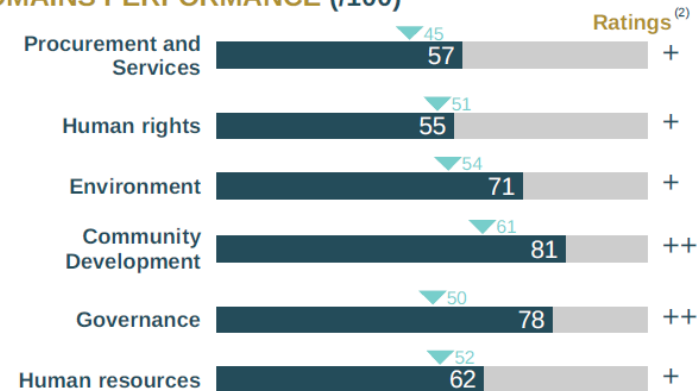
Sector average performance

Sector performance

ESG PERFORMANCE (/100)



6 DOMAINS PERFORMANCE (/100)

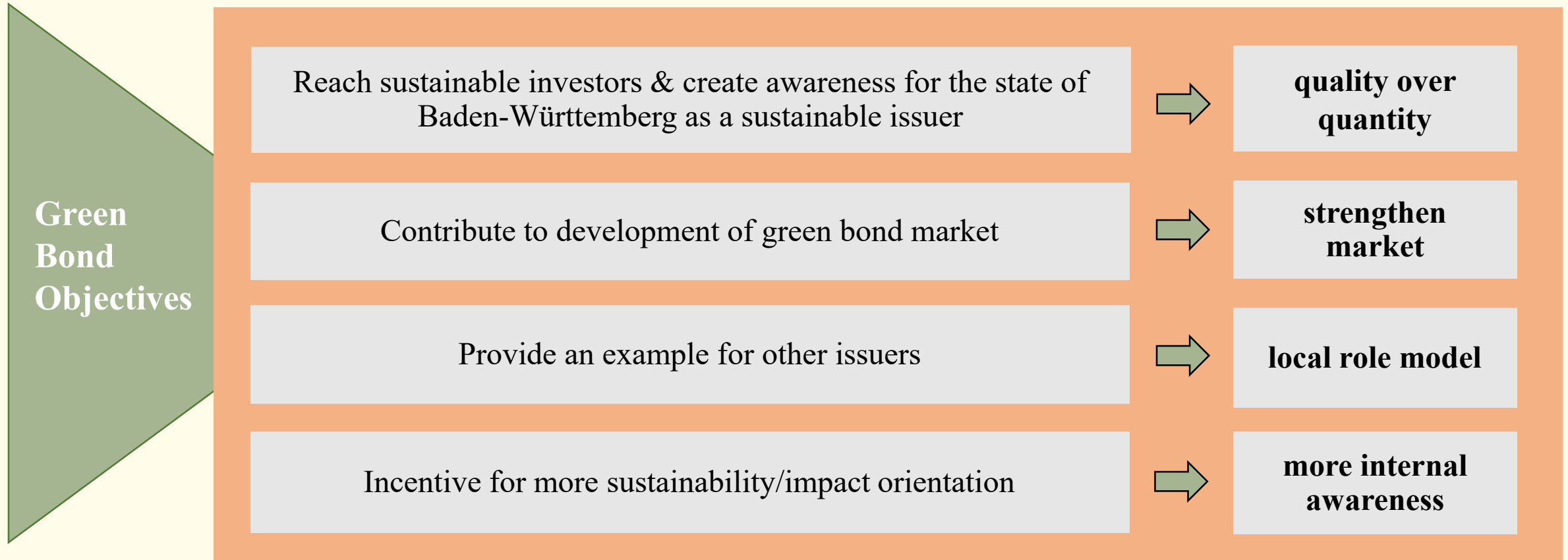


- ESG evaluation by Moody's ESG Solutions (formerly: V.E) reflects the overall commitment to sustainability
- Best-in-class result in category "Local/regional authority" provides assurance to investors that also conventional bonds finance activities with a high degree of sustainability orientation

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Goals of the Green Bond are to position the state as a sustainable issuer and to serve as a role model



Green Bond Framework follows the ICMA GBP structure

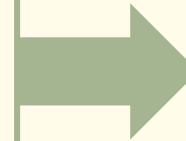
Section 1 | Introduction

Section 2 | Strategy and Rationale

- Environmental objectives of the State of Baden-Württemberg
- Existing environmental strategy reports
- Rationale for issuing Green Bonds

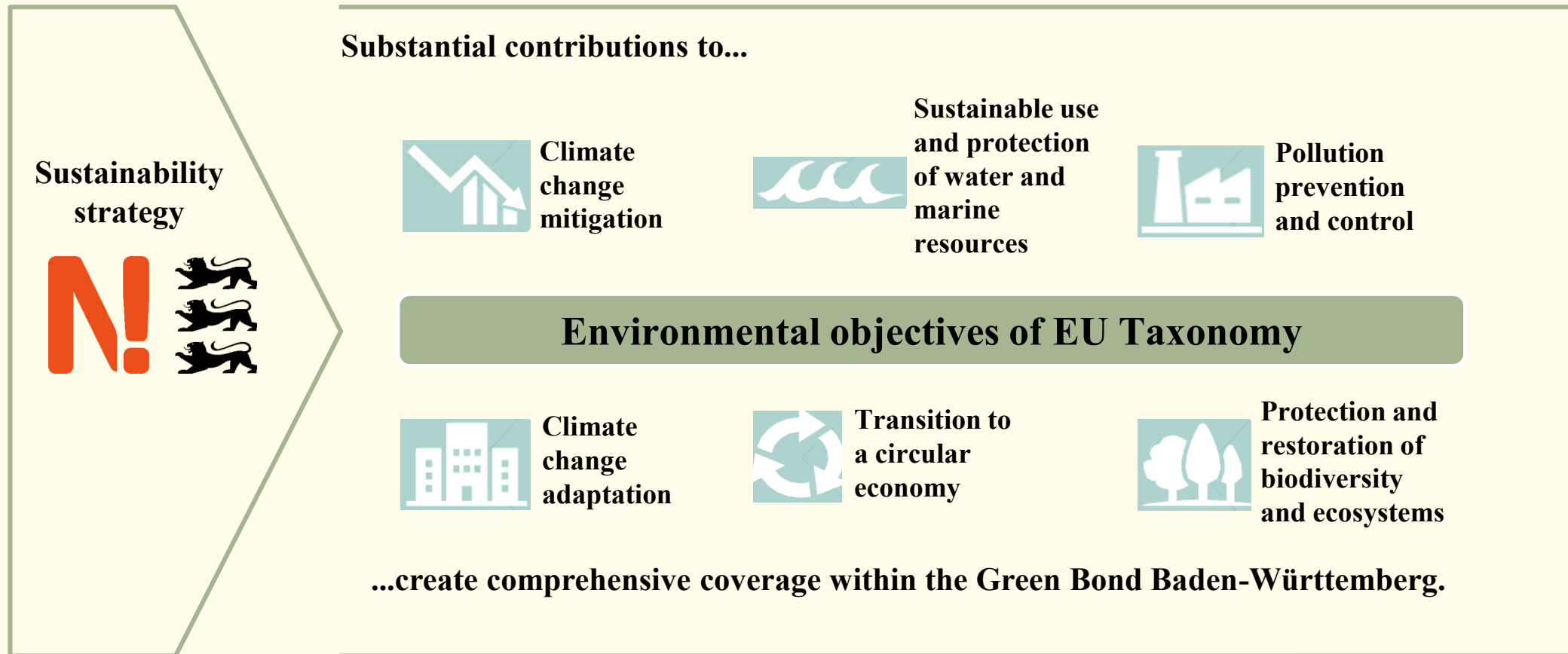
Section 3 | Basis and core components of the GB Framework

- Basis of the Framework
- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review





**Green Bond Framework
of the State of
Baden-Württemberg**

Green Bond comprises projects with contributions to all six environmental objectives of the EU Taxonomy



The State of Baden-Württemberg has defined eligibility criteria and requirements

Budgetary/ systemic criteria

- ✓ Actual expenditure reference
 - ✓ Project expenditure
 - ✓ Net expenditure of the federal state
 - ✓ Voluntary state activity
-  allocation of actual outflows of the year prior to issuance
 + capital expenditure, public subsidies, operating expenditure increasing lifetime/value of green asset
 - operating or personnel expenditure without value or lifetime increase for a green asset

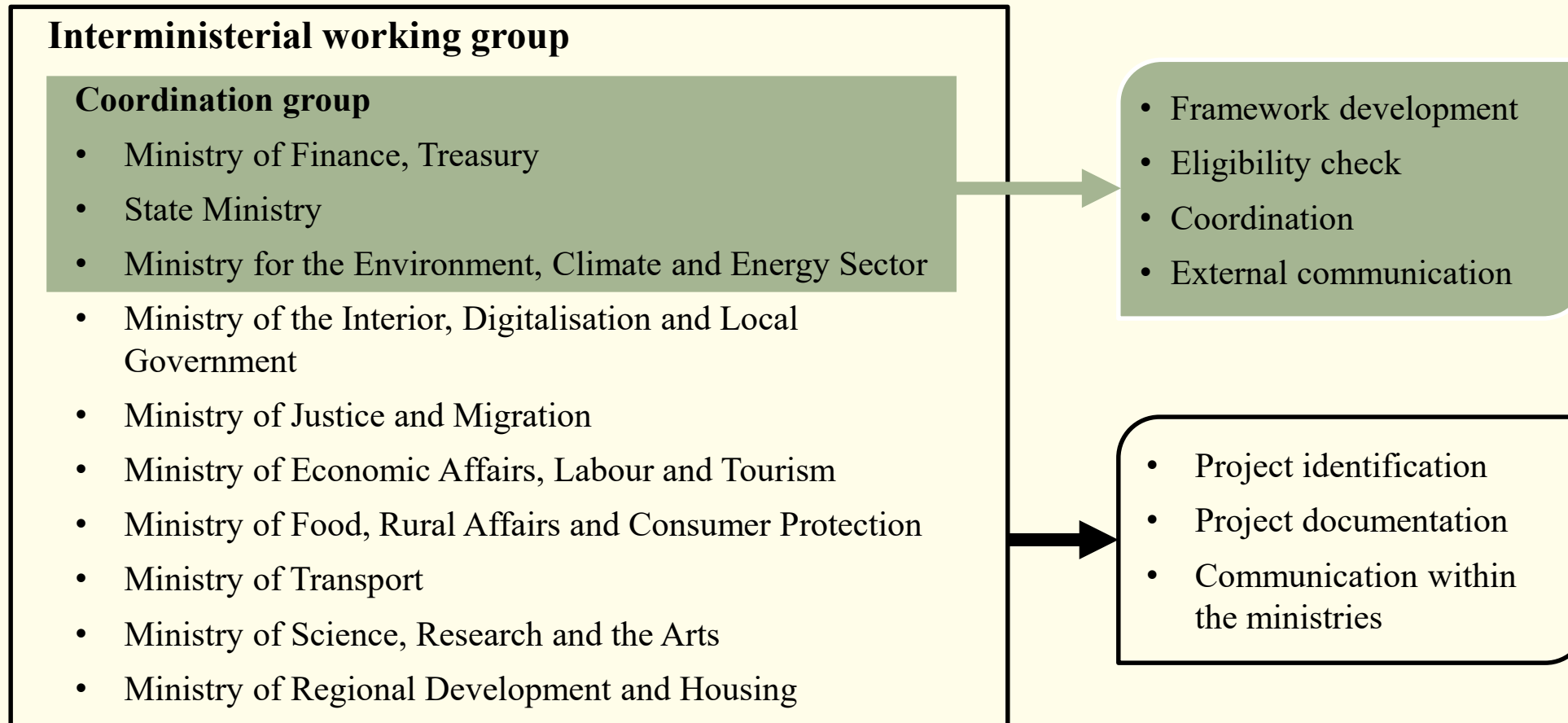
Impact criteria

- ✓ Contribution to an environmental objective as specified in the EU Taxonomy
- ✓ Identification of the (primary) ICMA Green Bond Principles category
- ✓ Fulfilment of “do-no-significant-harm” (DNSH) criteria as specified in the EU Taxonomy, where possible
- ✓ Compliance with minimum social safeguards as specified in the EU Taxonomy
- ✓ Qualitative description of the expected impact and quantitative indicator(s)

Additional mapping criteria

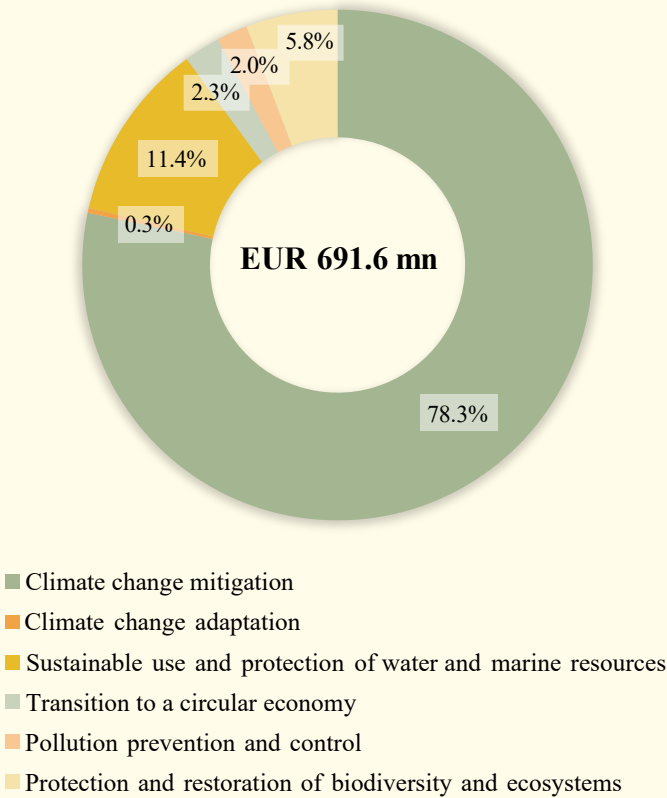
- ✓ UN Sustainable Development Goals (SDG)
- ✓ Guiding principles of Baden-Württemberg’s sustainability strategy

Coordination group and interministerial working group verify eligibility of green projects

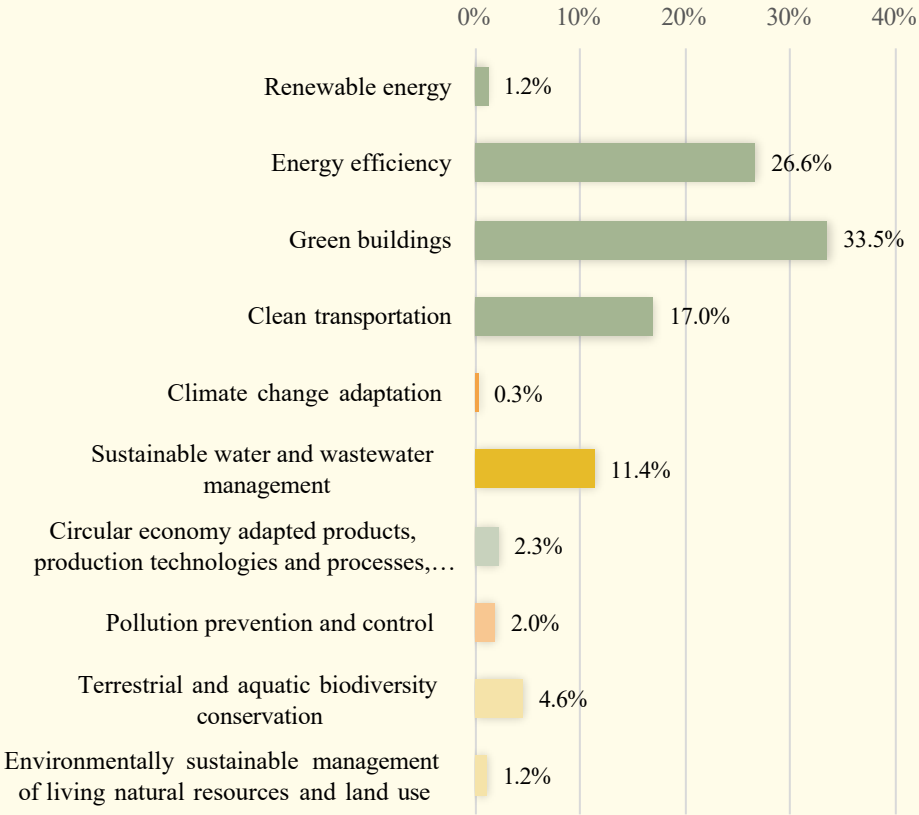


Green projects for fourth Green Bond – highest shares for green buildings, energy efficiency and clean transportation

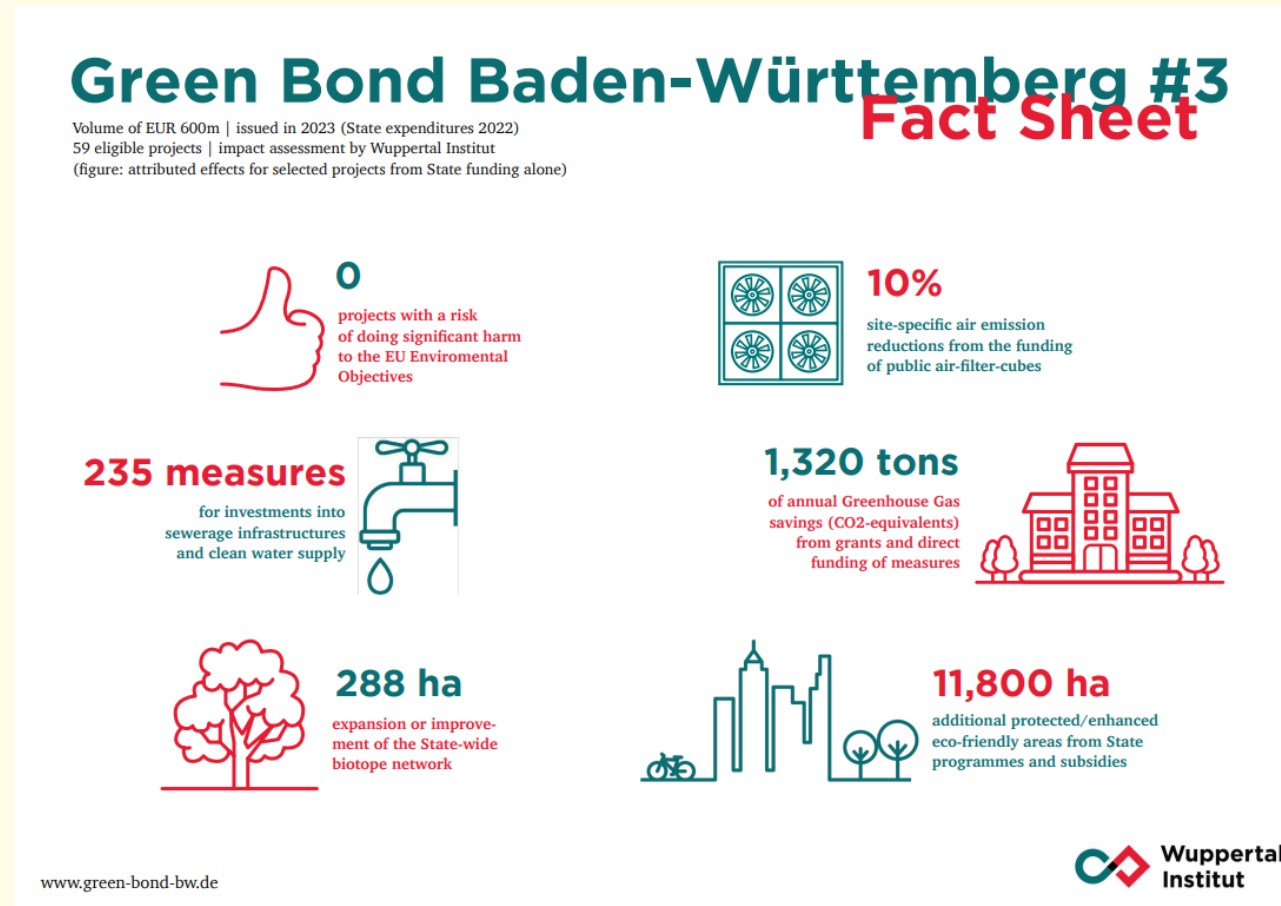
Eligible expenditure by EU Environmental Objective¹⁾
in % of total EUR mn



Eligible expenditure by ICMA Green Bond Principles category¹⁾
in % of total EUR mn



High-quality indicators show impact of the Green Bond Baden-Württemberg – last year's impact report is online



Full Impact Report is available at:

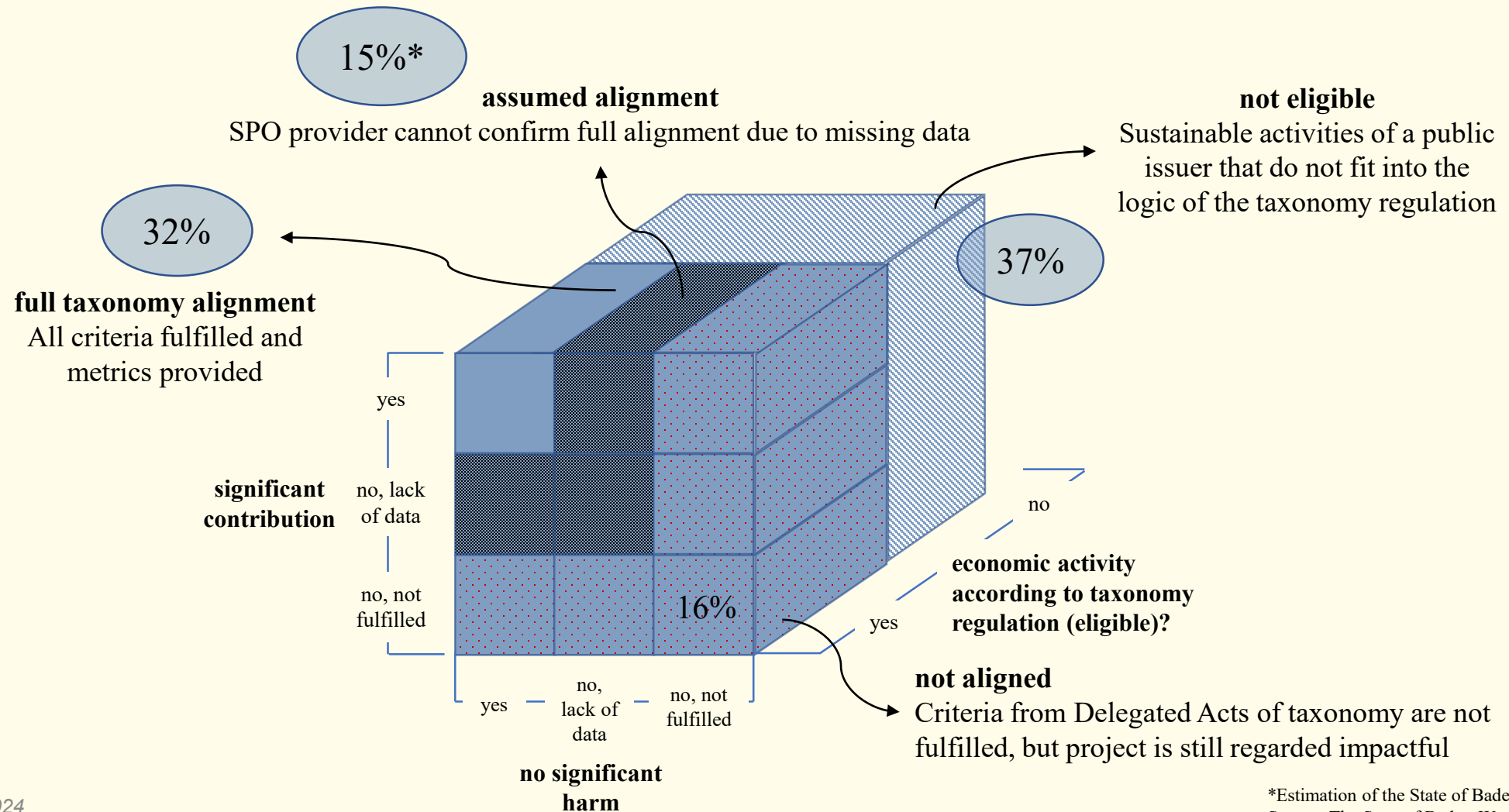
<https://fm.baden-wuerttemberg.de/de/finanzen/haushalt/green-bond-bw>

Second Party Opinion: EthiFinance confirms alignment with ICMA principles

EthiFinance

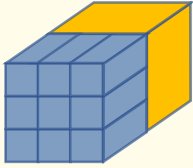
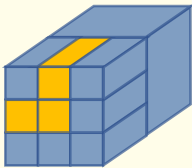
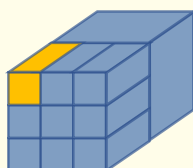
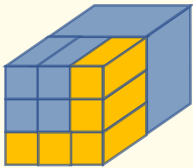
- Alignment of framework with ICMA Green Bond Principles
- Very good ESG risk management
- Very high alignment of Green Bond measures with sustainability strategy
- Substantial impact for large share of projects

Taxonomy assessment results in 32% fully aligned expenditure



*Estimation of the State of Baden-Württemberg
Source: The State of Baden-Württemberg

Examples show that projects with high environmental impact can be in any of the four categories

	out of scope/not eligible	assumed alignment	full alignment	not aligned
				
Examples	<ul style="list-style-type: none"> ➤ Broadband infrastructure funding ➤ Biodiversity projects in the area of agriculture 	<ul style="list-style-type: none"> ➤ Sustainable water infrastructure 	<ul style="list-style-type: none"> ➤ Buildings < 5.000 m² ➤ Buildings > 5.000 m² with lifecycle assessment of sustainability 	<ul style="list-style-type: none"> ➤ Buildings > 5.000 m² without a lifecycle assessment of sustainability
Explanation	<ul style="list-style-type: none"> ➤ Infrastructure deployment not an economic activity ➤ Agriculture not (<u>yet</u>) an economic activity 	<ul style="list-style-type: none"> ➤ Taxonomy requires data on water leakage, which currently is not collected 	<ul style="list-style-type: none"> ➤ All metrics fulfilled 	<ul style="list-style-type: none"> ➤ Missing certification for lifecycle assessment, but all other metrics fulfilled

Compliance with Minimum Social Safeguards through Germany's legislation and constitution

1) UN GP

National Action Plan for the implementation of the United Nations Guiding Principles

- **National Action Plan for Business and Human Rights** adopted in 2016

2) OECD Guidelines for Multinat. Enterprises

Germany adheres to the OECD Guidelines for Multinational Enterprises (as signatory)

- **OECD Guidelines for Multinational Enterprises**
- **OECD Guidelines on Responsible Business Conduct**

3) Human Rights

Human rights - mandatory Human Rights Due Diligence Law

- **“Supply Chain Law”** (“Lieferkettensorgfaltspflichtengesetz”) passed in 2021

4) Labour Rights







- 9 out of 10 fundamental **ILO conventions** ratified
- Comprehensive framework for combatting forced labour

5) Corruption legislation

German Draft Law on Whistleblower Protection

- **“Whistleblower Protection Act”** adopted by German “Bundestag” in 2022

Examples from fourth Green Bond selected to illustrate the scope of the total 53* eligible projects

Environmental objective		Green project examples
Climate change mitigation		1: Notably energy efficient new Buildings 2: Cycling Routes on State Roads 3: GVFG Electrification Projects
Climate change adaptation		4: Silvicultural Measures
Sustainable use and protection of water and marine resources		5: Sewerage Infrastructure Investments
Transition to a circular economy		6: Phosphorus Recovery from sewage sludge
Pollution prevention and control		7: Remediation of contaminated Sites
Protection and restoration of biodiversity and ecosystems		8: Aid for Pruning of Meadow Orchards

*There are 56 projects in the SPO and in the project list because two projects were split into two and three parts respectively.
Source: The State of Baden-Württemberg

Green project example 1

Notably energy-efficient new buildings

Fully taxonomy
aligned*

Key Facts

- New buildings, reaching the requirements for primary energy demand set in the EU taxonomy
- Actual expenditure 2023: EUR 170,200,038.54
- Ressort: Ministry of Finance

Expected Impact

- Qualitative description: significantly reduced primary energy demand
- Quantitative indicators: GHG emission reduction compared to 1990; GHG emissions avoided per year; energy-efficient net floor area added

EU-Taxonomy Environmental Objective

Climate Change Mitigation



ICMA Green Bond Principles Category

Green Buildings

UN Sustainable Development Goals



Guiding Principle BW Sustainability Strategy

(I)... to implement the energy transition quickly, safely and affordable with the involvement of civil society.

*22.5% of eligible expenditure for notably energy-efficient buildings is not fully aligned, as the building does not have a sustainability certification including a lifecycle assessment.

Green project example 2

Cycling Routes on State Roads

Fully taxonomy
aligned

Key Facts

- Construction of cycling routes on state roads
- Actual expenditure 2023: EUR 18,691,538.00
- Ressort: Ministry of Transport

Expected Impact

- Qualitative description: State-wide improvement and expansion of cycling infrastructure and increase of cycling
- Quantitative indicator: kilometers of new bicycle lanes

EU-Taxonomy Environmental Objective

Climate Change Mitigation



ICMA Green Bond Principles Category

Clean Transportation

UN Sustainable Development Goals



Guiding Principle BW Sustainability Strategy

(III)... to promote and implement innovative, environmentally friendly and social mobility concepts.

Green project example 3

GVFG* Electrification Projects

Fully taxonomy
aligned

Key Facts

- Electrification of rail infrastructure
- Actual expenditure 2023: EUR 12,126,585.00
- Ressort: Ministry of Transport

Expected Impact

- Qualitative description: replacing diesel railcars by electric ones. Basis for additional mobility options
- Quantitative indicator: average reduction in travel time for public transport

EU-Taxonomy Environmental Objective

Climate Change Mitigation



ICMA Green Bond Principles Category

Clean Transportation

UN Sustainable Development Goals





Guiding Principle BW Sustainability Strategy

(III)... to promote and implement innovative, environmentally friendly and social mobility concepts.

Green project example 4

Silvicultural measures

Fully taxonomy
aligned

Key Facts	Expected Impact
<ul style="list-style-type: none">- Support for afforestation, reforestation and the development of climate-resilient forests- Actual expenditure 2023: EUR 2,012,204.79- Ressort: Ministry of Food, Rural Affairs and Consumer Protection	<ul style="list-style-type: none">- Qualitative description: support of forest owners in maintenance and improvement of forest resources- Quantitative indicators: annually absorbed carbon (carbon sink); stored carbon (biomass above and below ground); promoted forest area
EU-Taxonomy Environmental Objective	Climate Change Adaptation 
ICMA Green Bond Principles Category	Climate Change Adaptation
UN Sustainable Development Goals	
Guiding Principle BW Sustainability Strategy	(VI)... to protect and preserve the livelihood, the diverse nature and the unique cultural landscapes of the country and to keep the impact on humans, nature and the environment as low as possible beyond the borders of the country.

Green project example 5

Sewerage Infrastructure Investments

EU Taxonomy:
significant
contribution

Key Facts

- Investments which are immediately essential for public sewerage
- Actual expenditure 2023: EUR 54,629,569.00
- Ressort: Ministry for the Environment, Climate and Energy Sector

Expected Impact

- Qualitative description: reduction of furnishes from municipal sewage in waterbodies
- Quantitative indicators: 148 implemented measures and 120 funded communities in 2022 (according to 3rd impact report)

EU-Taxonomy Environmental Objective

Sustainable Use and Protection
of Water and Marine Resources



ICMA Green Bond Principles Category

Sustainable Water and Wastewater Management

UN Sustainable Development Goals



Guiding Principle BW Sustainability Strategy

(VI)... to protect and preserve the livelihood, the diverse nature and the unique cultural landscapes of the country and to keep the impact on humans, nature and the environment as low as possible beyond the borders of the country.

Green project example 6

Phosphorus recovery from sewage sludge

EU Taxonomy:
significant
contribution

Key Facts

- Programme for building plants for phosphorus recovery from sewage sludge
- Actual expenditure 2023: EUR 2,743,259.08
- Ressort: Ministry for the Environment, Climate and Energy Sector

Expected Impact

- Qualitative description: phosphorus recovery from sewage sludge reduces new input and promotes self-sufficiency
- Quantitative indicator: future potentials of recovered phosphorus (t/a)

EU-Taxonomy Environmental Objective

Transition to a Circular Economy



ICMA Green Bond Principles Category

Circular Economy adapted Products, Production Technologies and Processes, and/or certified eco-efficient Products

UN Sustainable Development Goals



Guiding Principle BW Sustainability Strategy

(V)... optimize the use of resources and decouple economic growth from the consumption of natural raw materials.

Green project example 7

Remediation of contaminated sites

EU Taxonomy:
significant
contribution

Key Facts

- Promotion of investments that are directly necessary for the remediation of contaminated sites
- Actual expenditure 2023: EUR 10,294,939.00
- Ressort: Ministry for the Environment, Climate and Energy Sector

Expected Impact

- Qualitative description: pollution reduction (reduction of materially polluted areas)
- Quantitative indicators: 34 implemented measures and 24 funded communities in 2022 (according to 3rd impact report)

EU-Taxonomy Environmental Objective

Pollution Prevention and Control



ICMA Green Bond Principles Category

Pollution Prevention and Control

UN Sustainable Development Goals



Guiding Principle BW Sustainability Strategy

(VI)... to protect and preserve the livelihood, the diverse nature and the unique cultural landscapes of the country and to keep the impact on humans, nature and the environment as low as possible beyond the borders of the country.

Green project example 8

Aid for pruning of meadow orchards

Not eligible for
EU Taxonomy*

Key Facts

- Professional pruning of fast-growing, large-crowned fruit trees in meadow orchards
- Actual expenditure 2023: EUR 2,681,705.00
- Ressort: Ministry of Food, Rural Affairs and Consumer Protection

Expected Impact

- Qualitative description: support the pruning and preserving the landscape and ecosystem of meadow orchards
- Quantitative indicator: number of pruned trees

EU-Taxonomy Environmental Objective

Protection and Restoration of
Biodiversity and Ecosystems



ICMA Green Bond Principles Category

Environmentally sustainable Management of living Natural
Resources and Land Use

UN Sustainable Development Goals



Guiding Principle BW Sustainability Strategy

(VI)... to protect and preserve the livelihood, the diverse nature and the unique cultural landscapes of the country and to keep the impact on humans, nature and the environment as low as possible beyond the borders of the country.

Project list for fourth Green Bond is available online

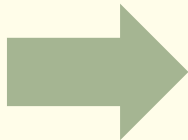
- To ensure complete transparency on eligible expenditure, the State of Baden-Württemberg has published a list of all 53* projects financed through the fourth Green Bond
- The project list contains the following information for each individual project:

Project Name

EU-Taxonomy details

Actual Expenditure

ICMA Green Bond Principles Category

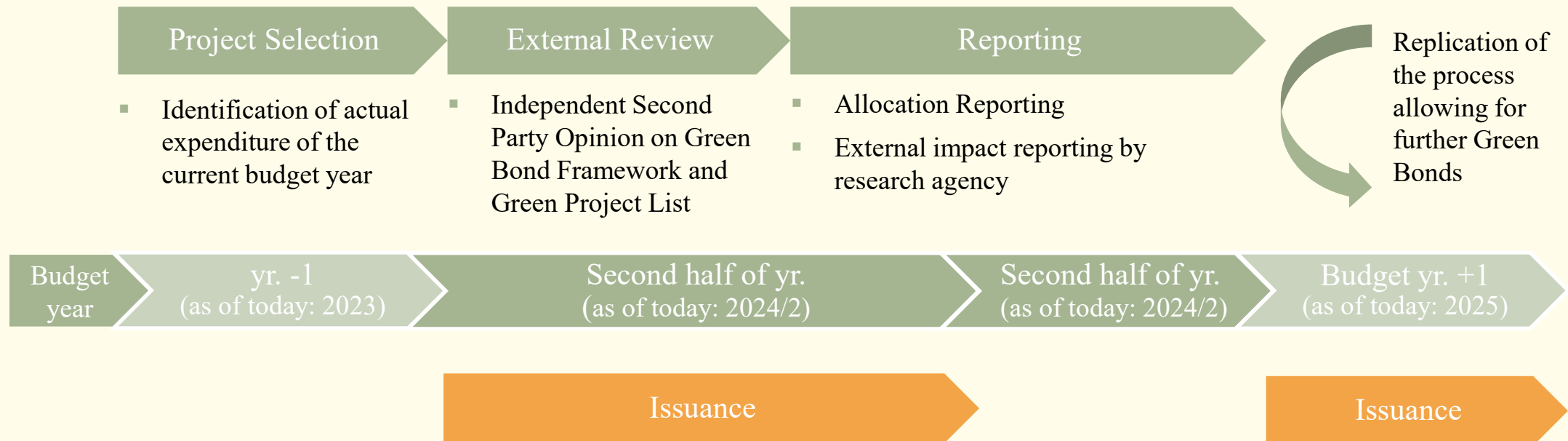


The full project list is available at:

<https://fm.baden-wuerttemberg.de/de/finanzen/haushalt/green-bond-bw>

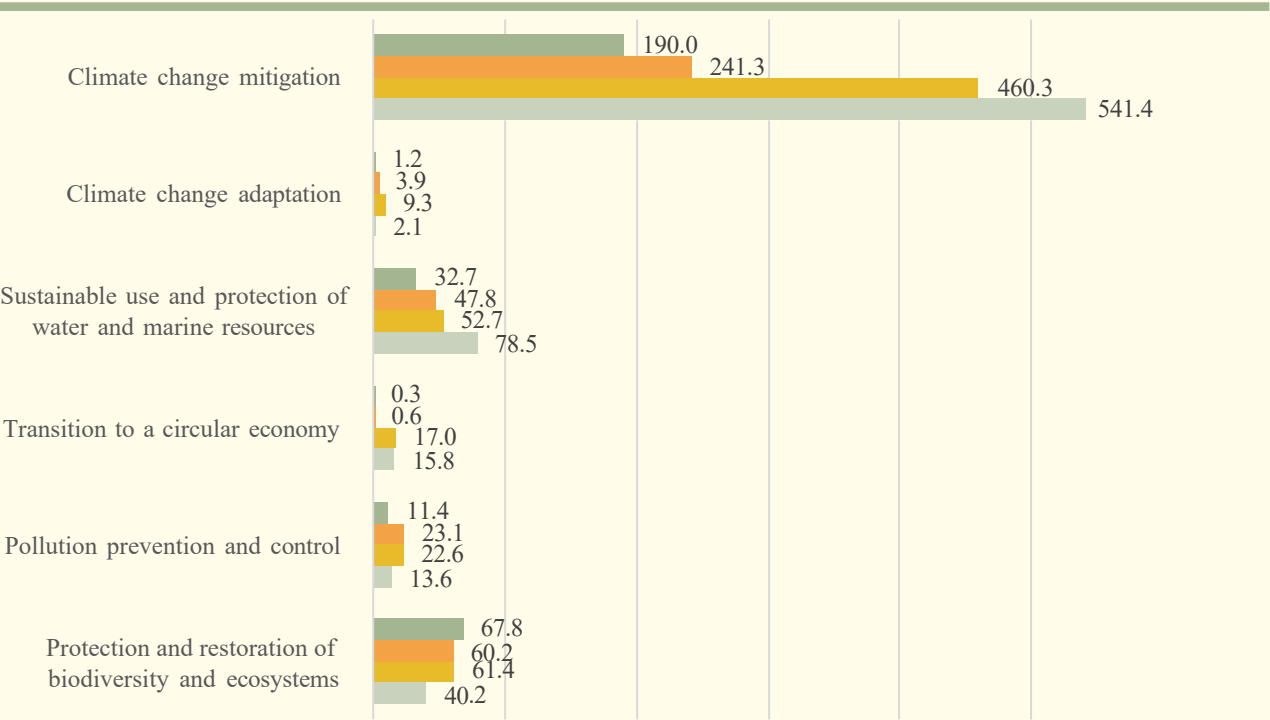
*There are 56 projects in the SPO and in the project list because two projects were split into two and three parts respectively.

Annual Green Bond Baden-Württemberg issuances will continue in the same pattern

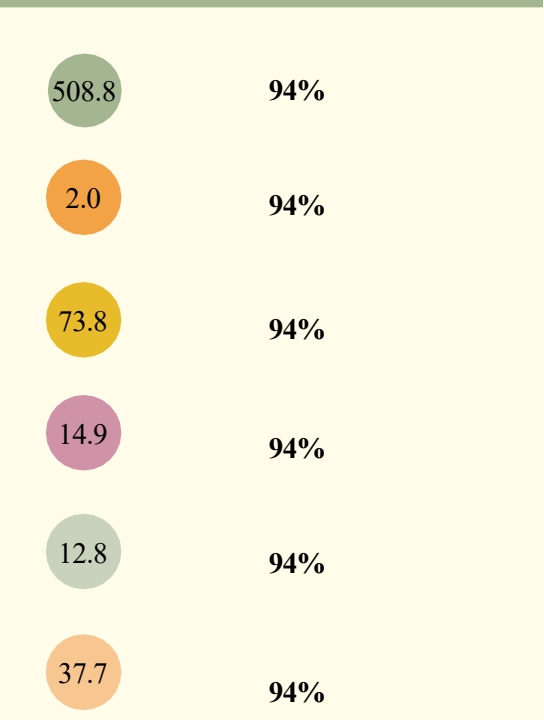


An issuance volume of EUR 650 million leads to 94% allocation of eligible expenditure

Eligible expenditure¹⁾
2020–2023, EUR mn



Planned allocation¹⁾
2023, EUR mn / in %



Contact details: Ministry of Finance in Stuttgart

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Olga.Borodina@fm.bwl.de

URL: www.green-bond-bw.de

Bloomberg: RESP LAEN



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