

BASQUE COUNTRY SUSTAINABILITY BOND

Euskadi, auzolana

EUSKO JAURLARITZA



GOBIERNO VASCO

INVESTORS PRESENTATION 2023

MINISTRY OF ECONOMY AND FINANCE

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Surface area, population and market access

SURFACE AREA

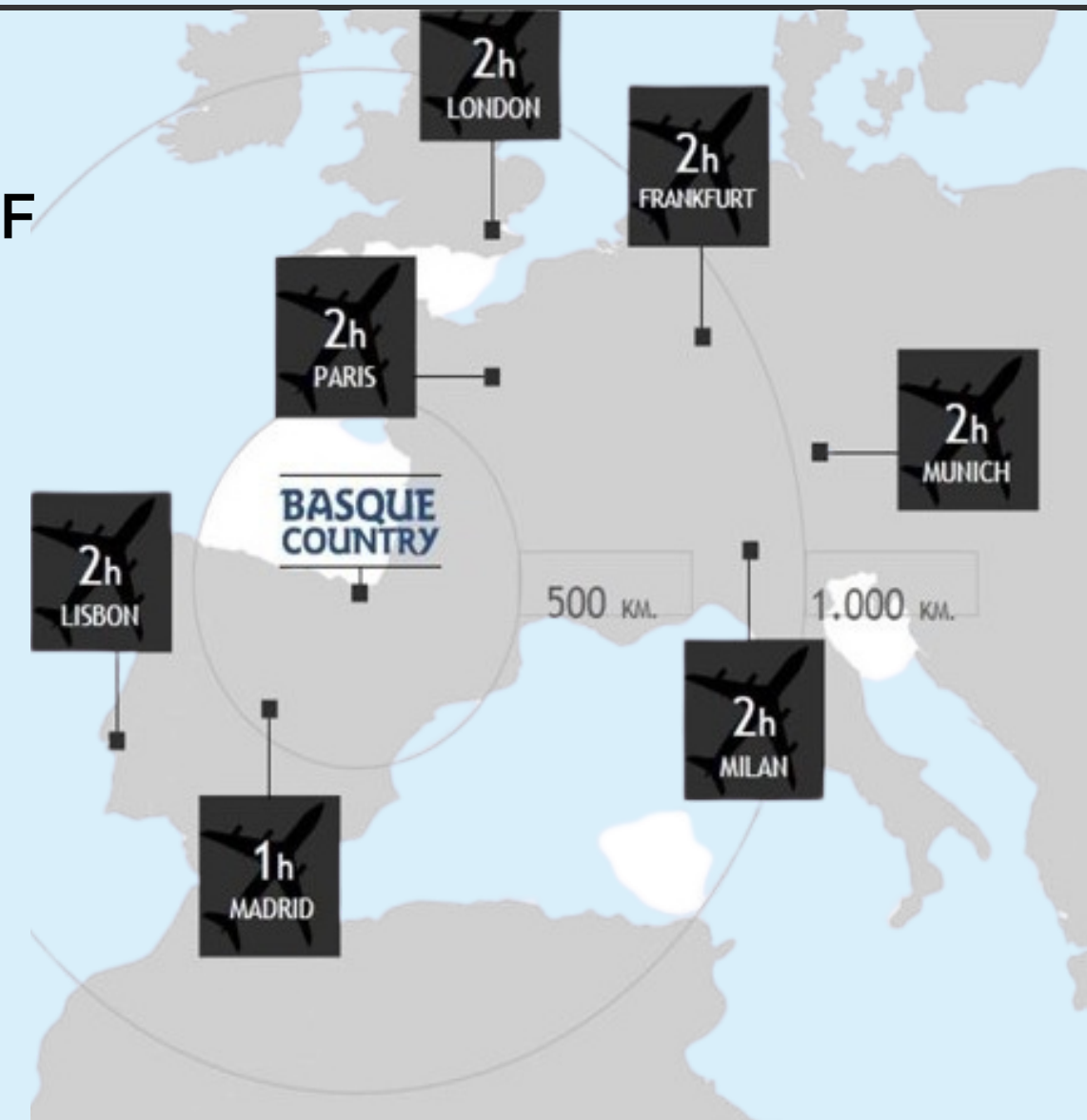
7,234 SQ. KM.

POPULATION

2,193,199

MARKET ACCESS WITHIN A RADIUS OF 1,000 KM

507,416,607 INHABS.



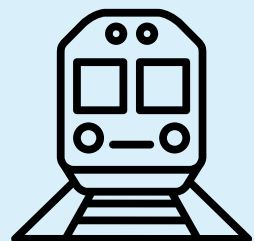
A well- connected country



Logistics



International Airports



Railway connections



Motorways

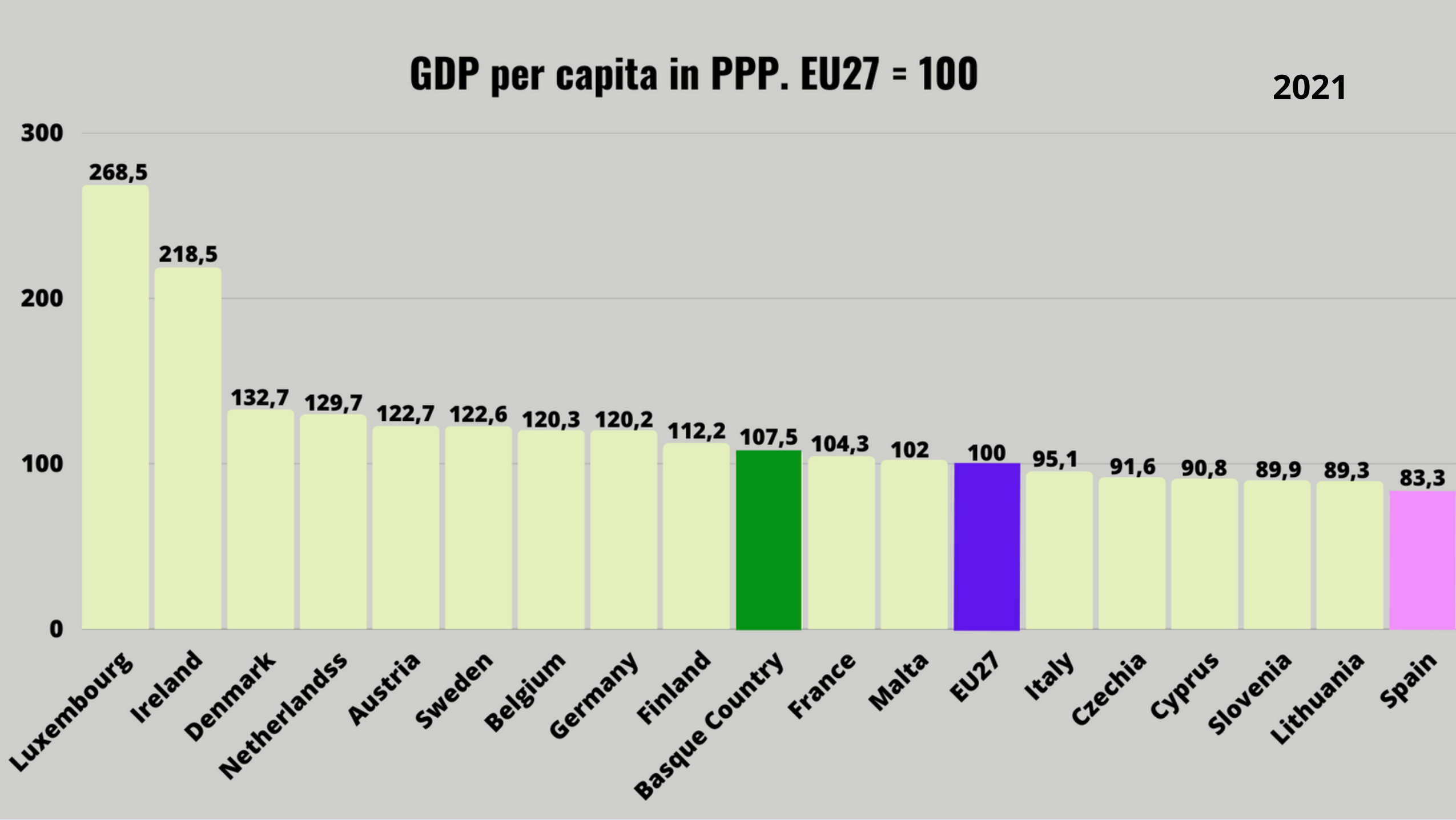
"Best European Medium-Sized Region in Connectivity"

(fDi- European Cities and Regions of the Future - Ranking 2016-2017)



A dynamic economy that stands out in Europe

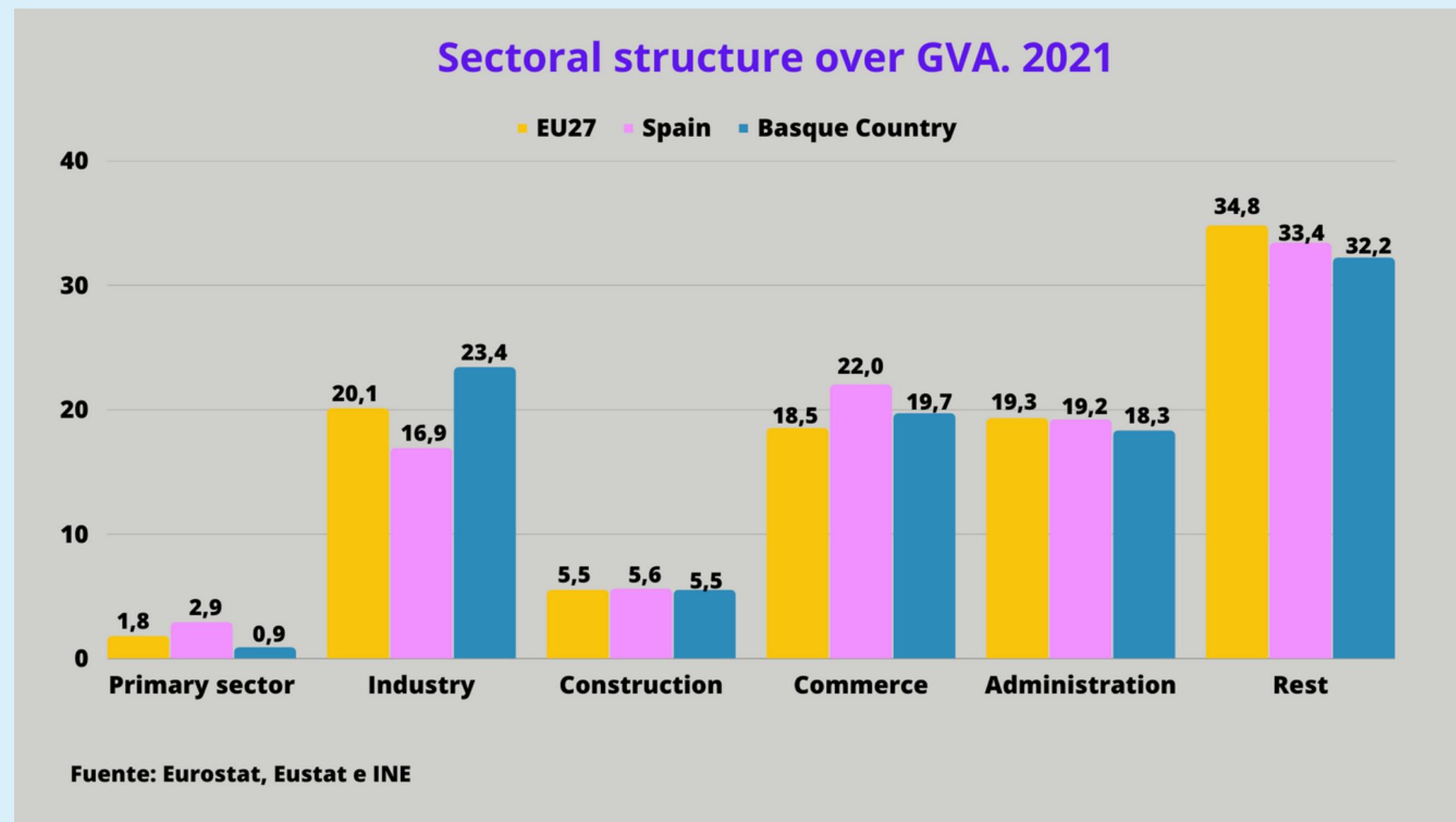
The Basque Country is currently 7.5% above of the European average in GDP per capita.



Source: Prepared by the Directorate of Economy and Planning with Eurostat and INE data

Significant importance in the industrial sector

- It can be seen that the Basque Country has, in proportion, more industry than Spain and the European Union.
- On the contrary, we have fewer services. Among these, it stands out that the public administration (comprising education, health and social services) accounts for a relatively low percentage.
- The adjustment in the construction sector is striking, which came to weigh 10.3% of the value added in the times of the bubble (2007) and which is now practically at the level of Europe (5,5%)



Source: Eustat, Eurostat and INE

Beyond the GDP: Human Development Index

- The human development index, prepared by the United Nations, takes into account, in addition to GDP, life expectancy, years of schooling and literacy rates.
- The Basque Country is among the top 14 countries in the world in this indicator. Particularly noteworthy is the high life expectancy at birth.

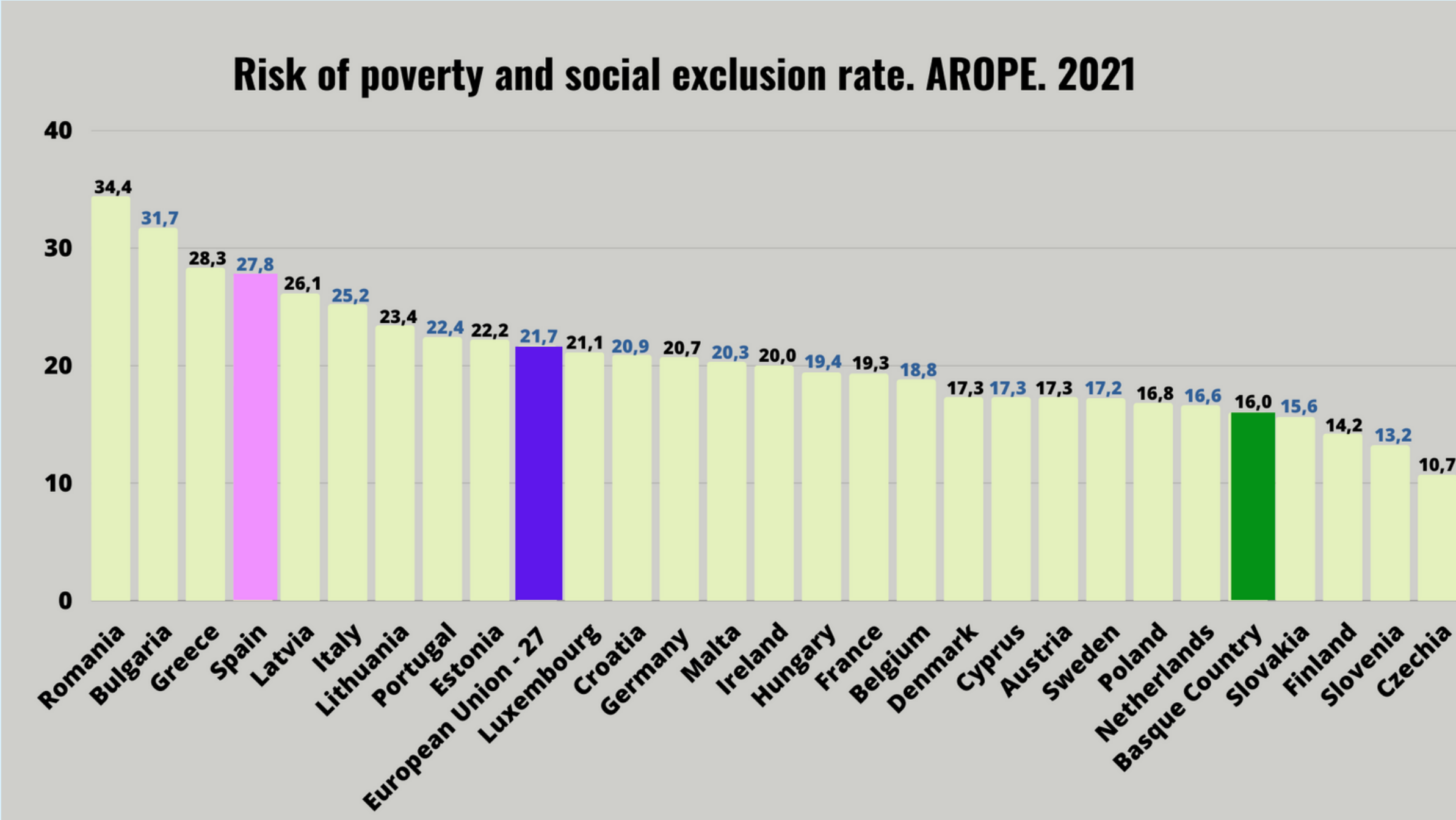
Very high human development index

POSITION			%	POSITION			%
01	Switzerland		0,962	11	Finland		0,940
02	Norway		0,961	12	Singapore		0,939
03	Iceland		0,959	13	Belgium		0,937
04	Hong Kong, China (SAR)		0,952	13	New Zealand		0,937
05	Australia		0,951	14	Basque Country		0,936
06	Denmark		0,948	15	Canada		0,936
07	Sweden		0,947	16	Liechtenstein		0,935
08	Ireland		0,945	17	Luxembourg		0,930
09	Germany		0,942	18	United Kingdom		0,929
10	Netherlands		0,941	19	Japan		0,925

Source: Eustat Social indicators.
Data for 2021, obtained from the 2022 Human Development Report of the United Nations Development Program (UNDP).
The data for Basque Country is provisional

Beyond the GDP: Risk of Poverty or Social Exclusion

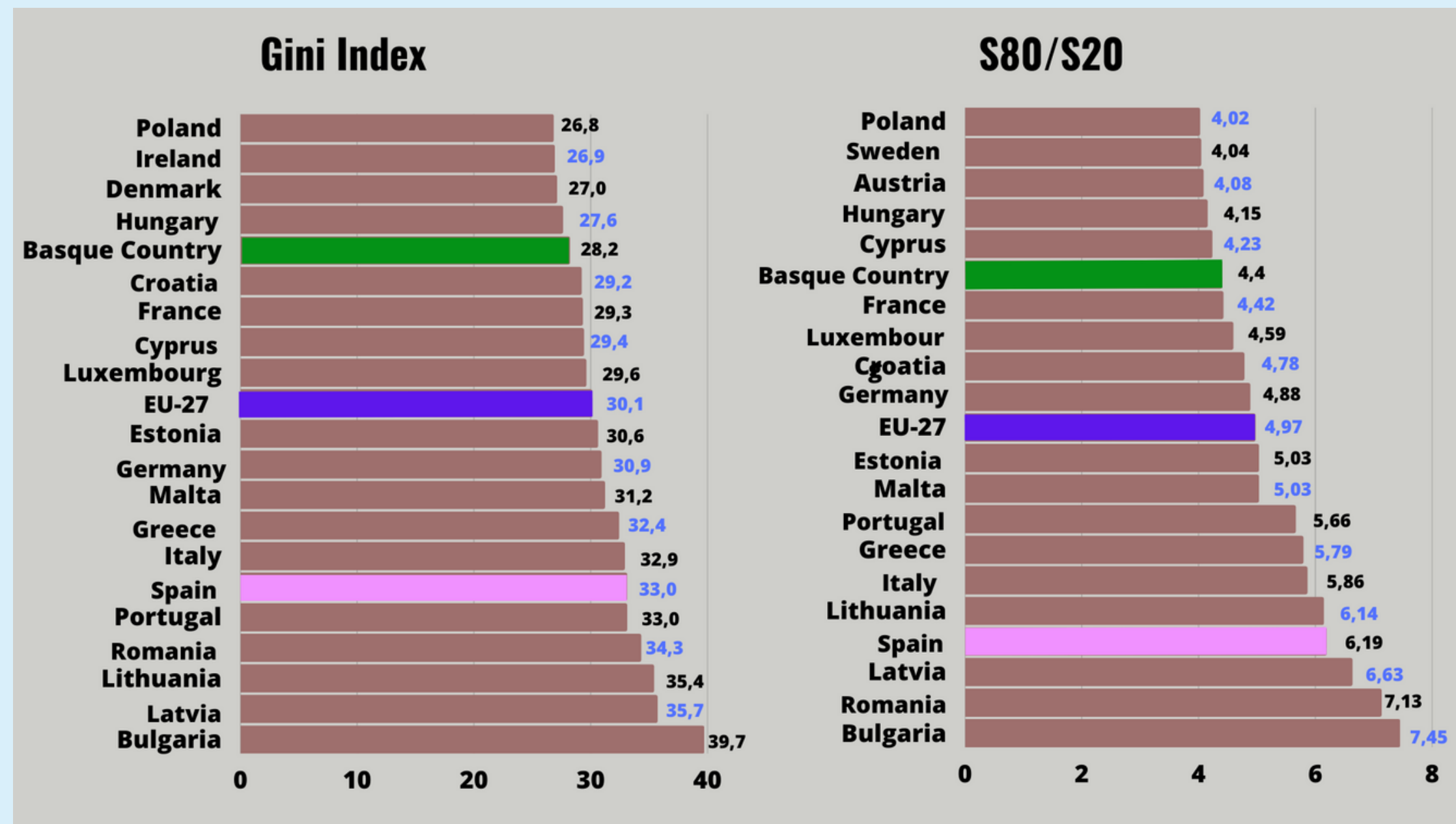
Also with Eurostat data, the Basque Country appears as one of the European territories with the lowest risk of poverty and social exclusion.



Income for the year prior to the interview. New definition.
Source: Basque Government. Department of Equality, Justice and Social Policies. EPDS (2020) and Eurostat. 2030 Agenda

Beyond the GDP: Inequality Indicators

- The most used equality indicators, the Gini index and the S80 / S20 index, place the Basque Country among the most egalitarian territories in Europe.
- Here, too, it contrasts with the position of Spain, at the other end of the ranking.

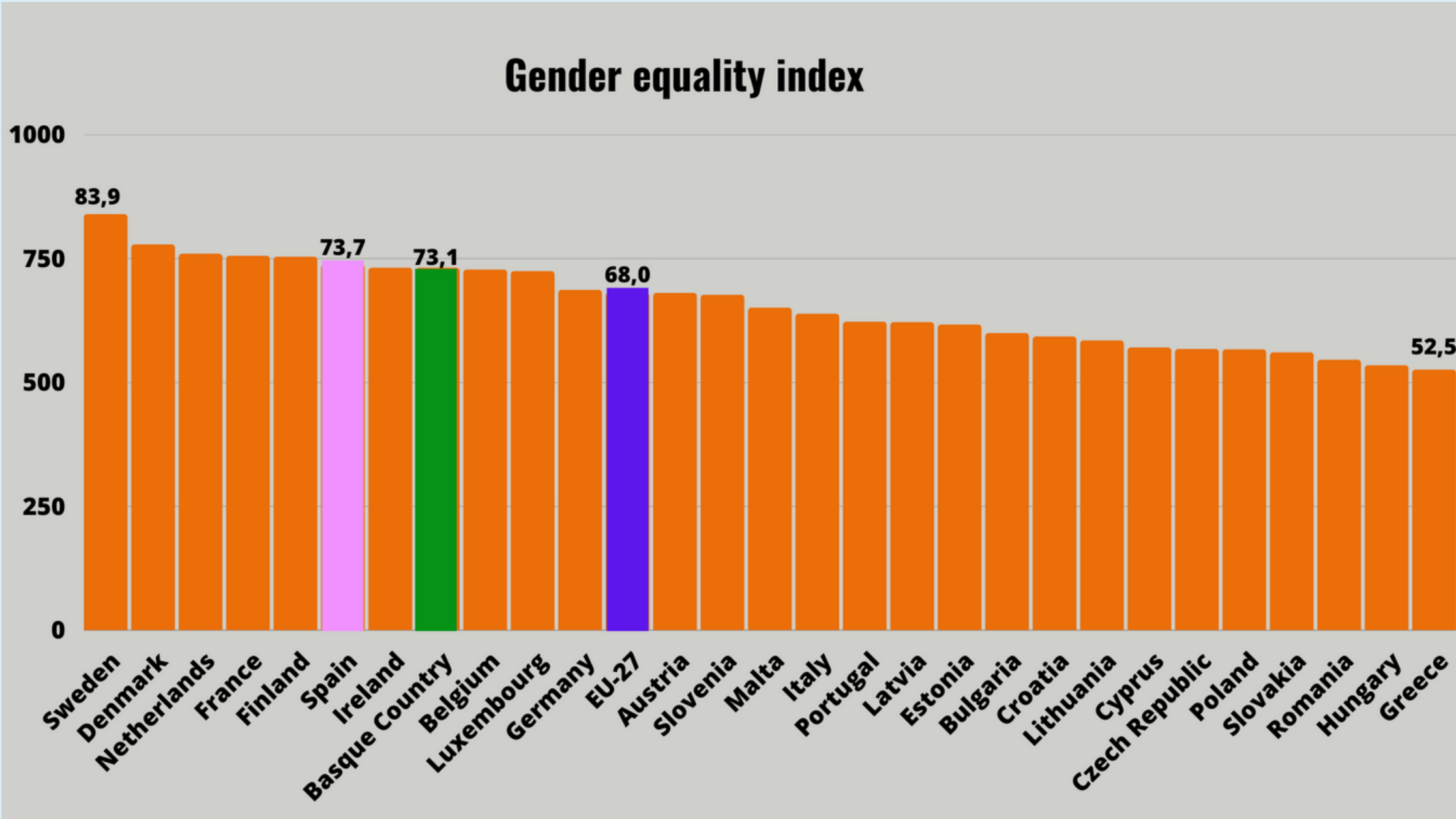


Data for 2021 except for Euskadi, which are 2020.

Source: Basque Government. Department of Equality, Justice and Social Policies. EPDS (2020) and Eurostat

Beyond the GDP: Gender equality index. 2019

- The Basque Country is in an advanced position within European countries in terms of gender equality.
- It has gone from 68.9 points in 2010 to 73.1 points in 2019.



Source: Eustat. Gender Equality Index.

Competitiveness: Human Capital. 2021

More than half of the Basque population between the ages of 25 and 64 has completed tertiary education. This ranks us in first position in Spain and among the most advanced European regions according to this ratio.

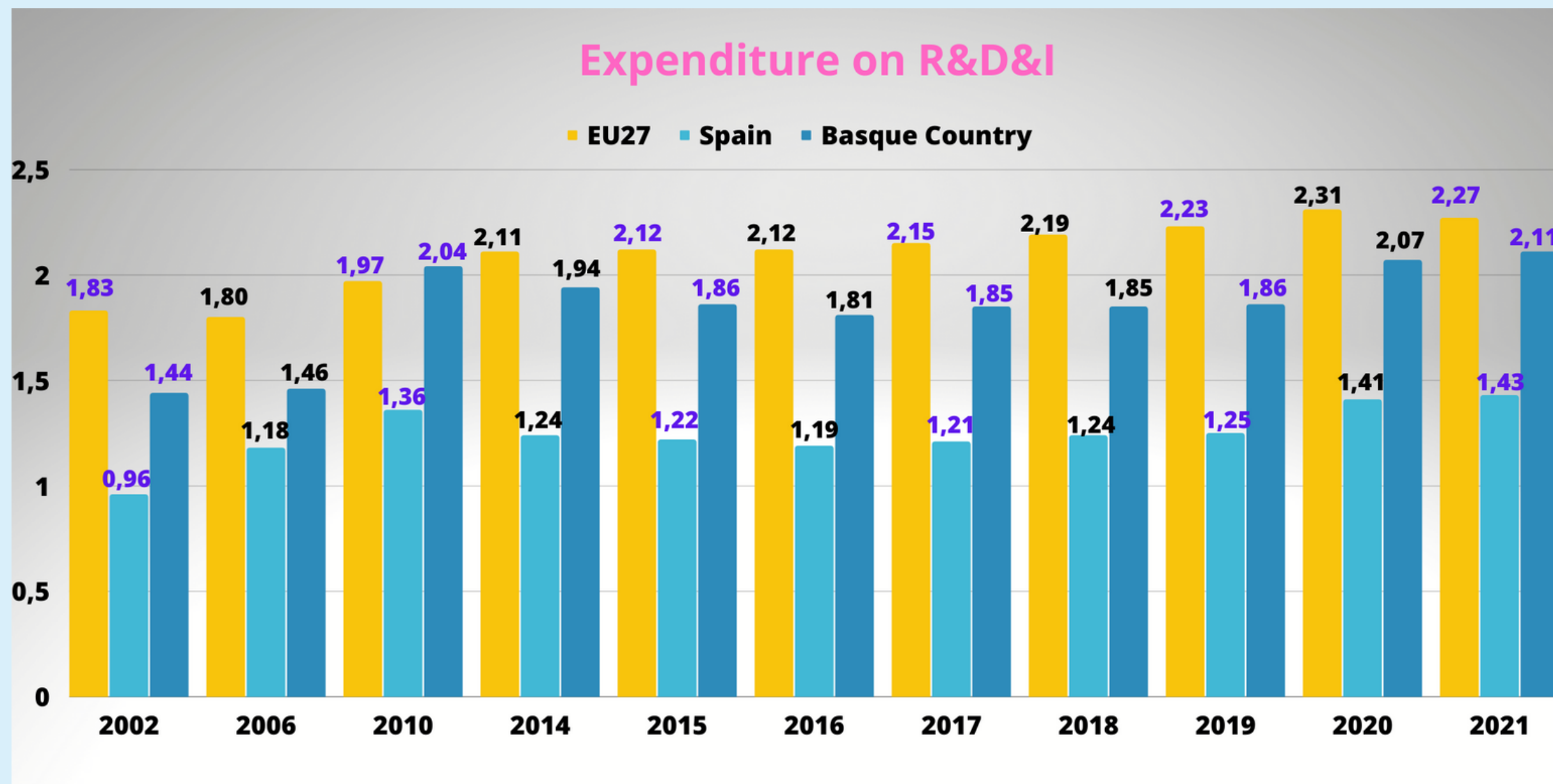
Percentage of the population between the ages of 25 and 64 who have successfully completed tertiary studies

POSITION			%	POSITION			%
01	Sostines regionas		60,6	11	Rég. de Bruxelles-Capitale		52,2
02	Prov. Brabant wallon		59,7	12	Utrecht		51,5
03	Warszawski stoleczny		57,4	13	Luxembourg		50,5
04	Eastern and Midland		56,3	14	Comunidad de Madrid		50,2
05	Stockholm		56,1	05	Prov. Oost-Vlaanderen		50,0
06	Basque Country		56,0	16	Praha		49,8
07	Budapest		55,5	17	Helsinki-Uusimaa		49,8
08	Île de France		54,4	08	Southern		49,2
09	Hovedstaden		54,1	19	Noord-Holland		49,1
10	Prov. Vlaams-Brabant		53,2	20	Autonomous Community of Navarre		49,0

Source: Eurostat.

Competitiveness: R&D&I expenditure (% of GDP)

- After six years in which R&D&I expenditure as a percentage of GDP remained at a level of 1.85%, an upward trend began in 2020, surpassing the 2.1% barrier in 2021.
- This has allowed the differential with the European Union-27 to narrow.



Source: Eustat, Eurostat and INE

Competitiveness: innovation

- The Basque Country is among the countries with high innovation, at 110.1% compared to the 100% represented by the European Union. However, it is far from the leading countries in innovation (above 120%), led by Sweden and Finland.
- Spain is in the moderate innovation group, with a relative position of 88.8% compared to the European Union 27.

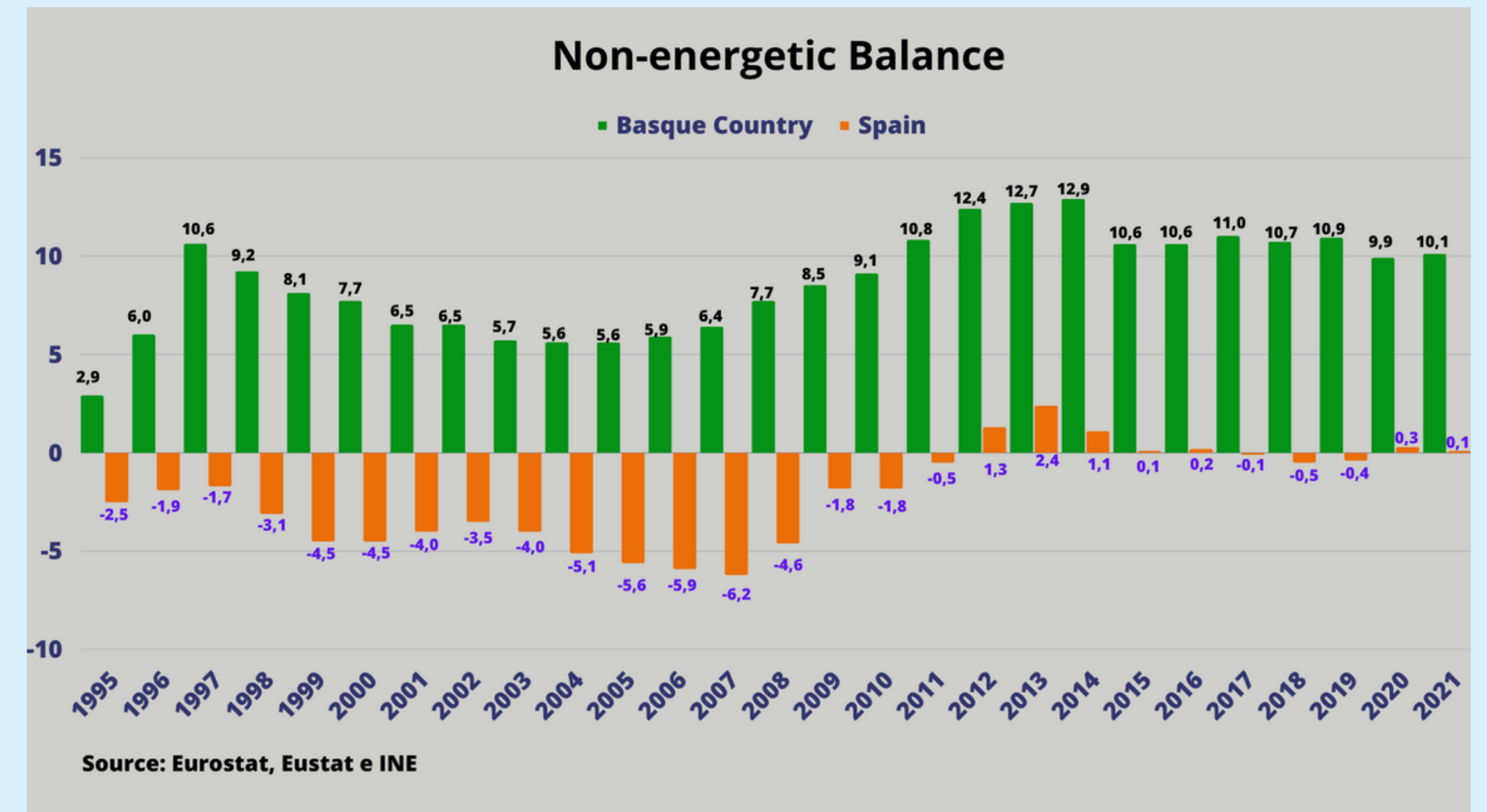
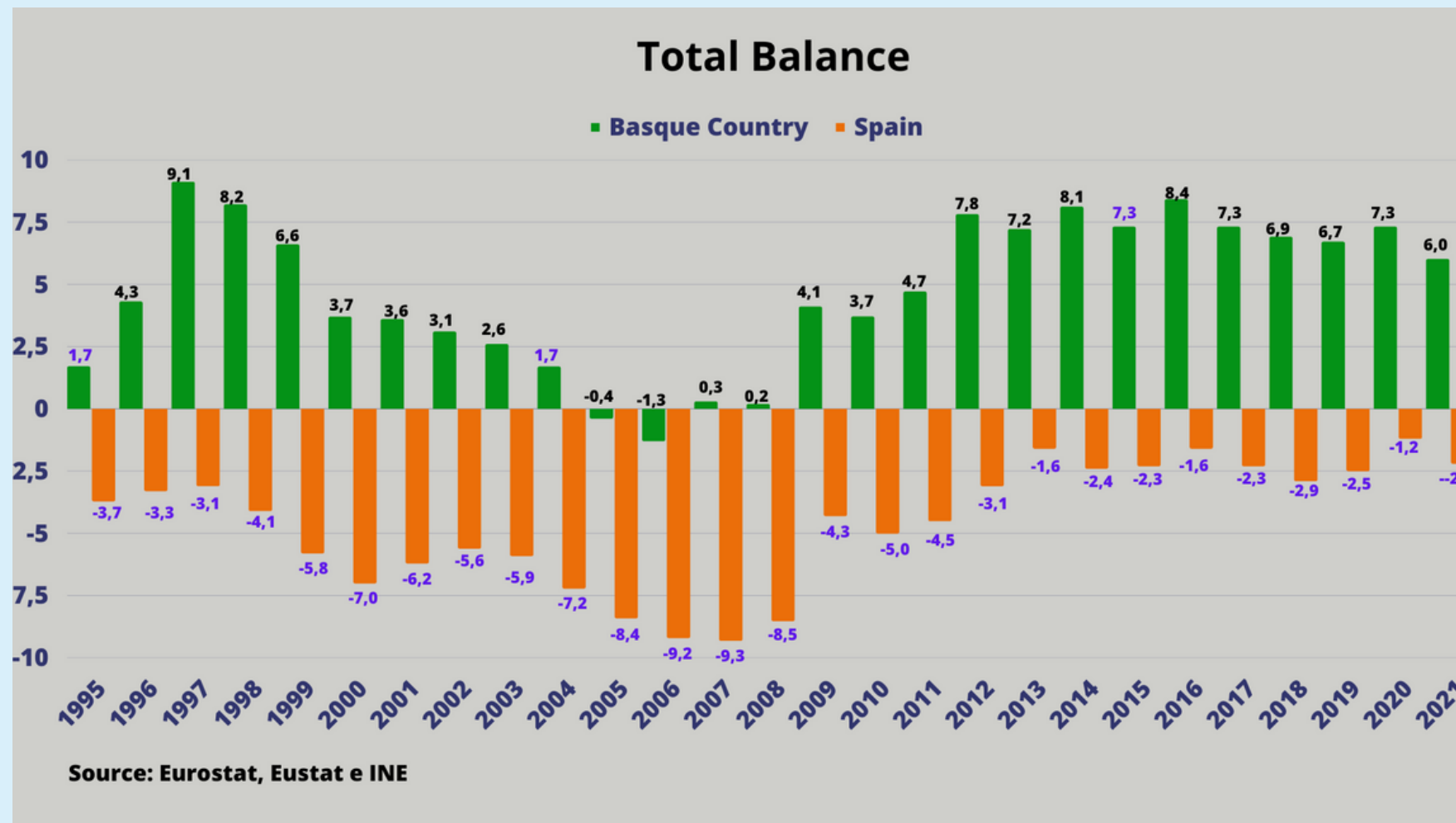
Innovation Indicators Panel (EIS)

POSITION			%	POSITION			%
01	Sweden		0,735	11	Cyprus		0,579
02	Finland		0,735	12	France		0,571
03	Denmark		0,731	13	EU-27		0,542
04	Netherlands		0,701	14	Estonia		0,542
05	Belgium		0,698	05	Slovenia		0,507
06	Ireland		0,645	16	Czechia		0,502
07	Luxembourg		0,643	17	Italy		0,497
08	Austria		0,641	08	Spain		0,481
09	Germany		0,637	19	Portugal		0,465
10	Basque Country		0,597	20	Malt		0,459

Source: Eustat. Innovation Indicators Panel (EIS 2022).

Foreign trade: trade balance / GDP

- In 2022, the Basque economy exported products for an amount exceeding 30,200 million euros until November, an unprecedented level.
- Imports stood at almost 27,000 million euros, which yields a total surplus until November of more than 3,250 million euros.
- Non-energy sales evolved in a similar way, showing a positive balance of more than 8,400 million euros.



Source: Eustat and Spanish Ministry of Industry, Commerce and Tourism

International Environment: Growth of the GDP

- The first nine months of 2022 have had a favorable result, despite the difficulties that the world has had to face: the pandemic, the war in Ukraine, the energy crisis, high inflation and the change of sign of monetary policy, among other problems.
- Developed countries have grown by around 3.7% on average, although the trend profile is downward. Overall, Europe has grown by an average of 4.1%.
- In this context, the Basque Country has grown by an average of 4.9% between January and September.

Gross Domestic Product. Evolution

Interannual variation rate

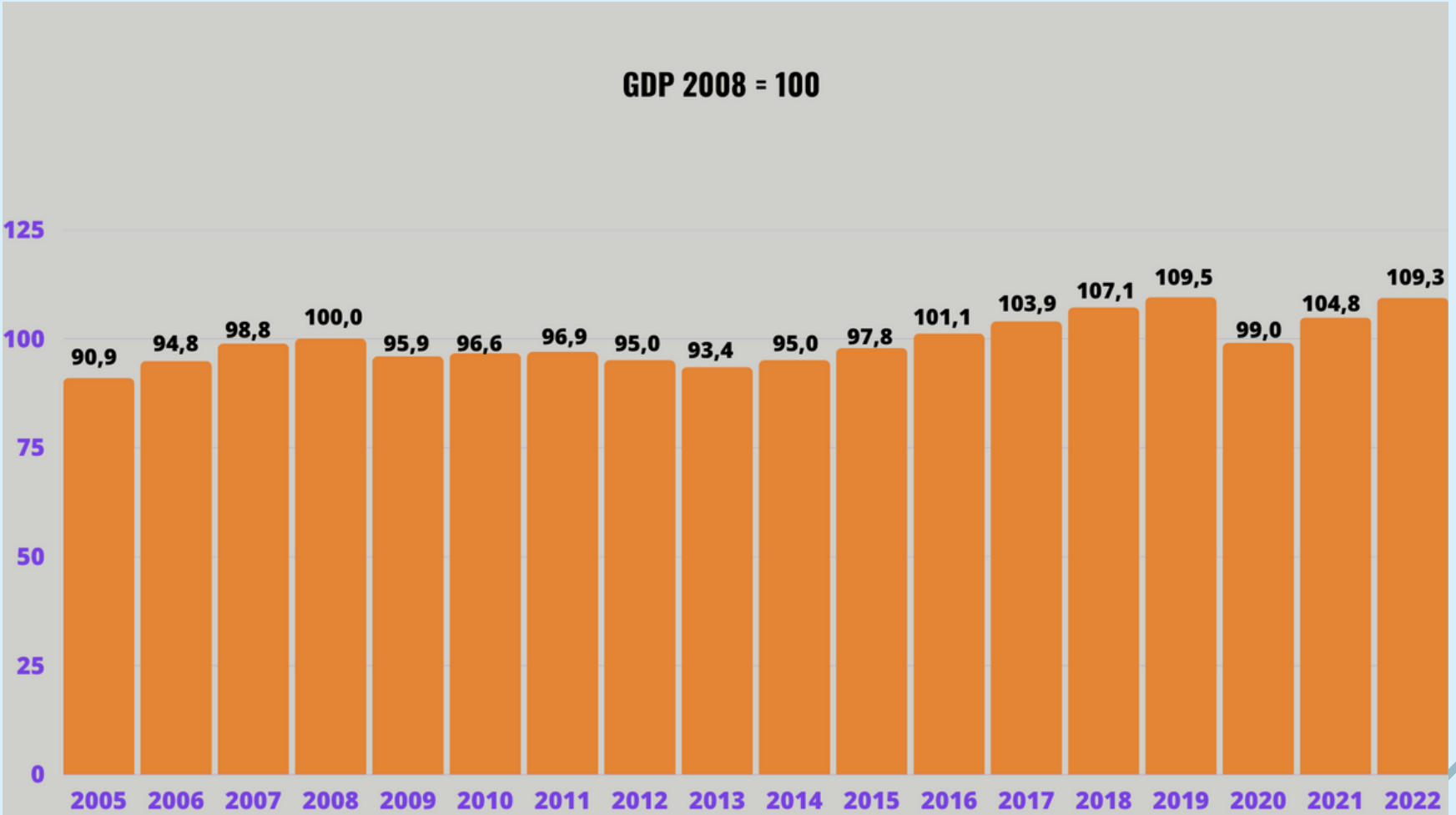
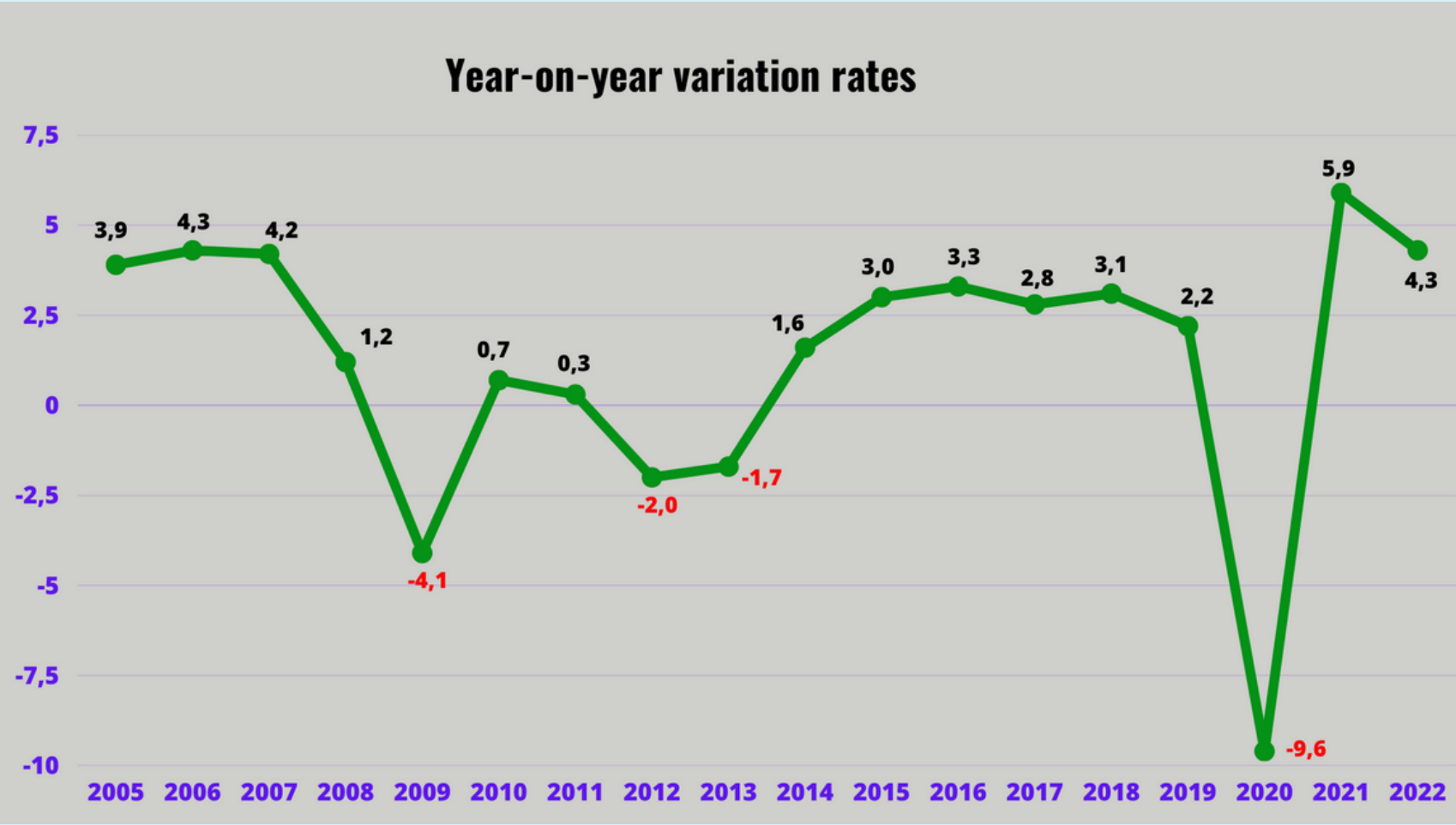
	2020	2021	2022	2021			2022			
				II	III	IV	I	II	III	IV
Developed economies	-4.5	5.4	--	13.3	4.8	5.2	4.6	3.3	3.3	--
European Union 27	-5.7	5.4	3.6	13.8	4.2	5.0	5.6	4.4	2.5	1.8
- Basque Country	-9.6	5.9	4.3	19.1	4.7	4.9	5.8	5.0	3.8	2.8
- Spain	-11.3	5.5	5.5	17.9	4.2	6.6	6.9	7.8	4.8	2.7
- Germany	-3.7	2.6	1.9	10.2	1.8	1.2	3.5	1.7	1.4	1.1
- France	-7.8	6.8	2.6	18.6	3.6	5.1	4.8	4.2	1.0	0.5
- Italy	-9.0	6.6	4.0	16.7	4.8	6.5	6.4	5.0	2.7	1.7
United Kingdom	-9.3	7.4	--	24.3	8.5	8.9	10.9	4.4	2.4	--
United States	-2.8	5.9	2.1	12.5	5.0	5.7	3.7	1.8	1.9	1.0
Japan	-4.5	1.6	--	7.3	1.2	0.5	0.9	1.6	1.9	--
China	2.2	8.1	3.0	7.9	4.9	4.0	4.8	0.4	3.9	2.9
India	-6.6	8.8	--	20.4	7.8	5.0	4.2	14.0	5.7	--
Russia	-2.7	4.7	--	7.6	3.8	--	--	--	--	--
Brazil	-3.9	5.1	--	12.4	4.5	2.1	2.4	3.7	3.6	--

Source: Eurostat, OCDE and Eustat.

GDP recovers strongly in the Basque Country

- Like the rest of the countries, the Basque Country suffered a severe blow in 2020, with a sharp deterioration in GDP, which put an end to a six-year period of growth.
- As expected, the Basque Country has experienced a V-shaped recovery, which has allowed it to grow by 5.9% in 2021 and 4.3% in 2022.
- We are about to recover to the pre-crisis level.

Evolution of the Gross Domestic Product

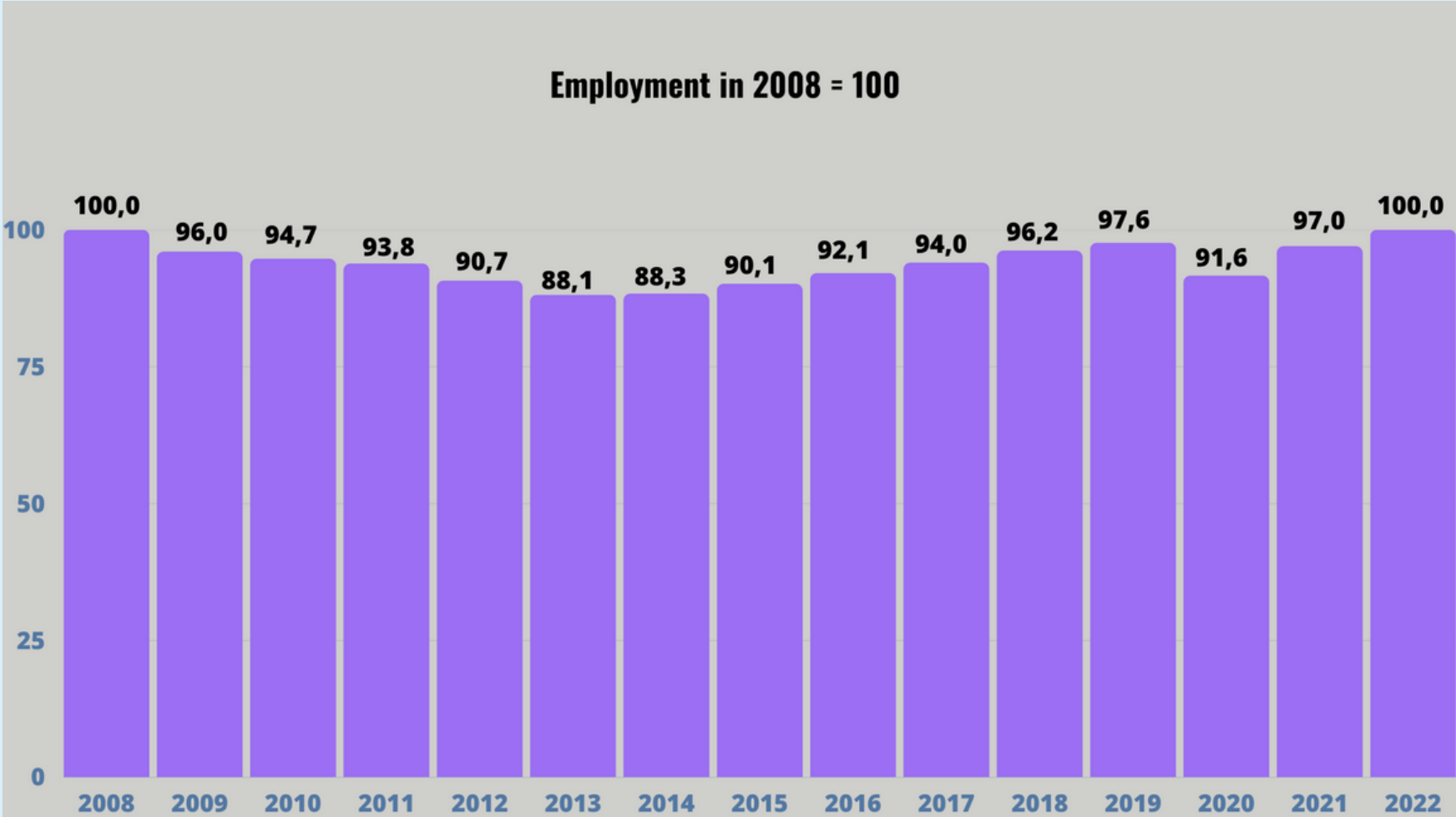


Data for 2021 advance and 2022 forecast.
 Source: Prepared by the Directorate of Economy and Planning using Eustat data

Significant recovery of employment levels

The increase in GDP has not only brought with it the recovery of the employment lost in the first months of the pandemic, but has also allowed us to recover the levels of 2008.

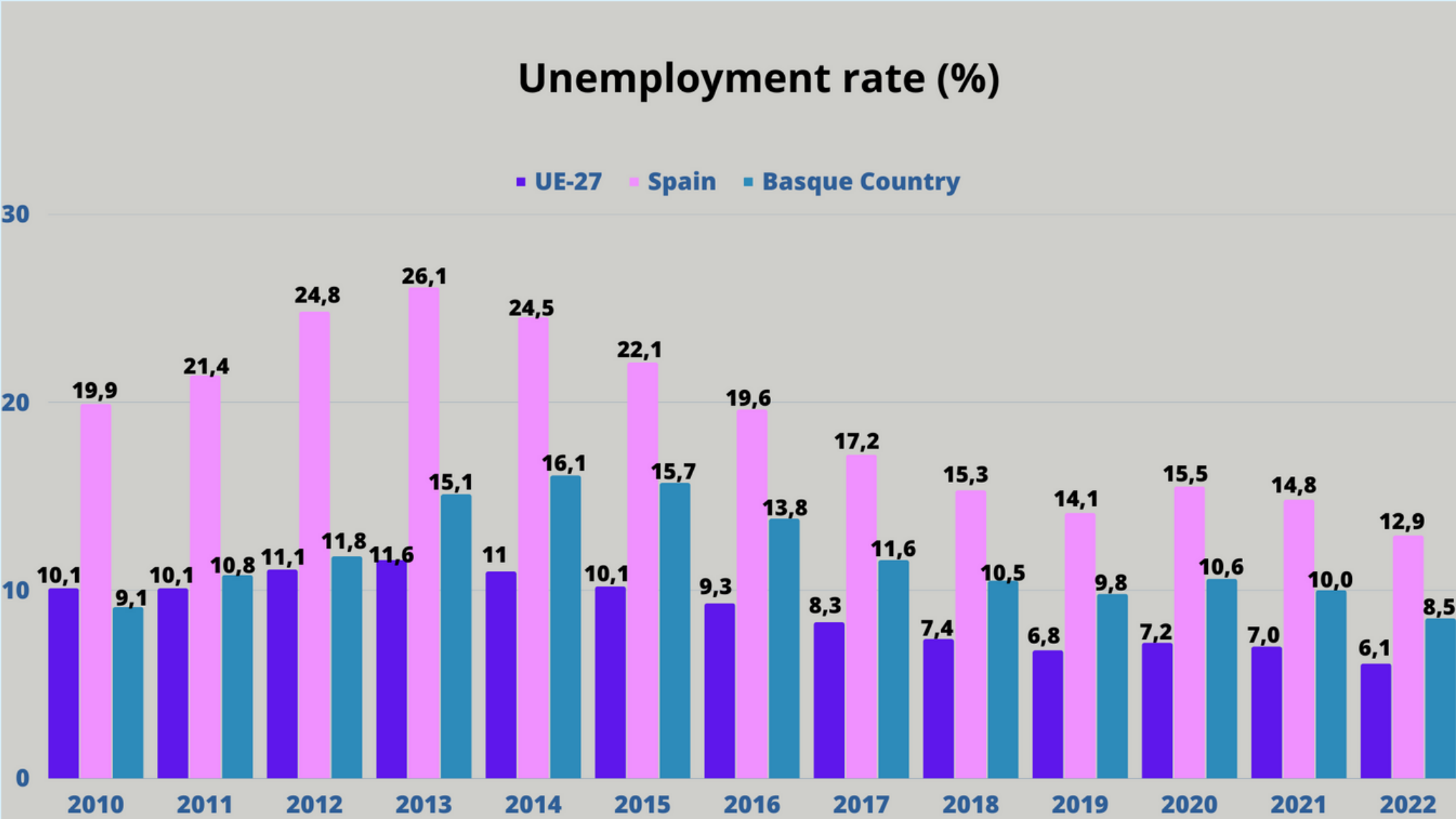
Evolution of employment



Source: Prepared by the Directorate of Economy and Planning using Eustat data.

The unemployment rate fell in 2022

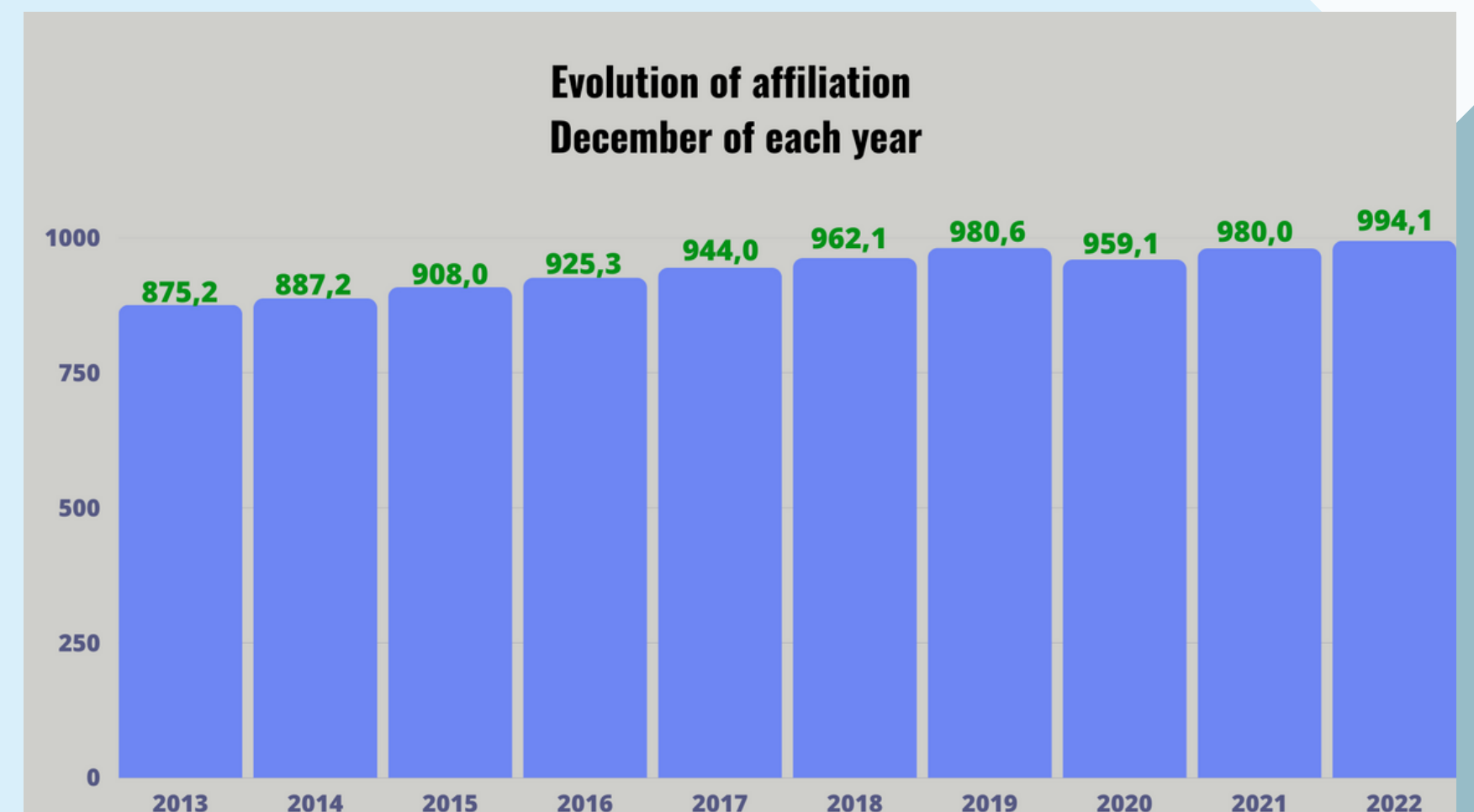
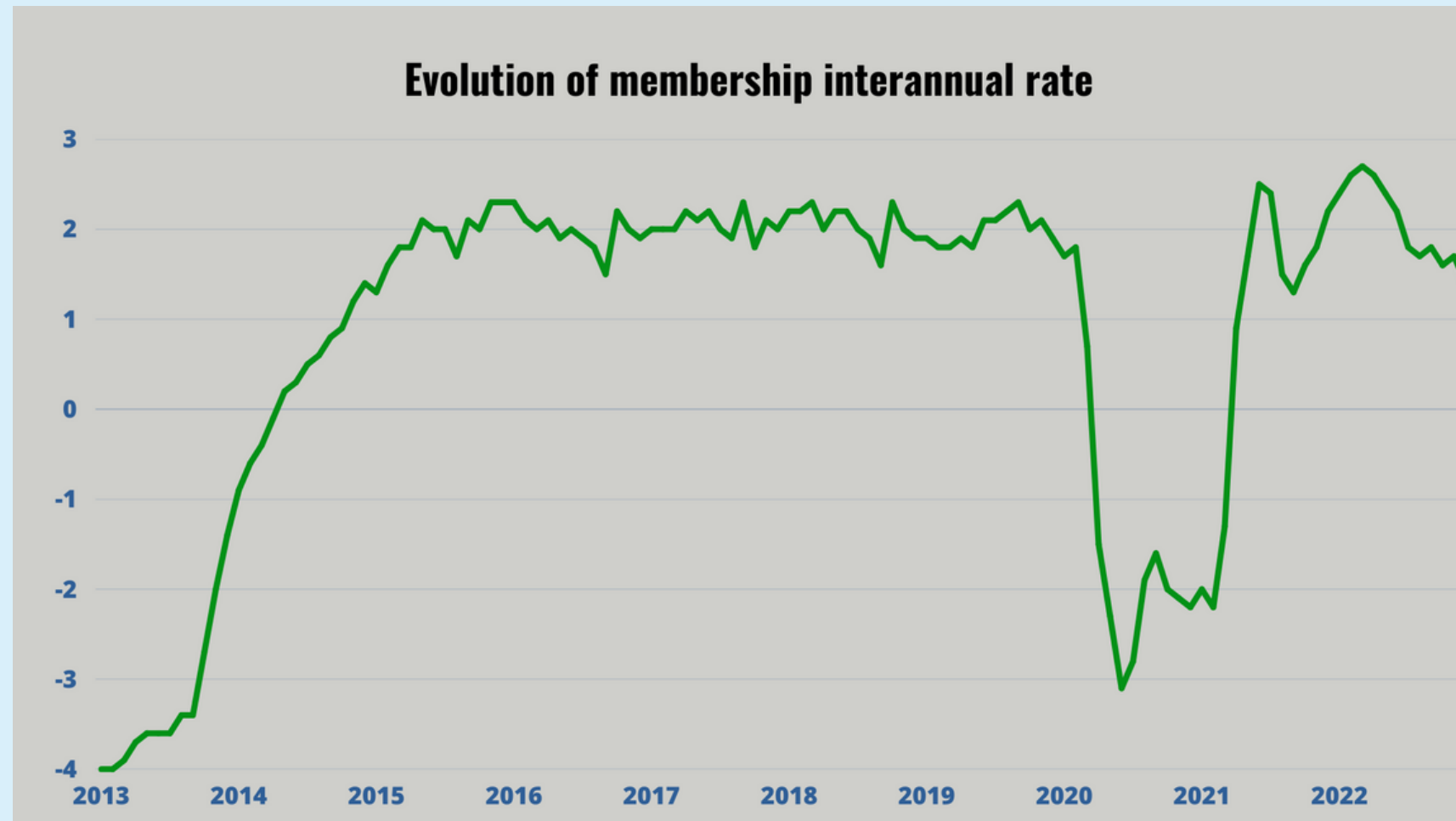
- The comparison with the Spanish average indicates that the unemployment rate in the Basque Country continues well below that of Spain, despite the reduction in the Spanish average.
- The differential with respect to the European average has narrowed again.



(*) For Spain and the EU, the 2022 figure is the average from January to November.
 Source: Eustat for the Basque Country and Eurostat for Spain and EU-27.

Situation in the Basque Country: affiliations

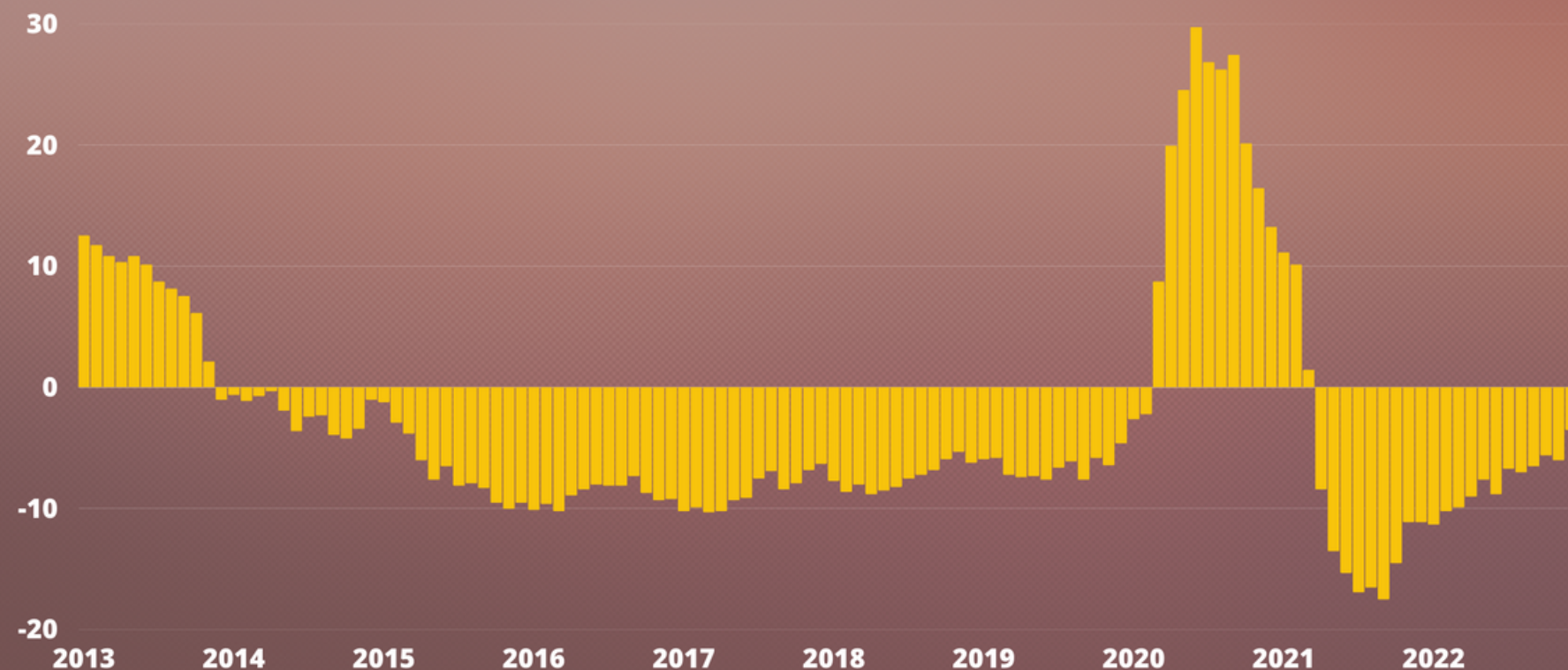
- Social Security affiliation continues to rise, although its growth has slowed down. Specifically, in December 2022 the year-on-year rate of change was 1.4%.
- In addition, the number of affiliations in December 2022 (994,100) is the highest ever recorded in a month of December, even above the figure for 2008.



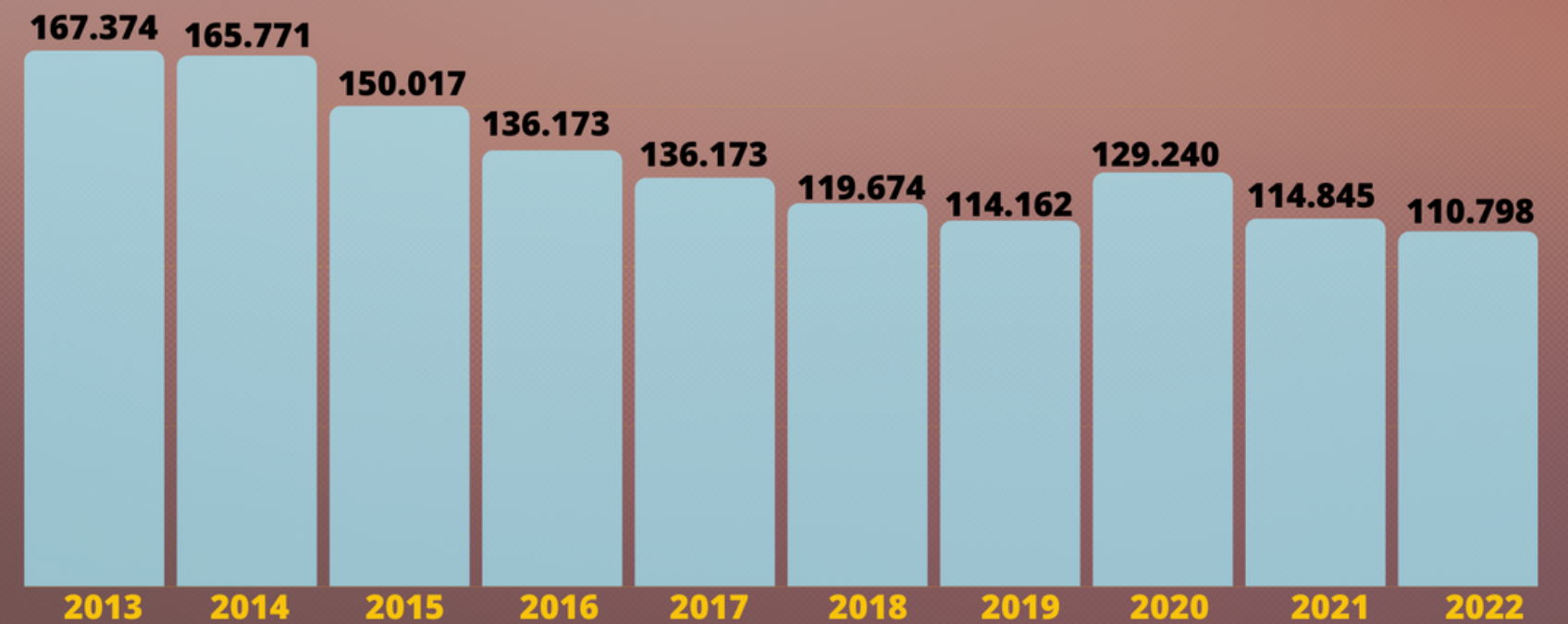
Situation in the Basque Country: registered unemployment

- Similarly, registered unemployment fell significantly throughout 2021 and the war in Ukraine caused it to resume a slight upward pace.
- In December 2022, registered unemployment in Lanbide offices fell by 3.6% compared to the same month in 2021. In total, there are 110,800 unemployed persons registered. Of these, 63,000 are women. The sharp decline in youth unemployment continues (-6.8%).

Evolution of registered unemployment interannual rate



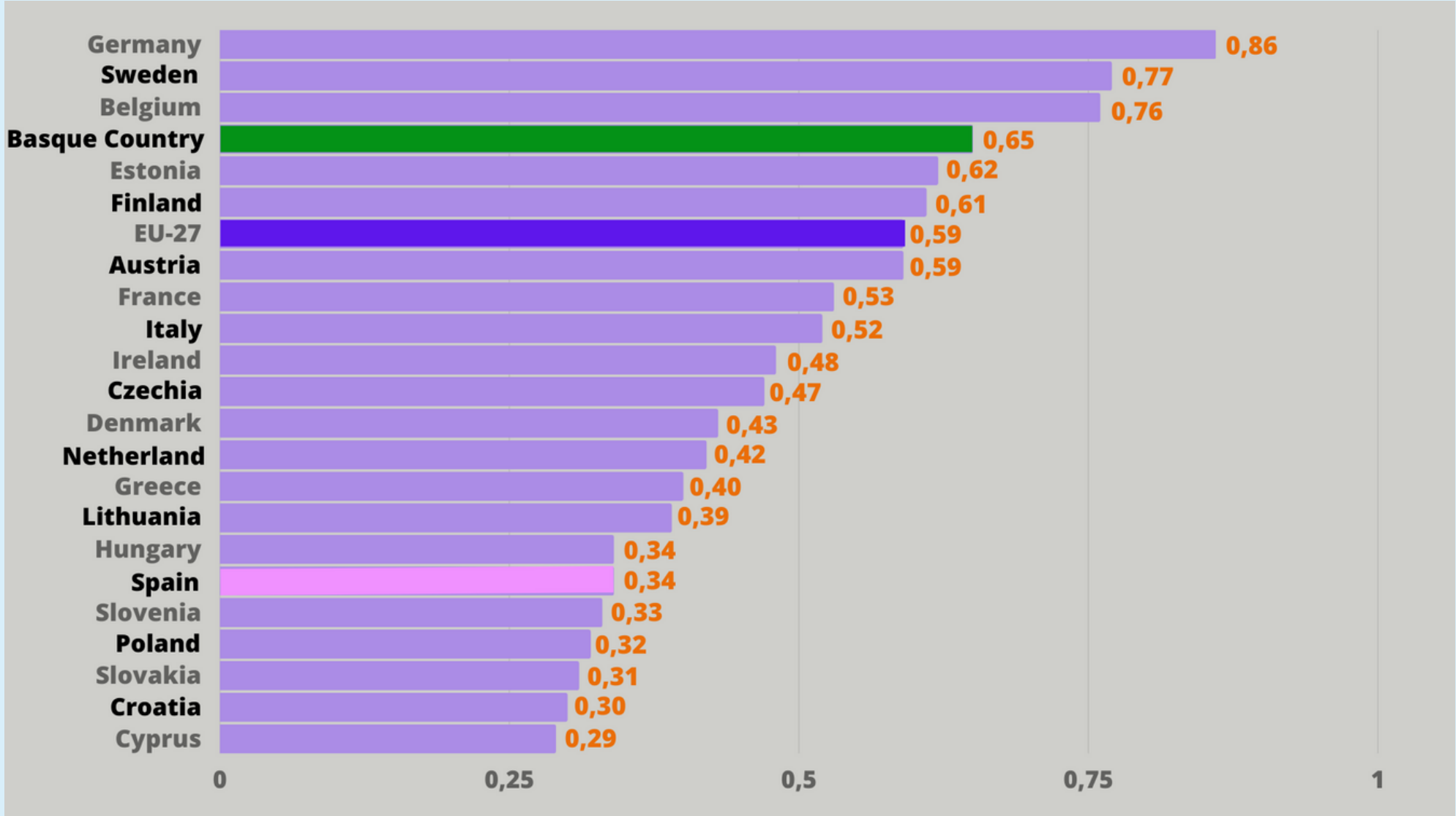
Evolution of registered unemployment December of each year



High business investment

- Business investment in the Basque Country has taken a significant step forward between 2019 and 2021.
- It has gone from being in the middle zone, in the 13th place, to being at the top in just two years. Specifically, fourth behind Germany, Sweden and Belgium.

Business investment. Composite index



Data referring to 2021.
 Source: Eustat. European panel of innovation indicators-EIS 2020

Risks for the economy in 2023

- **The entrenchment of the war between Russia and Ukraine** will continue to hinder international trade relations and generate disruptions in the markets, especially in energy and raw materials.
- **The lack of control over inflation** can affect the decisions of economic agents to a greater extent, reducing private consumption and investment.
- **The change in the sign of monetary policy** will increase the cost of loans and will discourage purchases and projects. In addition, it will affect world capital flows, harming developing countries.
- **The appearance of some other virus or new variants** more resistant to vaccines should not be ruled out.
- The **climatic emergency** implies a high probability of great natural catastrophes.

World Economy Forecasts

- According to Consensus Forecasts, there will be a sharp moderation in the pace of global growth, from 5.8% in 2021 to 2.9% in 2022 and 1.6% in 2023. Developed countries, especially Germany and the United Kingdom, for whom a contraction is expected in 2023, and Latin America will be the most affected.
- In 2024 the economy will recover.

	Annual variation rates		
	2022	2023	2024
World Economy	2,9	1,6	2,5
United States	2,0	0,3	1,1
Japan	1,2	1,2	1,1
United Kingdom	4,2	-1,0	0,6
Eurozone	3,3	0,0	1,2
Germany	1,8	-0,5	1,4
France	2,5	0,2	1,2
Italy	3,7	0,0	1,1
Spain	4,7	0,9	2,0
Pacific Asia	3,3	3,7	4,1
Latin America	3,5	1,1	2,0
Eastern Europe	0,3	0,1	2,6

Source: Consensus Forecasts (January 2023).

Basque Government Forecasts: Demand Perspective

- A slowdown in demand is expected for the rest of this year and the first half of next. There will then be a rebound, especially in the fourth quarter of 2023.
- Private consumption will be affected by high inflation, which reduces purchasing power. Therefore, in the following two years it will grow significantly less than the economy as a whole.
- Investment will also moderate, due to the high uncertainty and increasingly negative expectations, but it will achieve positive variation rates.
- The foreign balance could make a small negative contribution to GDP growth next year, far from what it has done in 2022.

Evolution of the GDP with respect to demand			
	2022	Annual variation rates	
	IV	2022	2023
GDP (p.m.)	2,4	4,3	2,1
Household Final Consumption	1,2	1,8	1,5
Household Consumption Spending	2,0	2,7	1,4
Consumption Expense of AA. PP.	-1,5	-1,4	1,7
Gross Capital Formation	4,3	4,8	2,9
Contribution of Domestic Demand	2,0	2,5	1,8
Contribution of the External Balance	0,4	1,8	0,3

Source: Directorate of Economy and Planning (September 2022).

Basque Government Forecasts: Supply Perspective

- All productive sectors, except the primary sector, will increase, according to this forecast, its added value in 2023.
- The recovery has been solid in 2022 in both industry and services. The construction sector is struggling to grow at the same pace as the others.
- In 2023, the industry will suffer from the difficulties of the major European economies and worsening expectations.

Evolution of the GDP with respect to Supply			
	2022	2022	2023
	IV		
GDP (p.m.)	2,4	4,3	2,1
Primary sector	-7,3	-4,6	-4,7
Industry	2,9	5,2	0,2
Construction	1,8	1,7	2,7
Services	2,8	4,7	2,9
Gross Value Added	2,7	4,6	2,2
Net taxes on products	1,6	2,8	1,6

Source: Directorate of Economy and Planning (September 2022).

Basque Government Forecasts: Job Market

- The increase in employment will be very significant in 2022, especially in terms of working hours, which are related to full-time equivalent jobs.
- In 2023, job creation and GDP growth will moderate. The rates of jobs and employed people will approach, due to the reduction of the ERTE (Temporary Layoff Scheme).
- The unemployment rate will fall and will stand at 8.8% in 2022 and falling to 8.3% in 2023.

Evolution of employment and the unemployment rate			
	2022	Annual variation rates	
	IV	2022	2023
Employment	1,0	2,7	1,2
Busy Persons (PRA)	1,4	2,0	0,9
Unemployment rate	8,8	8,8	8,3

Source: Directorate of Economy and Planning (September 2022)

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Financing system, budget, deficit and debt (page 28)



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Sustainability mandate (page 42)

Some characteristics of our financial 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 the **Economic Agreement.**
- **The Basque Country collects and contributes** with the relevant quota to the services that the Spanish State continues to provide in this area.
- The debt of the Basque Country is subject to the **same regulation as the State debt.**

Tax collection 2021 and forecast 2022

- The 2021 collection registered a substantial increase of 14.4%.
- The increase in direct taxation was much lighter (8.9%) than that of indirect taxation (20.1%), thanks to the evolution of value added tax, which registered a record of 21.2%
- The updated figures (actual 2022 and forecast 2023) will be available only at the end of February

	Millions of euros	
	2021	2022
DIRECT TAXES	7,735.4	7,849.6
Personal income tax	6,114.4	6,322.3
Corporation tax	1,155.2	1,086.6
Wealth tax	171.5	172.8
Inheritance and gift tax	179.9	153.5
Other direct taxes	114.4	114.4
INDIRECT TAXES	8,136.3	8,331.4
Value Added Tax	6,256.9	6,206.0
Excise duties	1,521.4	1,572.1
Hydrocarbons	--	--
Manufactured tobacco products	--	--
Alcohol, fermented beverages and intermediate products	--	--
Beer	--	--
Electricity	--	--
Property conveyance tax	182.4	195.3
Document duty	40.9	42.2
Other indirect taxes	134.7	315.8
FEES AND OTHER REVENUE	91.5	91.5
TOTAL AGREED TAXES	15,963.2	16,272.5

Source: Directorate of Economy and Planning (September 2022).

Deficit/surplus

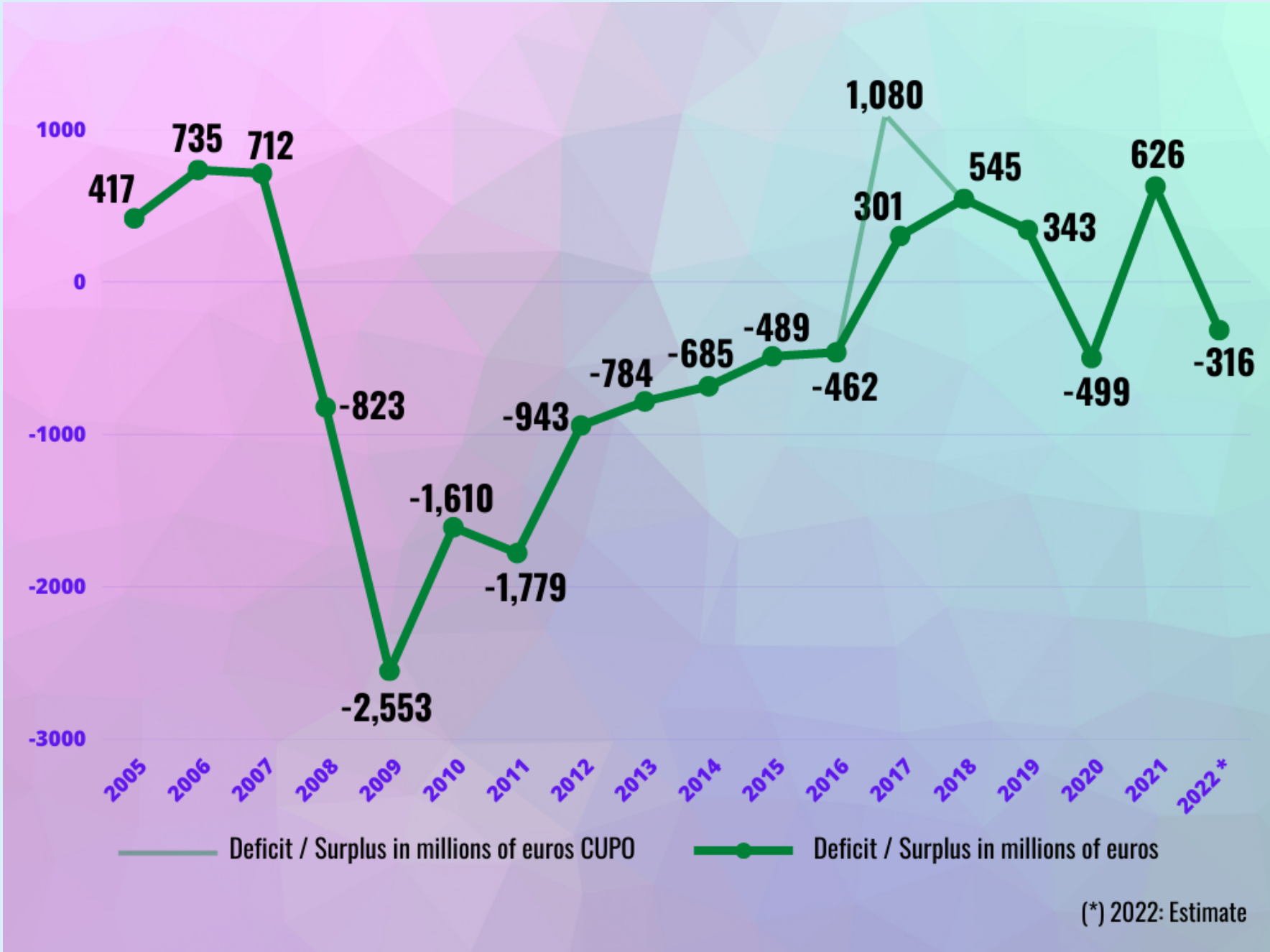
- The Basque Country has demonstrated strict fiscal discipline, meeting all the established deficit targets. From 2017 it has recorded a surplus that has been extended until 2019.
- In 2020, the pandemic and the resources allocated to alleviate its devastating effects, both economic and social, led to a new deficit, which lasted until August 2021.

Basque Country										
Public deficit / surplus over GDP										
2012	2013	2014	2015	2016	2017 Surplus	2018 Surplus	2019 Surplus	2020	2021 Surplus	2022
-1.50%	-1.27%	-1.09%	-0.75%	-0.69	-1.55%	0.76%	0.46%	-0,75%	0.87%	-0.4%

Source: Directorate of Economy and Planning (2022 - Estimate).

Deficit / Surplus (million euros)

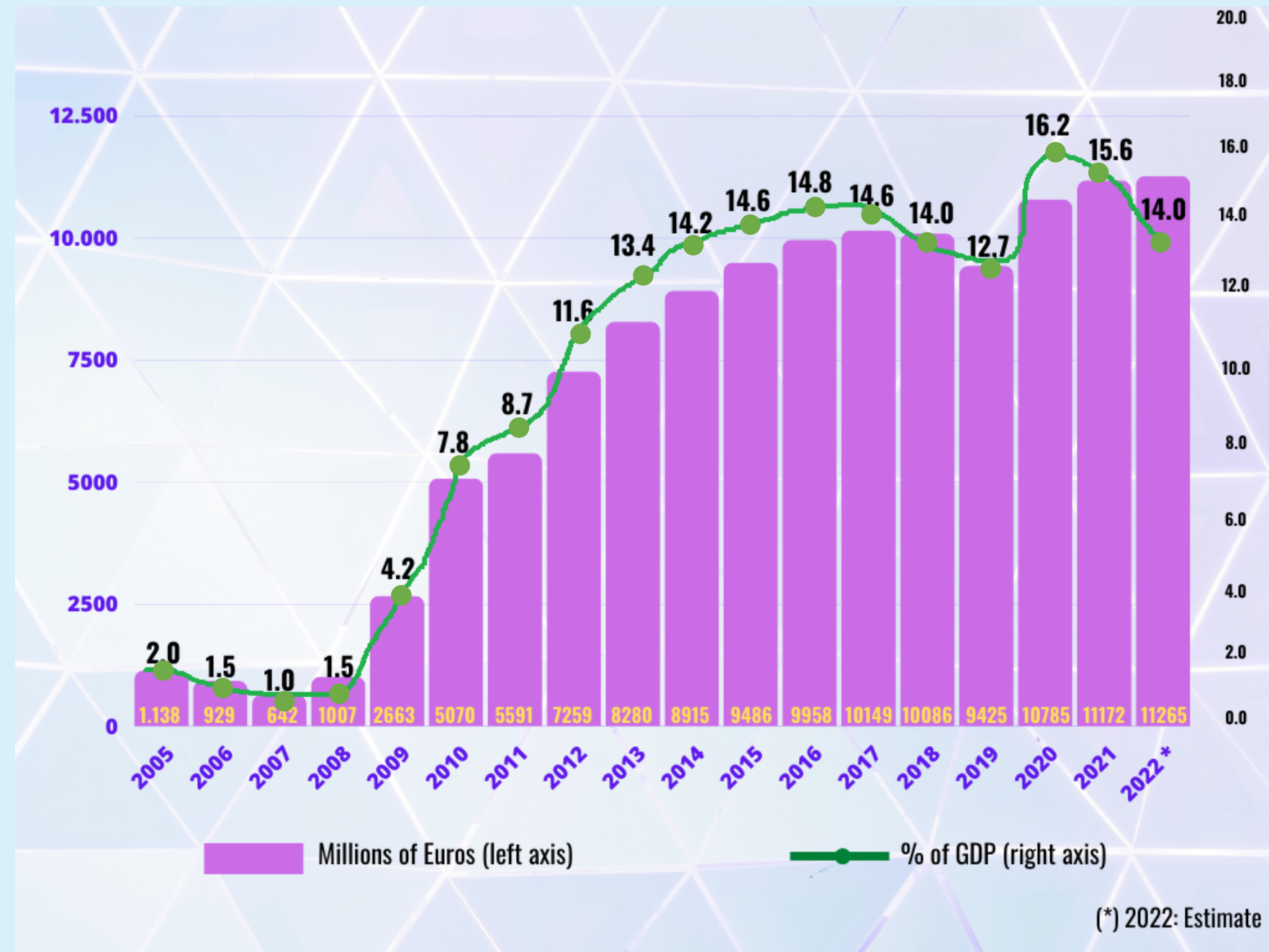
- After the pandemic, the surplus trend has resumed.
- In 2022, a deficit of 316 million euros has been estimated



Source: IGAE. SEC 2010; Directorate of Economy and Planning

SEC Debt (Excessive Deficit Protocol)

- The pandemic suffered in 2020 ended the downward path that began in 2016 and lasted until 2019.
- Specifically, the debt increased in 2021 to 15.6% of GDP.
- In 2022, it expects to fell to 14% of GDP.



Source: Bank of Spain; Directorate of Economy and Planning

Government debt

Total debt in December 2022 amounted to €10,348 million. Its average cost was 1.75% and its average life was in the order of eight and a half years.

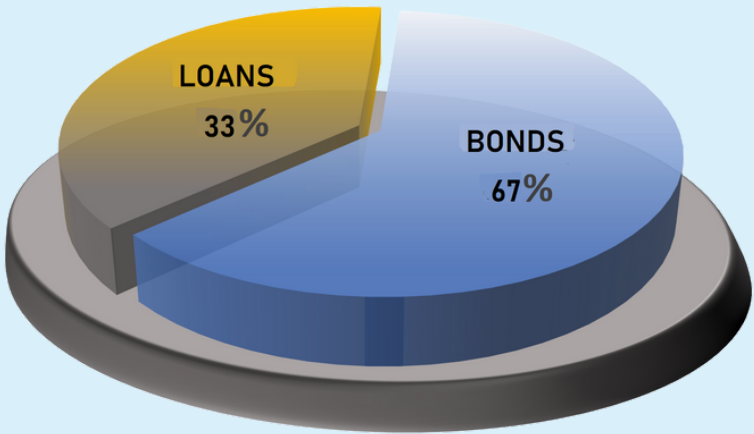
Debt as 12/31/2022 (Thousands EUR)	
Loans	3.387.665
Bonds	6.960.793
Government Debt	10.348.458

Financing needs 2023 (Million EUR)	
Gross issues	1.197
Net issues	419

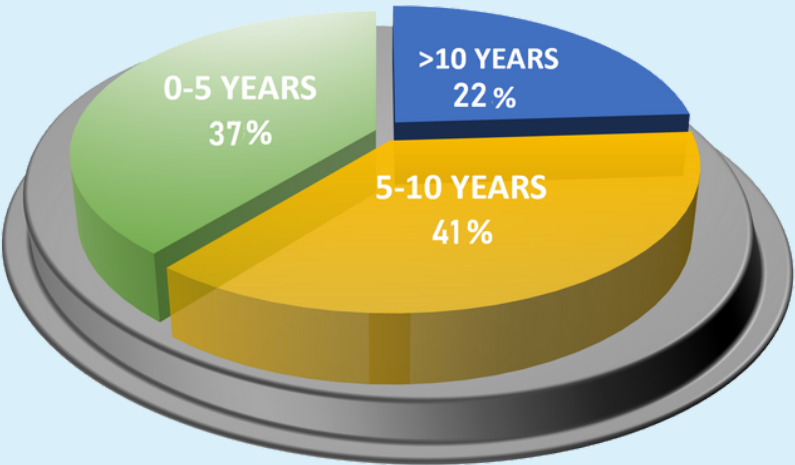
Average Cost %	Average life (years)
1.75%	8.38

Source: Basque Government.

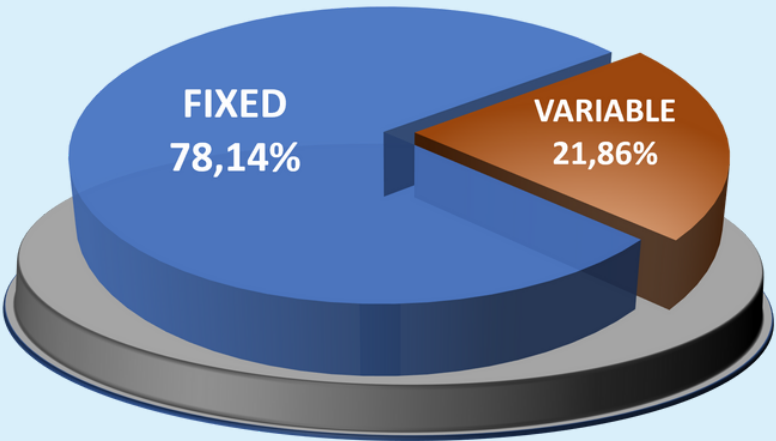
Type of debt



Type according to payment terms

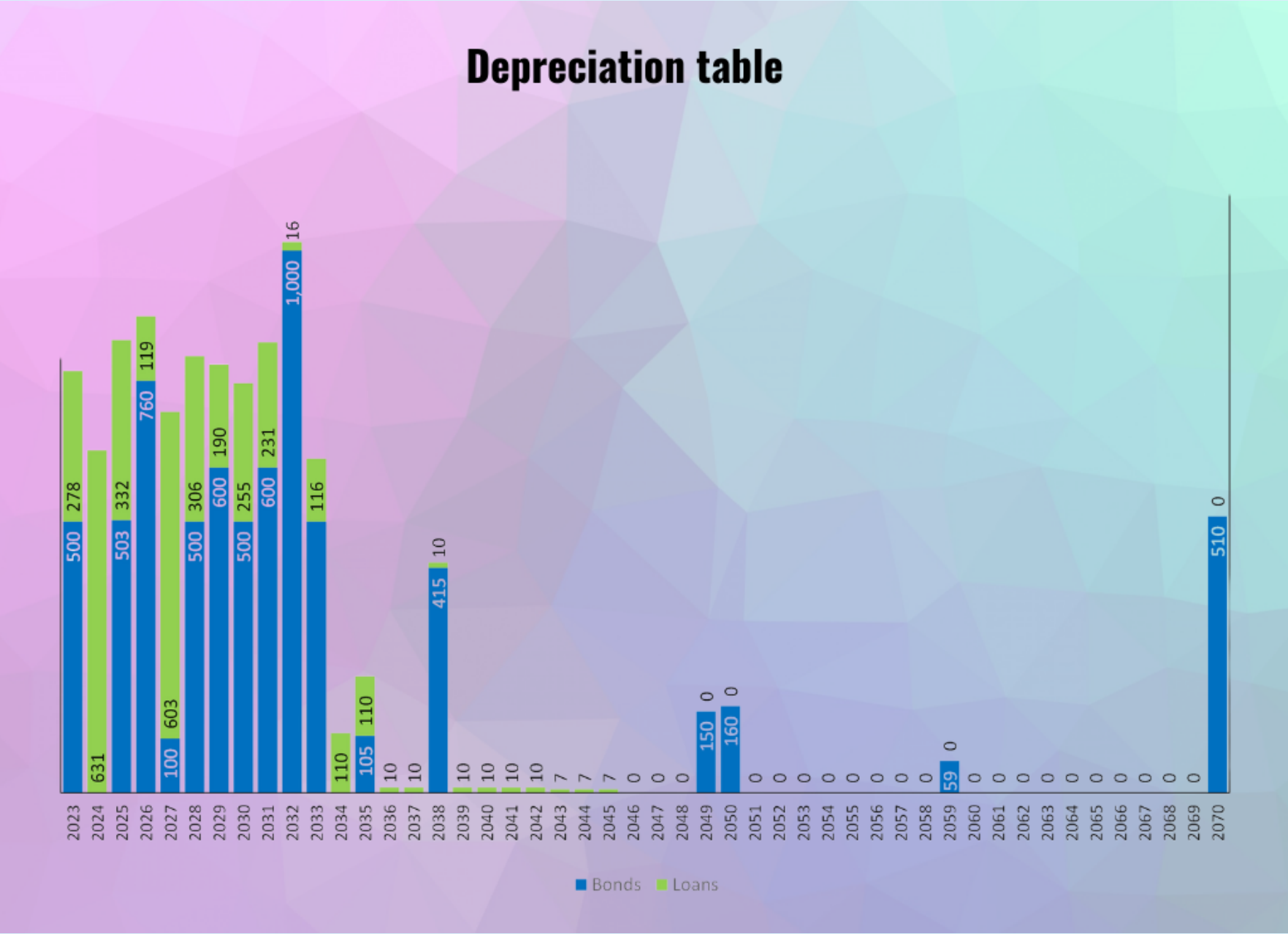


Cost of financing



Maturity profile as of 12/31/2022

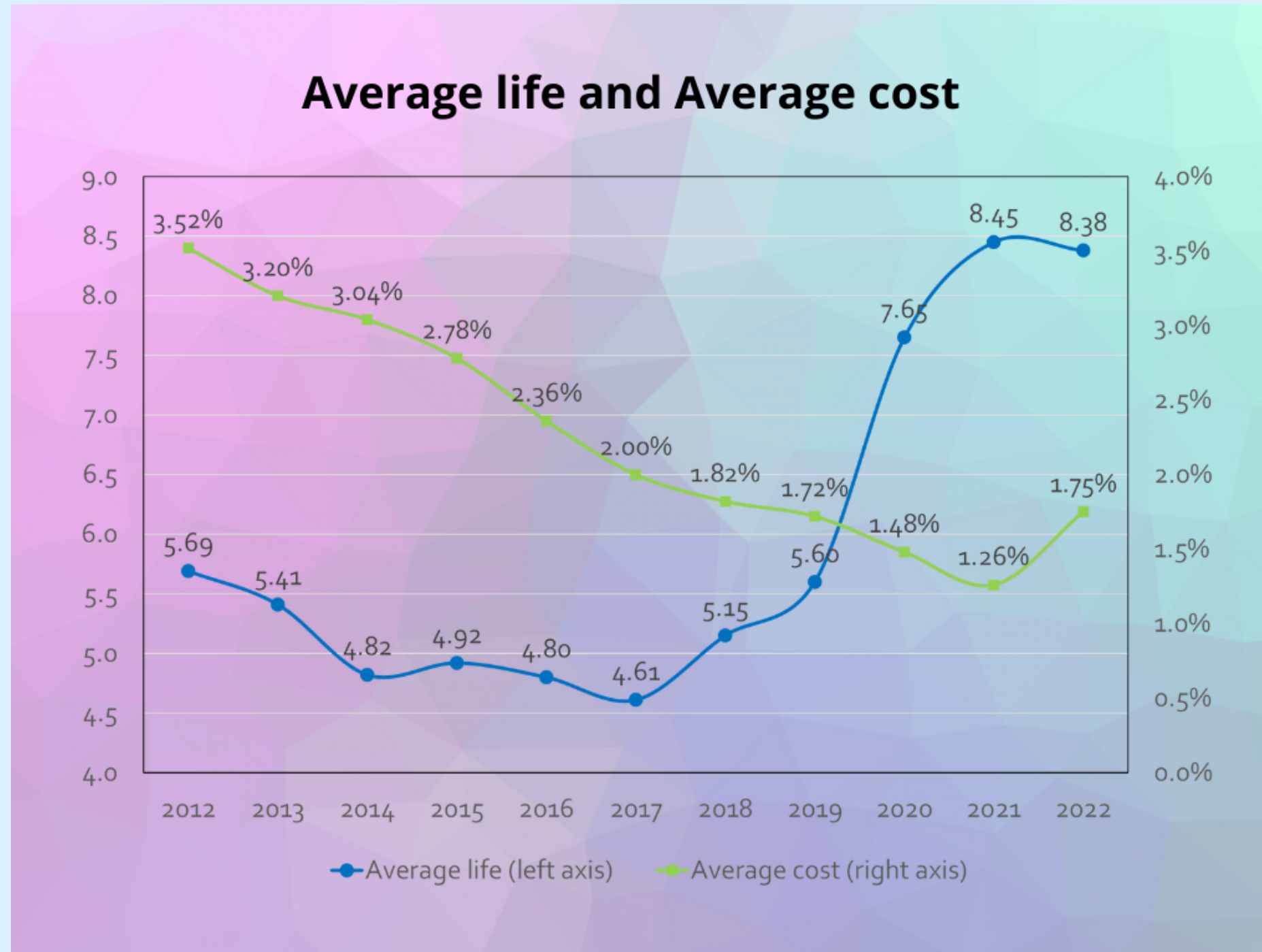
- Debt repayment has a growing profile for the next five years, with a peak in 2032 (EUR 1,015.9 million). Thereafter the quantities will be lower.



Source: Department of Economy and Finance.

Average life and Average cost

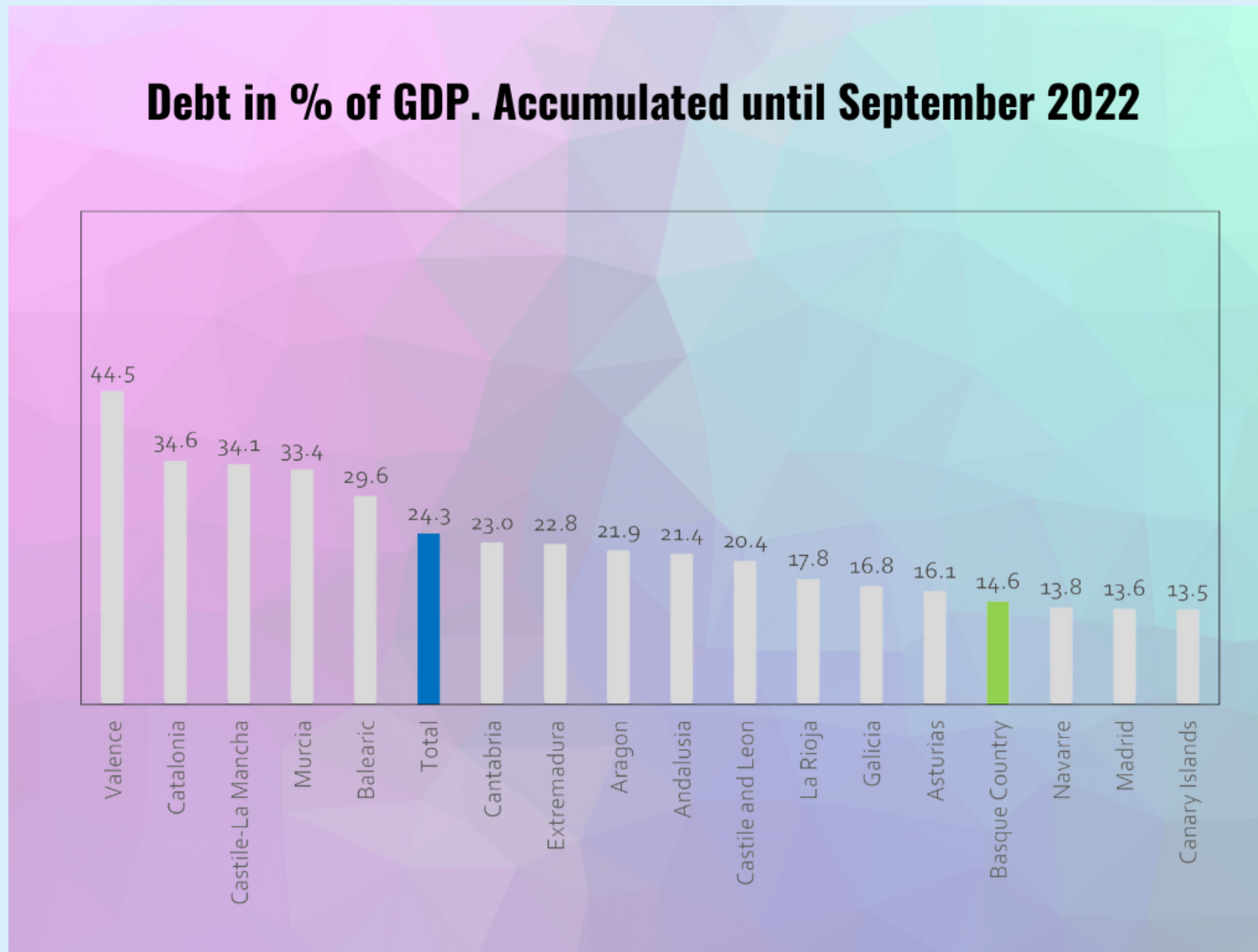
- In 2022, the trends maintained in recent years were truncated. More in detail, the average cost of debt increased to close to 1.8%, while the average life fell to 8.38 years.



Source: Department of Economy and Finance

Debt in percentage of GDP according to excessive deficit protocol

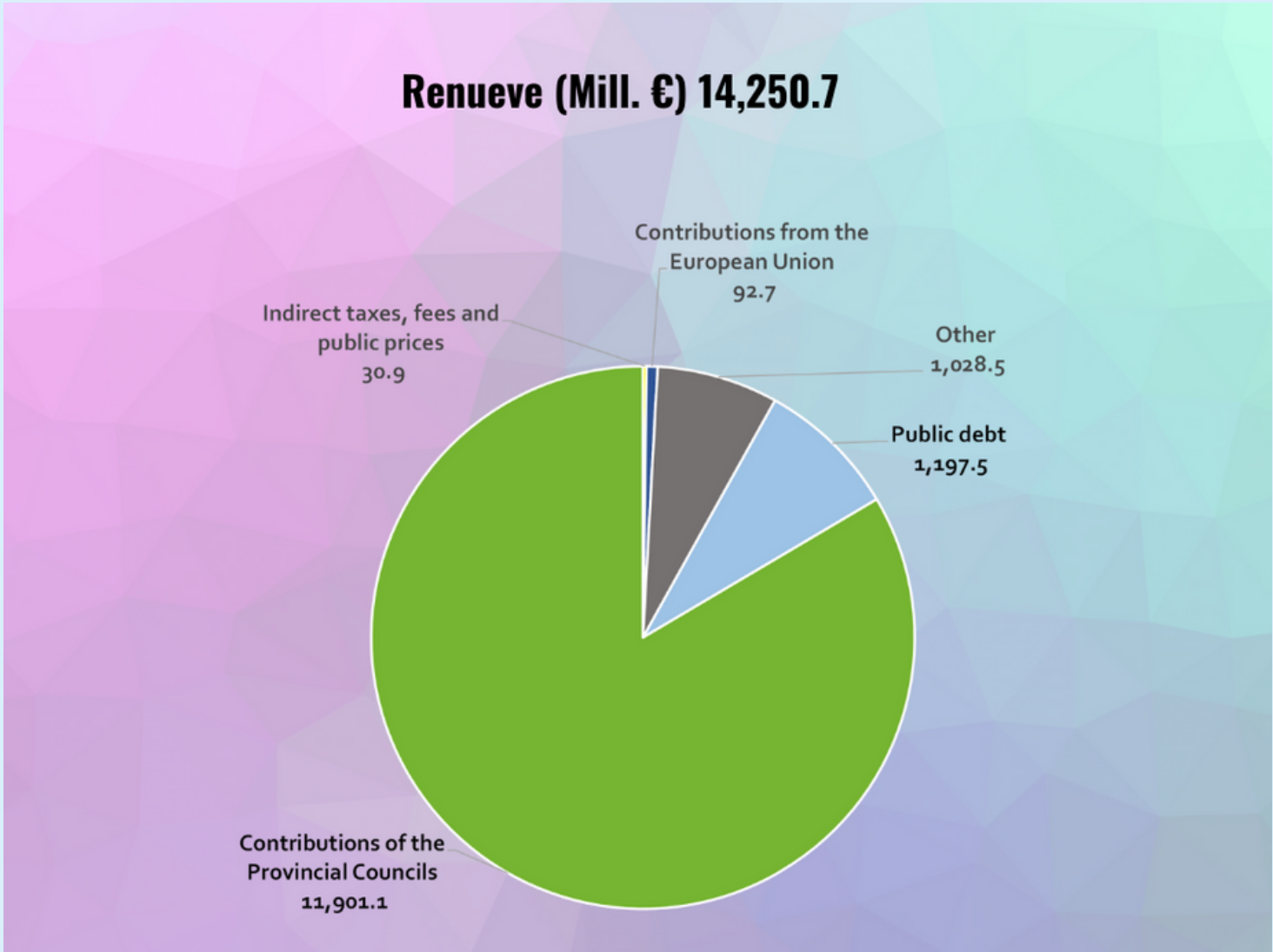
- The debt, according to the excessive deficit protocol, was equivalent to 14.6% of Basque GDP. This figure is the fourth lowest among the autonomous communities and is almost 10 points below the average.



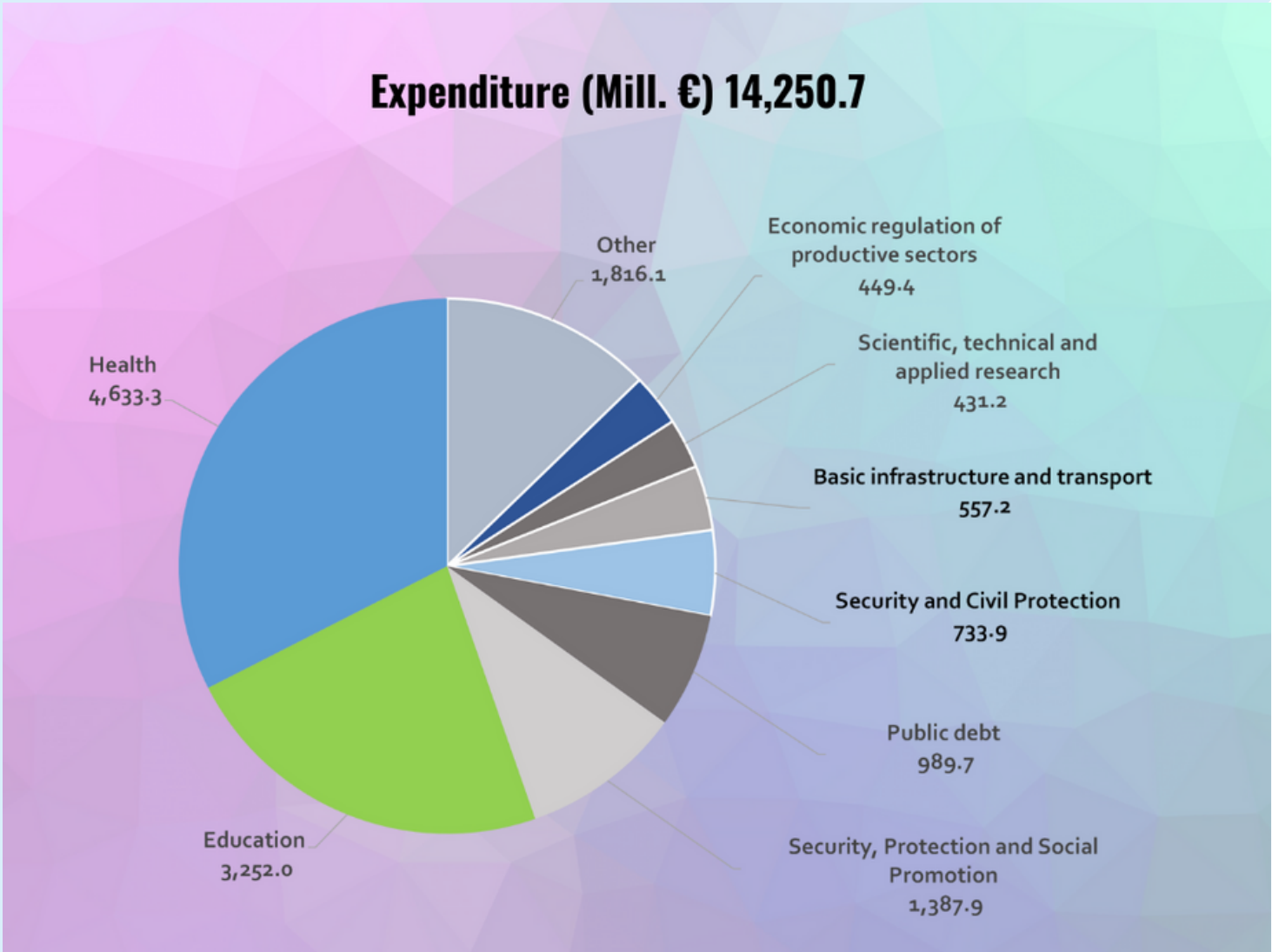
Source: Bank of Spain.

Basque Government 2023 Budget

Revenue EUR 14,250.7M



Expenditure EUR 14,250.7M



Source: Basque Government.

Public debt in the Basque Country

Issues in circulation on 12/31/2022

Issue data				
ISIN CODE	DATE ISSUE	VOLUME	COUPON (%)	MATURITY
ES0000106544	2015/4/13	500.000.000	1,250	2023/4/13
ES0000106445	2010/1/7	502.800.000	4,600	2025/1/7
ES0000106551	2016/3/16	569.726.000	1,750	2026/3/16
ES0000106577	2016/12/30	190.000.000	1,466	2026/12/30
ES0000106585	2017/3/16	100.000.000	1,703	2027/4/30
ES0000106619	2018/6/15	500.000.000	1,450	2028/4/30
ES0000106635	2019/4/25	600.000.000	1,125	2029/4/30
ES0000106643	2020/4/6	500.000.000	0,850	2030/4/30
ES0000106684	2020/11/19	600.000.000	0,250	2031/4/30
ES0000106726	2021/4/16	1.000.000.000	0,450	2032/4/30
ES0000106734	2022/4/29	500.000.000	1,875	2033/7/30
ES0000106668	2020/4/30	105.000.000	1,300	2035/4/30
ES0000106601	2018/2/28	414.767.000	2,500	2038/2/28
ES0000106627	2019/4/11	150.000.000	2,350	2049/4/11
ES0000106650	2020/4/22	81.500.000	1,750	2050/4/22
ES0000106692	2020/11/25	78.000.000	1,000	2050/10/31
ES0000106676	2020/4/30	59.000.000	2,000	2059/4/30
ES0000106700	2020/11/24	510.000.000	1,375	2070/10/31

Source: Ministry of Economy and Finance.

Financial strategy

For the current year (2023), the evolution of economic activity and thus tax collection will continue demanding the financing of annual budget deficits, if needed, in addition to the corresponding maturities.

1. The following structure is proposed for the total annual funding needs:

- Public sustainable bond issuance with maturity of 10 years
- Privately placed bonds with social characteristics maturities exceeding 30 years
- Bilateral loans with maturities below 10 years

This will also allow us to keep annual debt payments at current levels for the next five years.

The public issuance will be sustainable following the commitment of the Basque Country with the ESG investors of issuing at least once per year.

According to the low financing current necessities, this public sustainable issuance could probably suppose the unique bond issuance of the year for the Basque Country.

2. Extension of average debt maturities by issuing additional amounts at a longer term.

3. Diversification of funding by combining bond issuances and loans, and looking to keep 20% of debt at floating rates.

Rating: above the sovereign rating by S&P and Moody's

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

Current rating		
AGENCY	BASQUE COUNTRY	SPAIN
Moody's	A3 (stable outlook)	Baa1 (stable outlook)
S&P	AA- (stable outlook)	A (stable outlook)
Fitch	A (stable outlook)	A- (stable outlook)

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

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1

Features of the Basque economy and macroeconomic outlook (page 3)



2

Financing system, budget, deficit and debt (page 28)





3

**Sustainability mandate
(page 42)**

The Basque Government sustainability mandate (1)

- ✓ The Euskadi Basque Country 2030 Agenda, drawn up by the Basque Government, reflects the degree of alignment and contribution of the Government Programme to the 17 Sustainable Development Goals and 100 targets of the UN 2030 Agenda for Sustainable Development (Agenda 2030).
- ✓ We see the 2030 Agenda as an opportunity for the Basque Country because it is fully aligned with our priorities: human development guaranteeing essential services for all, and sustainable growth generating job opportunities with higher levels of quality. This is the Basque model of growth and social welfare, now strengthened by the Euskadi Basque Country 2030 Agenda ,
- ✓ The Euskadi Basque Country 2030 Agenda represents a decisive step in the determination of the Basque Executive to focus its public policies on the challenges identified in the UN Agenda 2030.
- ✓ The Agenda includes 93 of the 175 commitments acquired by the Basque Government in its Government Programme, 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 2030 Agenda, providing visibility to the contribution of the Basque Country to the implementation of the 2030 Agenda and to achieve the Sustainable Development Goals.

Sustainability mandate of the Basque Government (2)

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. No poverty 2. Zero hunger 3. Good health and well-being 4. Quality 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. Clean water and sanitation 7. Affordable and clean energy 8. Decent work and economic growth 9. Industry, innovation and infrastructure 10. Reduced inequalities	 PLANET	20% reduction in CO2 emissions	10	35	11	4th Environmental Framework Programme	11	3
11. Sustainable cities and communities 12. Responsible consumption and production 13. Climate action 14. Life below water 15. Life on land	 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, justice and strong institutions	 PEACE	Disarming and dissolving ETA	24	80	3	Co-habitation and Human Rights Plan Public Security Plan	6	2
17. Partnerships for the goals	 PARTNERSHIP	New political status	12	32	2	"Euskadi - Basque Country" Internationalisation Strategy	3	

Sustainability bond framework at a glance

- ✓ This Sustainability Bond Framework is aligned with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines 2017. Bonds issued under this framework will promote the Sustainable Development Goals as set out in the UN 2030 Agenda.
- ✓ The net use of proceeds will be used to finance and/or refinance eligible categories and projects included in the Basque Government's General Budget and corresponding budgetary programs and will always belong to the current budget of the fiscal year coinciding with the issuance date of each Sustainability bond.
- ✓ Eligible categories are: Affordable Housing, Access to essential services: Education and Healthcare, Socioeconomic advancement , Employment generation , Renewable Energy, Clean Transportation, Pollution prevention and control, Sustainable water and wastewater management, Terrestrial and aquatic biodiversity conservation, Energy Efficiency and Climate Change Adaptation
- ✓ A robust project evaluation and selection process will be undertaken by the Basque Government when reviewing the allocation process: the Basque Government Sustainability Bond Committee will compare their compliance with the defined relevant eligibility criteria.
- ✓ The Basque Government will report on the impact of each Sustainability Bond issued within 12 months of the settlement date.
- ✓ Supported by an external review: Sustainalytics provides a Second Party Opinion which will be available on the issuer's website as well as in the Sustainability Bond Framework.

Second-Party Opinion

Basque Government Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Basque Government Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, and Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible eleven categories¹ for the use of proceeds are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 10, 11, 12, and 15.



PROJECT EVALUATION / SELECTION Basque Government’s process for project evaluation and selection is managed by the Sustainable Financing Committee (SFC), which is comprised of representatives from the departments of Finance and Economy, Economic Development, Sustainability and Environment, Labor and Employment, Territorial Planning, Housing and Transportation, Education and Health Economic Development and Infrastructure. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Basque Government process for management of proceeds is overseen by the Financial and Economy Department. The Basque Government will monitor and track the allocation of proceeds through its internal accounting systems. The SFI proceeds will be directly allocated to eligible projects at the time of settlement or to budgetary programmes in the General Budget of the Basque Government, corresponding to the fiscal year of the Sustainable financing. Unallocated proceeds will be held in any form of cash or liquidity position or time deposits with banks. This is in line with market practice.



REPORTING Basque Government is committed to reporting on the allocation of proceeds via its website on an annual basis until allocation has been fully completed. In addition, Basque Government will, where feasible, report on relevant impact indicators. Sustainalytics views Basque Government’s allocation and impact reporting as aligned with market practice.

Evaluation Date	March 24, 2021
Issuer Location	Vitoria-Gasteiz, Spain

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¹¹ Affordable Housing, Access to Essential Services - Education and Healthcare, Socio-Economic Advancement, Employment Generation, Renewable Energy, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Terrestrial and Aquatic Biodiversity Conservation, and Energy Efficiency.

Sustainability bond framework: use of proceeds (1)

Eligible Categories

Framework

SDG

Affordable Housing

The proceeds will be used to promote and increase the availability and access to social housing in the Basque Country



Access to essential services: Education & Healthcare

Education: proceeds of the bond will be allocated to supporting public educational programmes for young people between the ages of 14 and 25 years and support the successful integration of disadvantaged groups to the education system. Disadvantaged groups refer to young people in a situation of greater vulnerability due to not having completed their Compulsory Secondary Education (ESO).

Healthcare: proceeds of the bond will be allocated to projects aimed to guarantee universal access to quality public healthcare for the citizens of the Basque Country (including, but not limited to, vulnerable groups).



Socioeconomic advancement

Proceeds of the bond will be allocated to projects which maintain and foster the Basque income guarantee model and promote social inclusion in the Basque Country



Employment generation

Proceeds of the bond will be used to support the job creation in the different economic sectors and to finance programmes supporting unemployed people in education and training, in order to reduce the unemployment rate to below 10% by the end of the term



Renewable Energy

Proceeds of the bond will be allocated to projects and programmes aimed at promoting the increased use of renewable energy in the Basque Country. Proceeds will be used to finance the renewable energy priorities included in the Basque 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 (2)

Eligible Categories

Framework

Clean Transport

Proceeds of the bond will be used to reduce dependence on fossil fuel transport in accordance with the lines of action included in the Basque Sustainable Transport Master Plan 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 Program 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 supporting the protection and improvement of the ecological state of water masses; projects and programmes supporting not only the improvement of water quality and its supply, but also sanitation and urban sewage treatment. Additionally, proceeds of the bond will be allocated to resolving water scarcity, minimizing water consumption, or recycling to alleviate the generation of sewage water.

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 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 according to the guidelines and lines of action anticipated in the 2030 Basque Energy Strategy and the Basque Climate Change Strategy 2050 (Klima 2050).

Climate Change Adaptation

Financing of plans of action and activities to reduce the impacts of extreme climate events on vulnerable areas, such as preventing floods, landslides, impacts on coastal areas, etc .

SDG



Sustainability framework: process for project evaluation and selection & management proceeds

PROCESS FOR PROJECT EVALUATION AND SELECTION

- The process to select and to evaluate potential eligible projects and programmes from the General Budget is performed by the Basque Government Sustainability Bond Committee
- This Committee comprises four representatives of the Ministry of Treasury and Economy, and a representative of each of the following departments: Environment, Territorial Planning and Housing; Employment and Social Policies, Health and Education, Economic Development and Infrastructure
- Each Department carries out an ex - ante evaluation of the impact indicators of the projects, in addition to the environmental impact assessment, and other actions foreseen in the regulation

MANAGEMENT OF PROCEEDS

- The Basque Government has internal systems in place to track proceeds of its bonds, and to account for all eligible programs à the Committee will monitor and prevent any such double allocation of proceeds
- The proceeds of the Sustainability Bond will be allocated to eligible budgetary programs in the General Budget of the Basque Government, corresponding to the fiscal year of the Sustainability Bond issuance
- The total expenditures required for the eligible programs will equal or exceed the net Sustainability bond proceeds
- The proceeds from the Sustainability bond issuance will be directly allocated to the eligible projects on their settlement. If all the whole proceeds cannot be allocated, the Basque Government will temporarily keep the unallocated funds in any form of cash or liquidity position or time deposits with banks. This event would be monitored by the Financial Department of the Basque Government's Office of Financial Policy and reviewed by the Sustainability Bond Committee.

Sustainability framework: reporting

Allocation Reporting

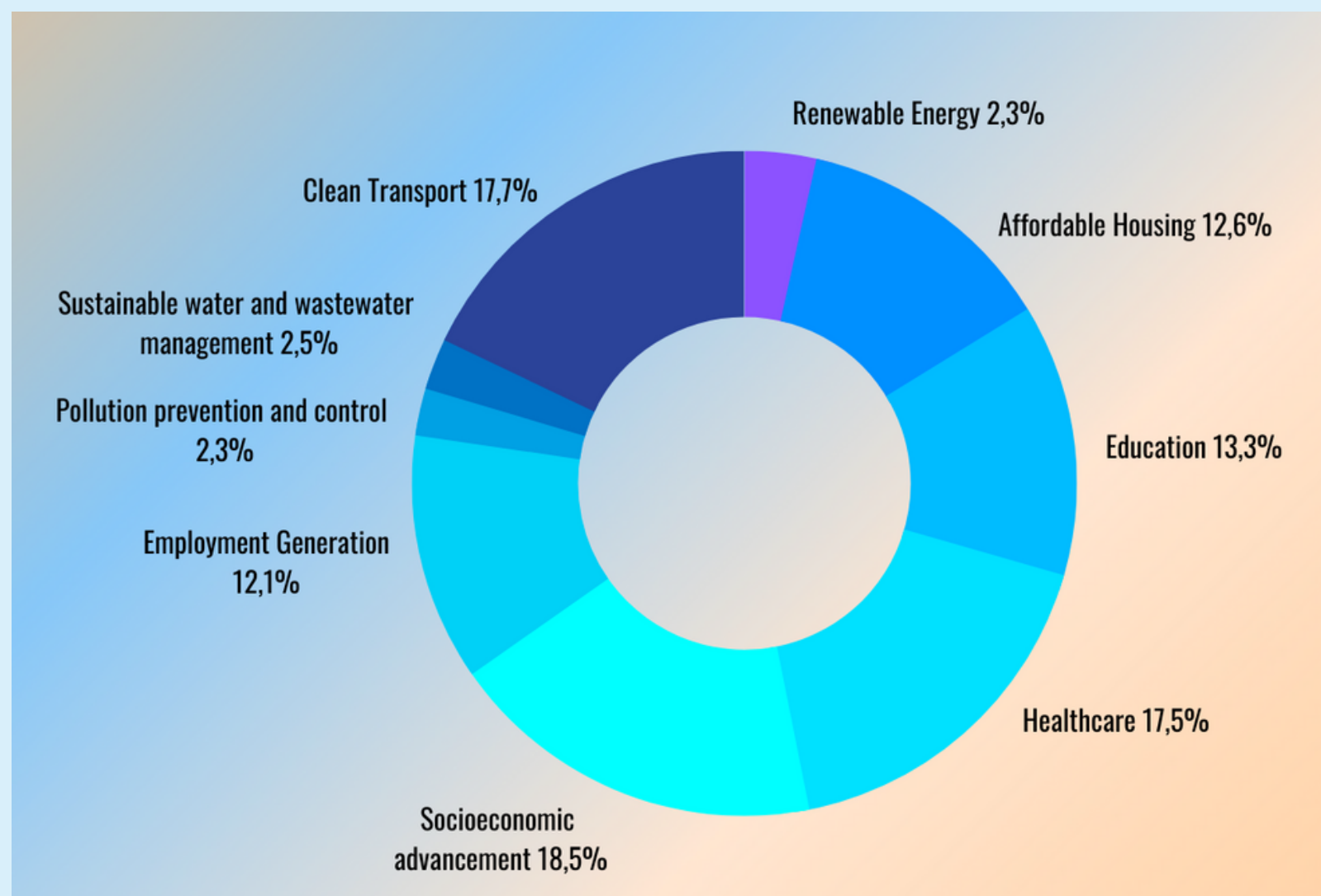
- The Basque Government is committed to report annually on the allocation of the bond's proceeds, including the total amount allocated and per eligibility category until the proceeds have been fully allocated
- Allocation reporting will be available to investors within one year from the date of the Sustainability Bond issuance and annually until the bond proceeds have been fully allocated. The reporting will produce insights into the total amount provided to the various eligible budgetary programs and the total of each eligibility category. The allocation reporting will be made available on the Basque Government's website .

Impact Reporting

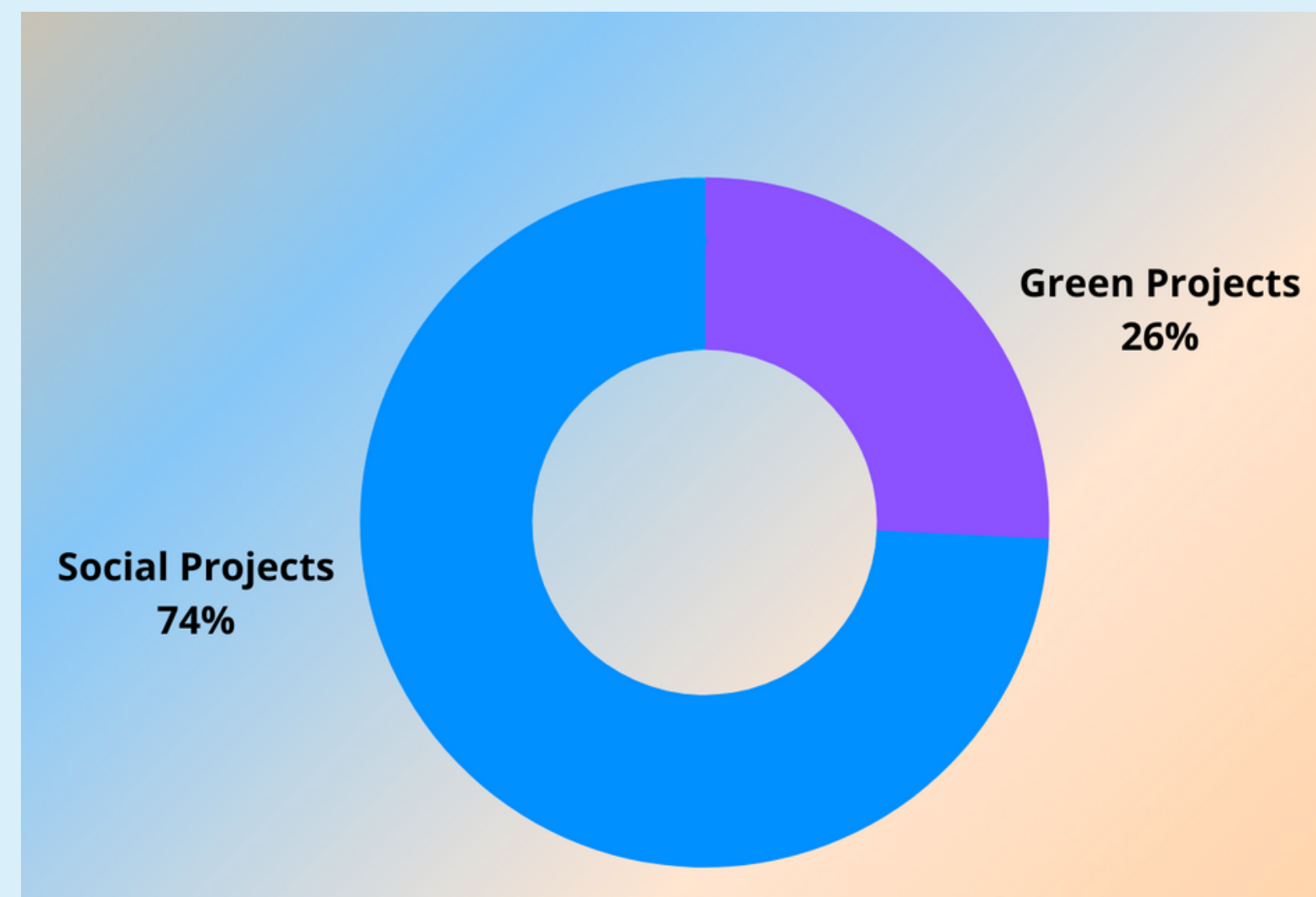
- Impact indicators are developed for each eligibility category
- The Basque Government will provide a dedicated Sustainability Bond impact report for investors within one year from the issuance date and annually until the bond proceeds have been fully allocated, with estimates of the main environmental or social impacts or outputs of the eligible programs, where feasible
- Impact indicators will include avoided CO2, renewable energy and energy savings as well as poverty rate and school enrolment rate, among others
- Some case studies of projects may be provided to illustrate the positive impact

Selected Eligible Assets for 2023 Sustainable Bond

By Project



By Project Category



Eligible Assets 2023: Social Projects (1.1)

(Figures in euros)

Affordable housing

126,000,000



Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	50,000,000
Financing of Bizigune program	34,000,000
Building of homes to rent	20,000,000
Aid to refurbish and/or renovate homes and buildings	12,000,000
Gaztelagun program	10,000,000

Education

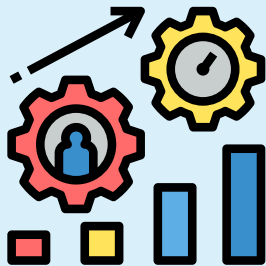
133,000,000



Building and equipping nurseries and primary schools	10,000,000
Building and equipping secondary and vocational training schools	25,000,000
Financing of contract-program and investment University of the Basque Country	23,000,000
Non-university scholarships	50,000,000
University scholarships	25,000,000

Socio-economic advancement

185,000,000



Financing of social emergency assistance programs	25,000,000
Financing of family support benefits	60,000,000
Financing of income security allowance	100,000,000

Eligible Assets 2023: Social Projects (1.2)

(Figures in euros)

Job creation

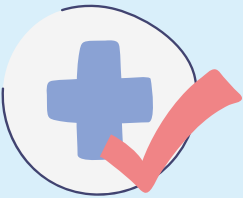
121,000,000



Local employment support and development projects – county employment plans	24,500,000
Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	9,000,000
Financing of Lehen aukera program	4,000,000
Financing of programs to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	46,500,000
Financing of training programs – sandwich courses for young people, training for unemployed people	27,000,000
Financing SME and autonomous with liquidity	10,000,000

Health

175,000,000



Financing hospital and non-hospital pharmacy expenses	110,000,000
Healthcare investments – expansion of existing hospitals, health centres, equipment	65,000,000

SUMMARY SOCIAL PROJECTS

Affordable housing	126,000,000
Socio-economic advancement	185,000,000
Education	133,000,000
Job creation	121,000,000
Health	175,000,000
TOTAL SOCIAL€	740,000,000

Eligible Assets 2023: Green Projects

(Figures in euros)

Clean transport	177,000,000	Financed by programme 5131
Eusko Tren investments	16,000,000	
Construction of new infrastructure – doubling tracks,, Donostia-San Sebastian train line [popularly known as “Topo”]	62,000,000	Financing investment in ETS [Basque train network]
Financing railway operators	99,000,000	Financing 38,5 m of running costs in ETS and 54,5 m in contributions to the CTB [Biscay transport consortium] and 6 m in ET
Pollution control and prevention		
Sustainable management of water and waste water		
Conservation of terrestrial and aquatic biodiversity	83,000,000	Financed by the 4421, 5121 and 7311 programmes
Energy efficiency		
Climate change adaptation		
Renewable energy		

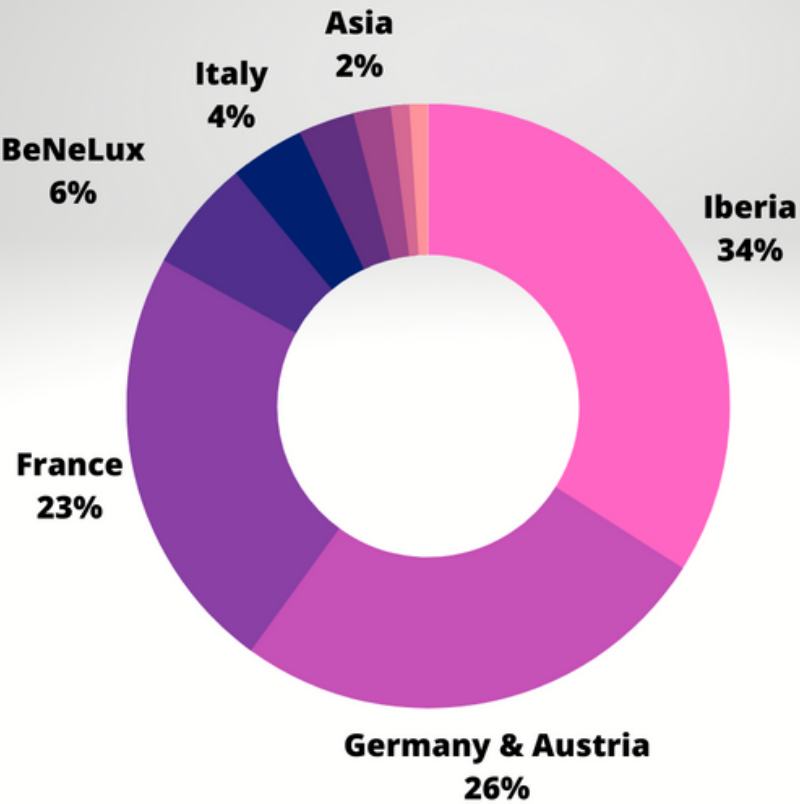
SUMMARY GREEN PROJECT	
Environmental protection	23,000,000
Hydraulic administration and planning	25,000,000
Rail transport management and infrastructure	177,000,000
Energy (EVE group without SHESA)	35,000,000
TOTAL GREEN €	260,000,000

Basque Government 2018 €500m inaugural 10yr sustainable bond

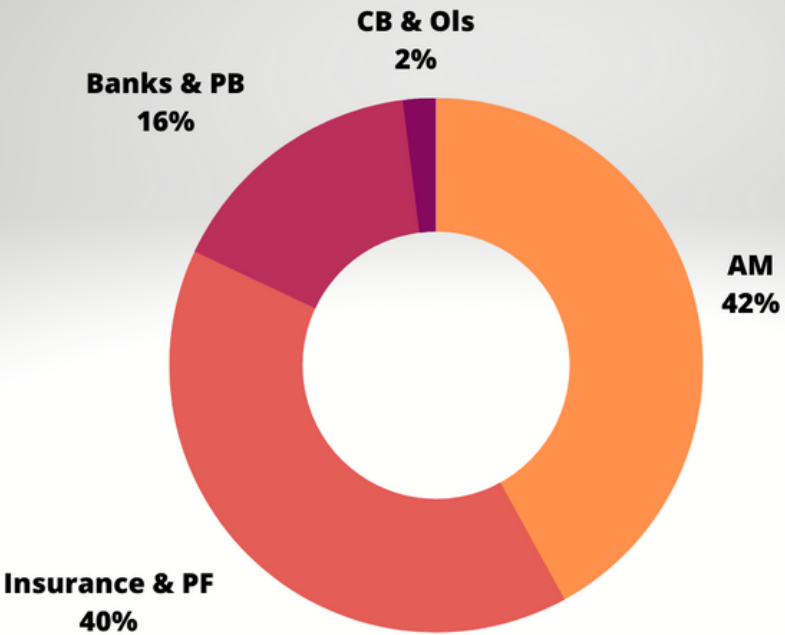
Terms & Conditions

Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody´s/ S&P / Fitch)
Format:	Sustanaible Bond
Pricing Date:	5 June 2018
Settlement:	15 June 2018
Maturity:	20 April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICME
Reoffer spread:	SPGB 1.4% 04/2028 + 15 bps
Reoffer Price /Yield:	99.346% / 1.522%
ISIN:	ES0000106619

Geography Distribution
 % of allocation



Investor Type Distribution
 % of allocation



Sustainable Distribution
 % of allocation

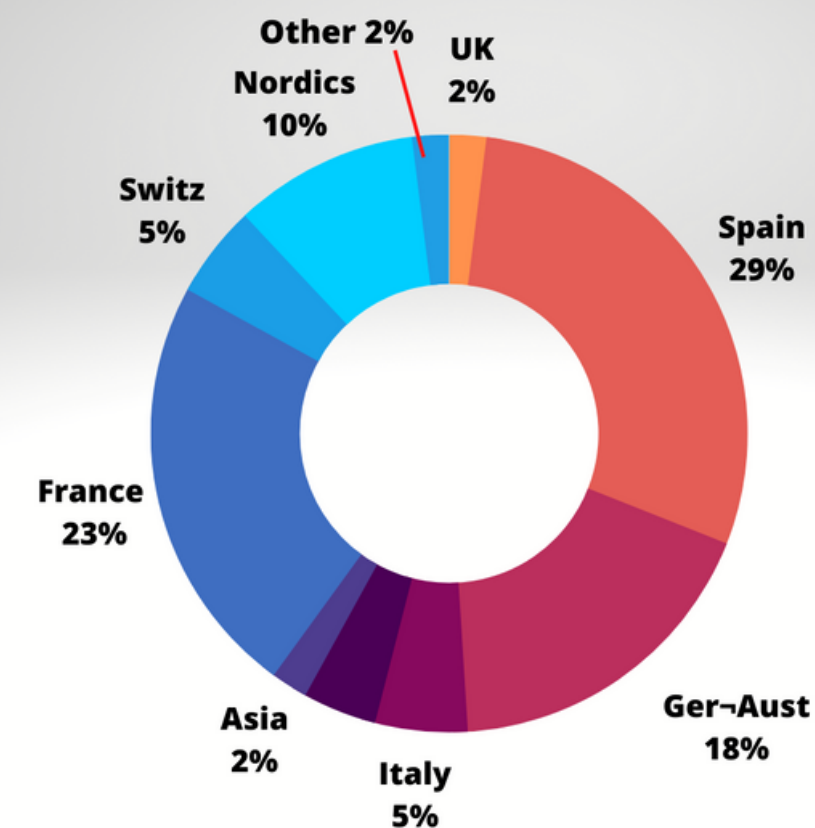


Basque Government 2019 €600m 10yr sustainable bond

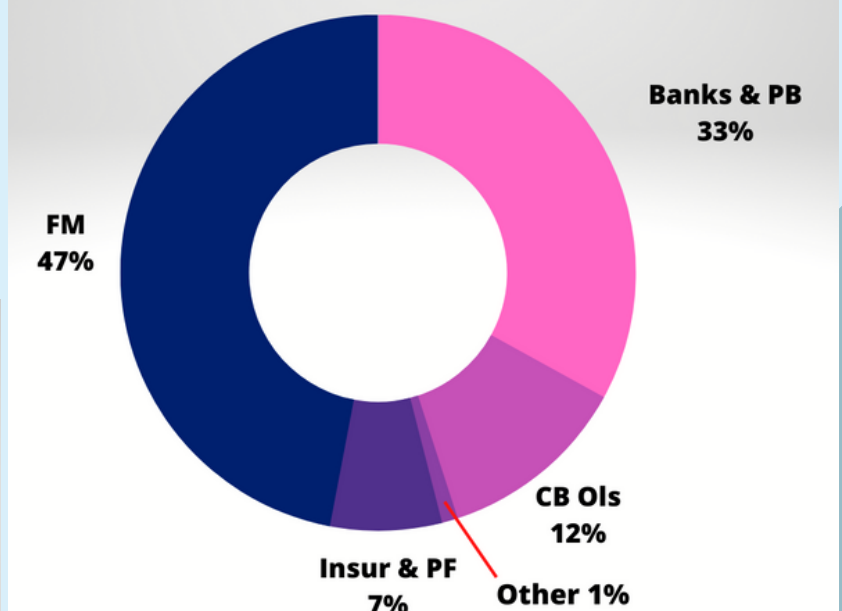
Terms & Conditions

Issuer:	Basque Government
Ratings:	A3 (st) /A+ (pos)/A- (st)
Format:	Sustanaible Bond
Pricing Date:	9 April 2019
Settlement:	25 April 2019
Maturity:	30 April 2029
Size:	EUR 600m
Coupon:	1.125%
Reoffer spread:	SPGB 1.45% 04/2029 + 10 bps
Reoffer Price/Yield	99.455%
ISIN:	ES0000106635

Geography Distribution

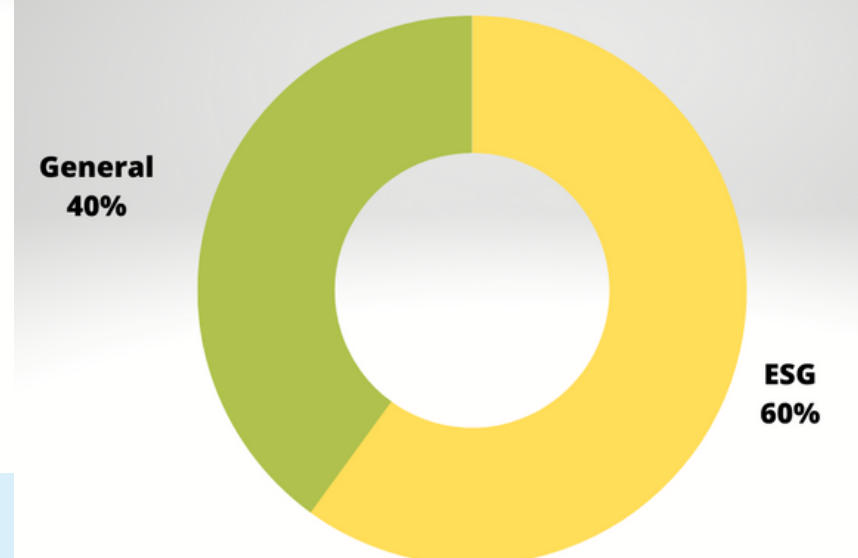


Investor Type Distribution



Sustainable Distribution

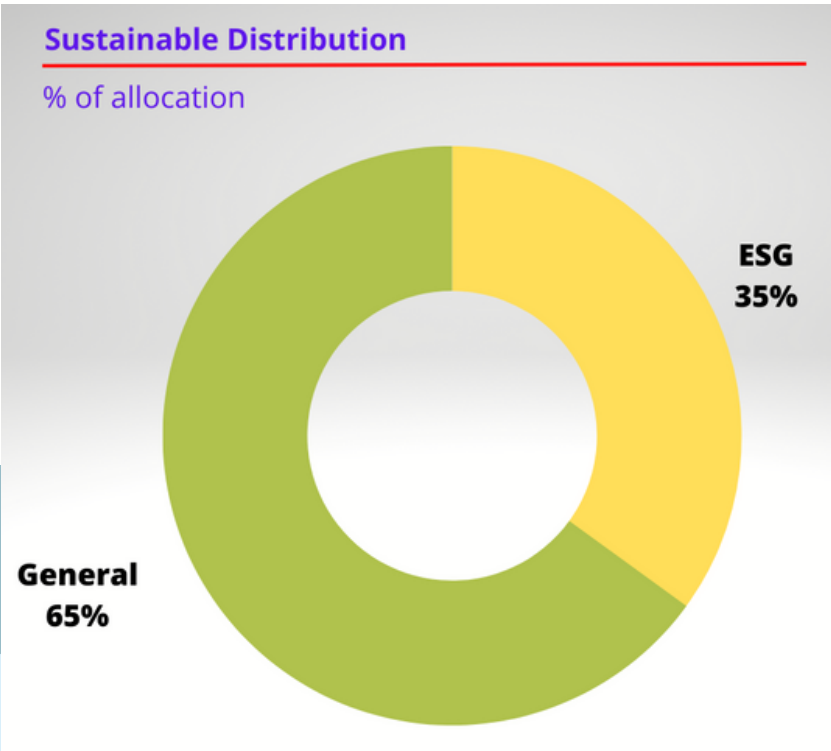
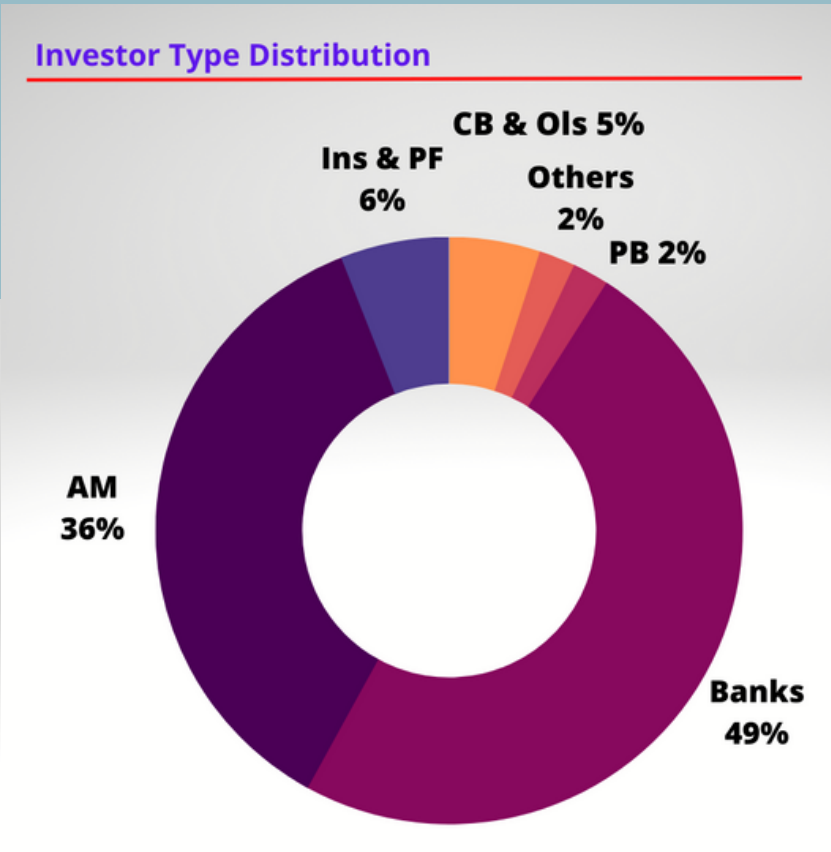
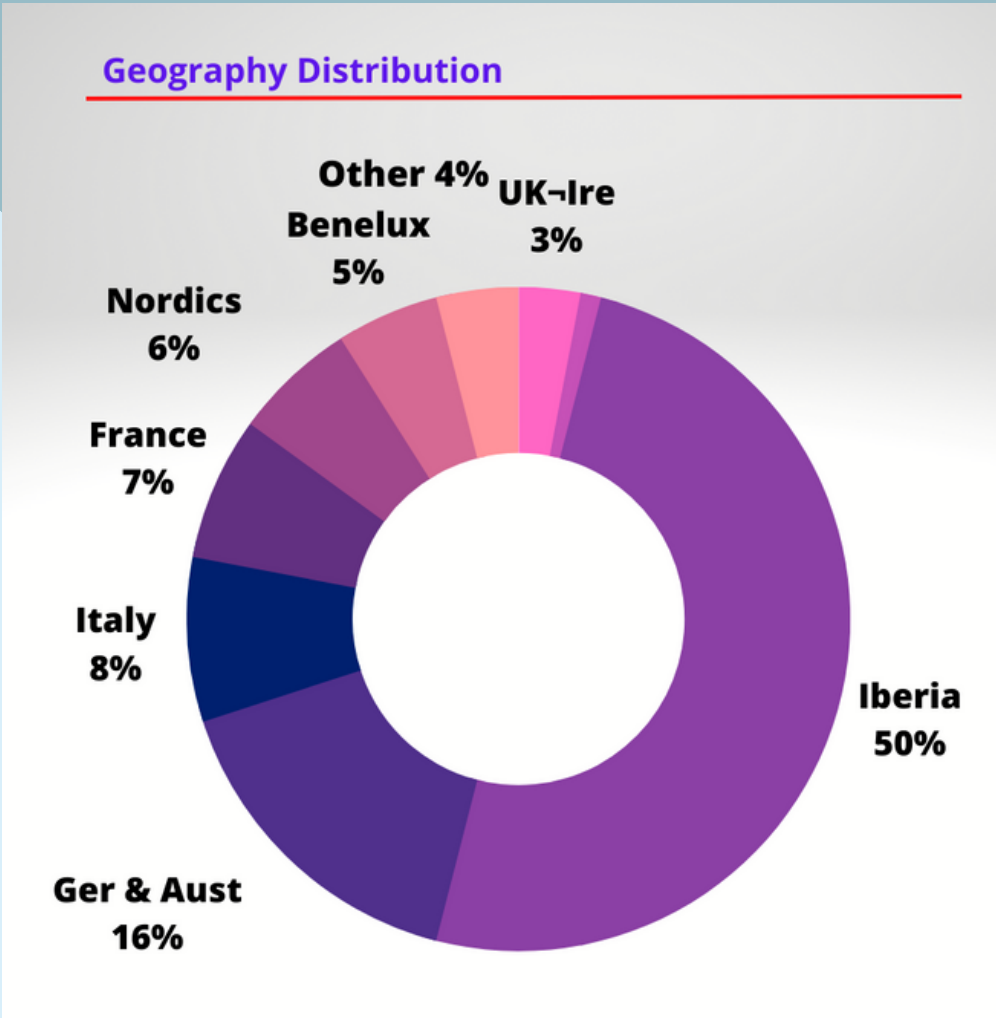
% of allocation



Basque Government 2020 (1) €500m 10yr sustainable bond

Terms & Conditions

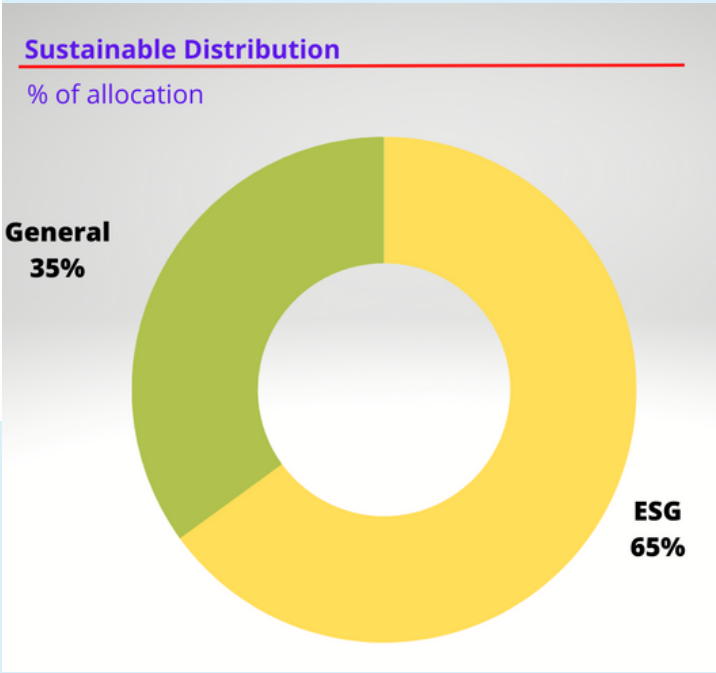
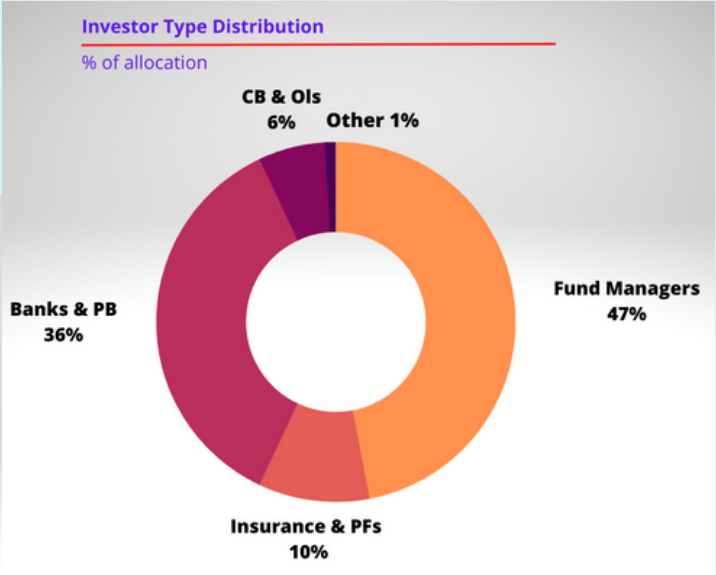
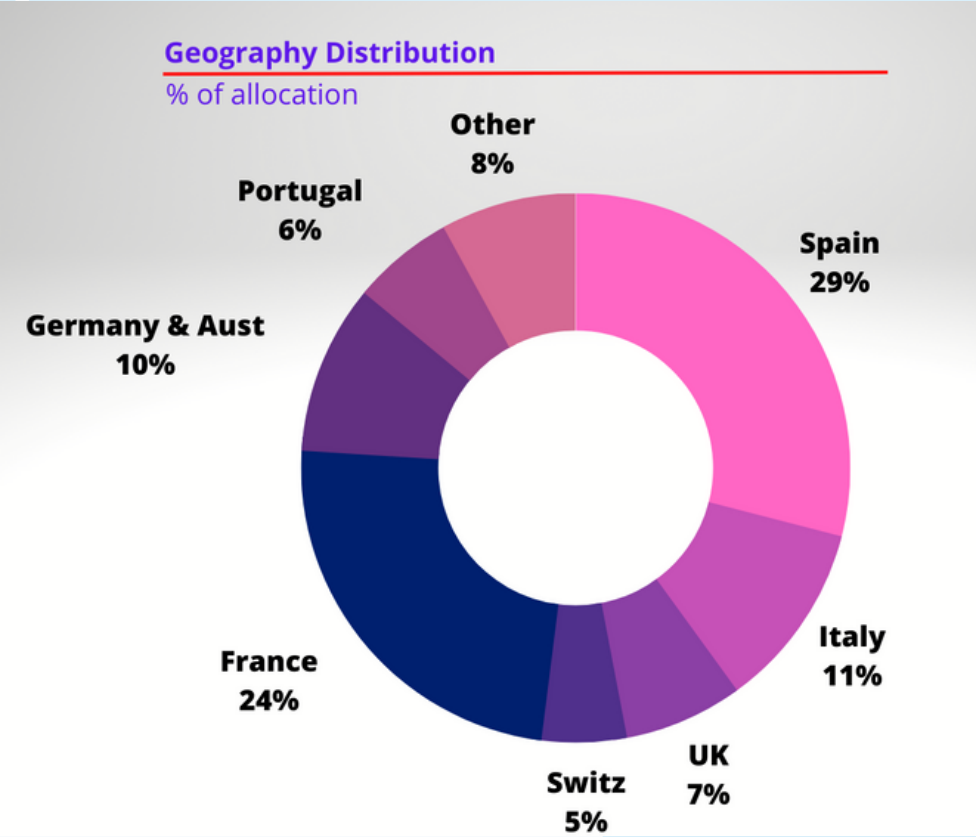
Issuer:	Basque Government
Ratings:	Moody´s: A3 / Fitch: A-
Format:	Sustanaible Bond
Princing Data:	26 March 2020
Settlement:	6 April 2020
Maturity:	30 April 2030
Size:	EUR 500m
Coupon:	0.85%
Reoffer spread:	SPGB 04/30 + 25bps
Reoffer Price/Yield:	0.876%
ISIN::	ES0000106643



Basque Government 2020 (2) €600m 10yr second sustainable bond

Terms & Conditions

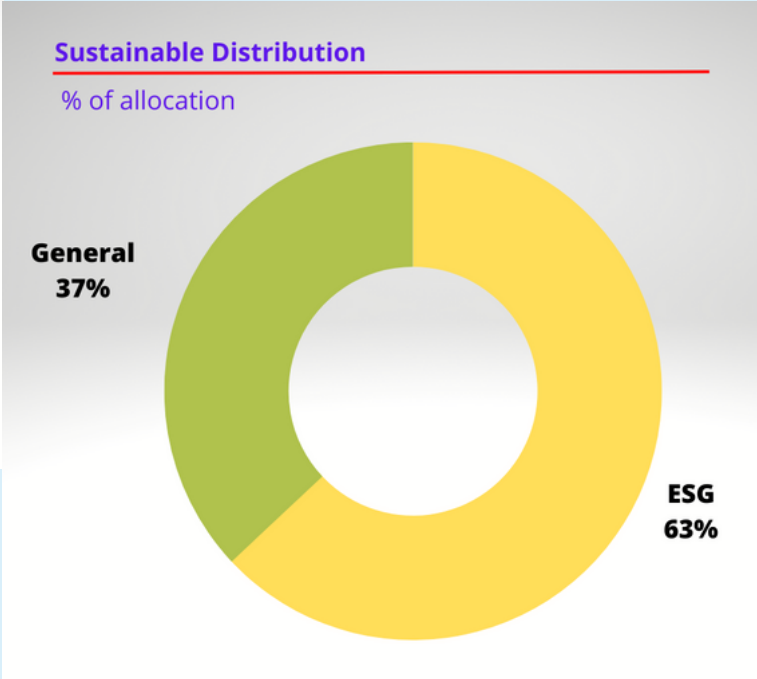
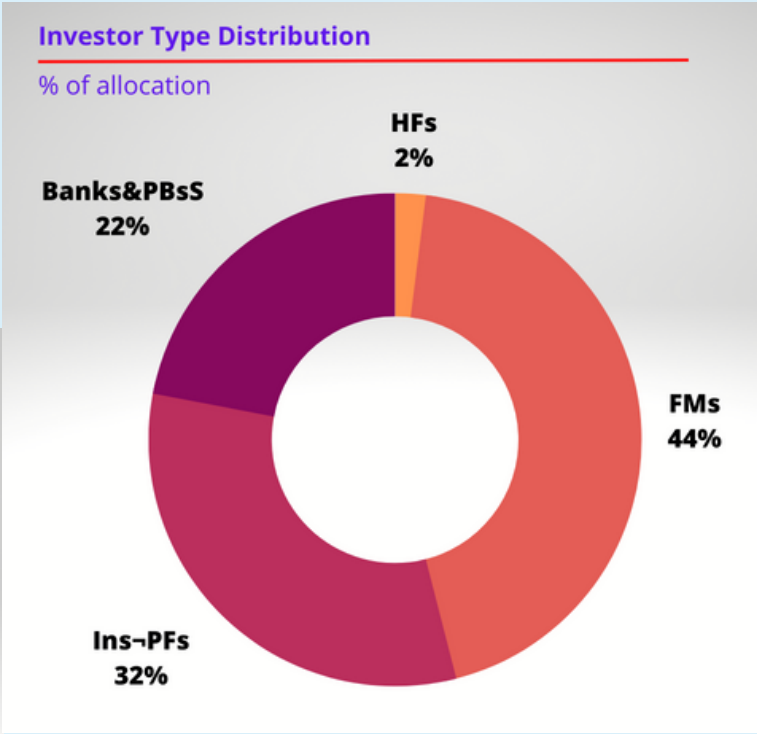
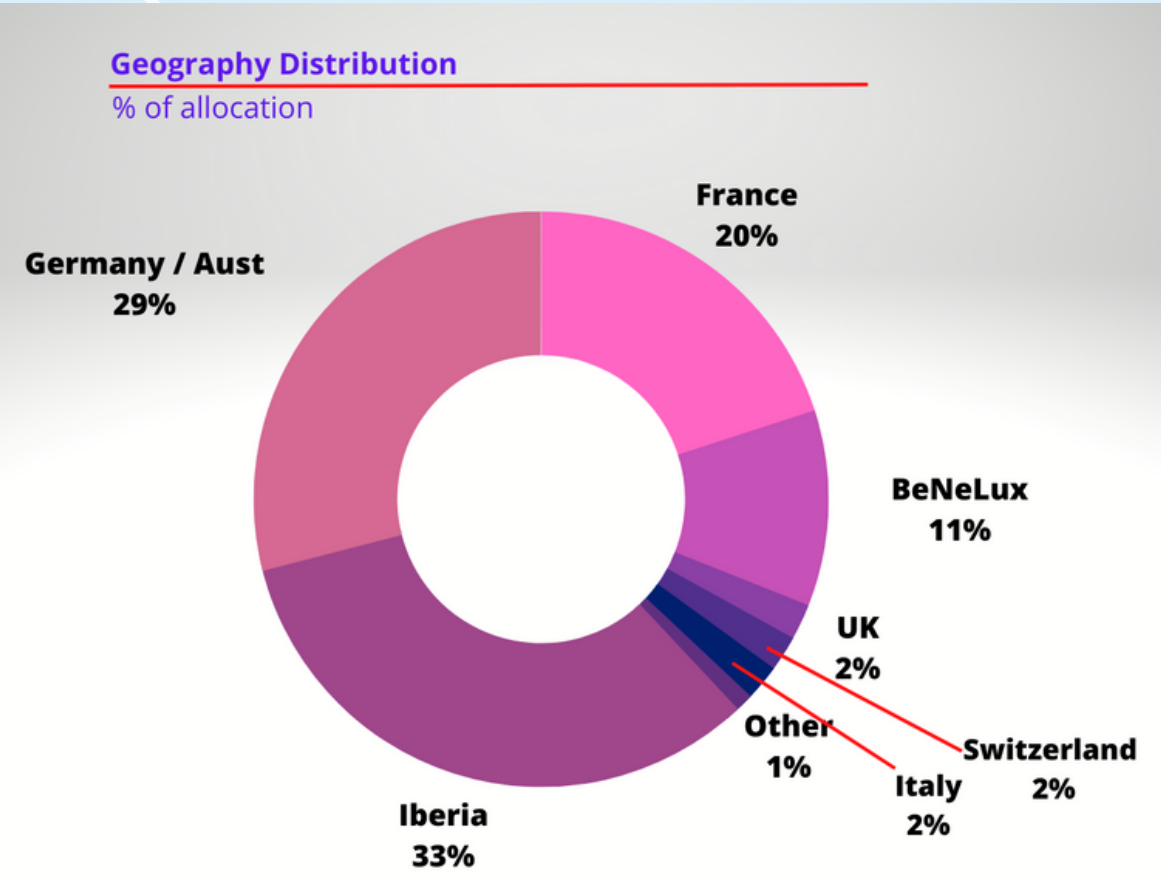
Issuer:	Basque Government
Ratings:	A3 / A- / A- (Moody's / S&P / Fitch)
Format:	Sustanaible Bond
Pricing Date::	10 November 2020
Settlement:	19 November 2020
Maturaty Date:	30 April 2031
Size:	EUR 600m
Coupon:	0.25%
Reoffer Spread:	SPGB+9 bps
Yield:	0.294%
ISIN:	ES0000106684



Basque Government 2021 €1bn 11yr sustainable Bond

Terms & Conditions

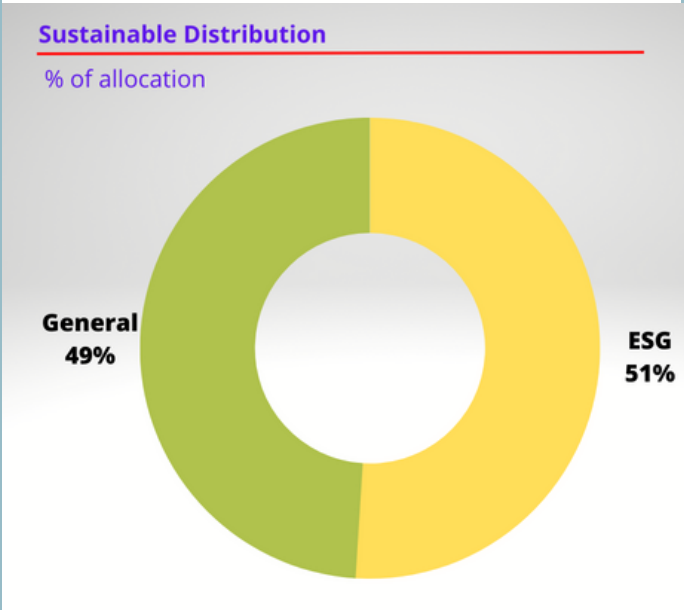
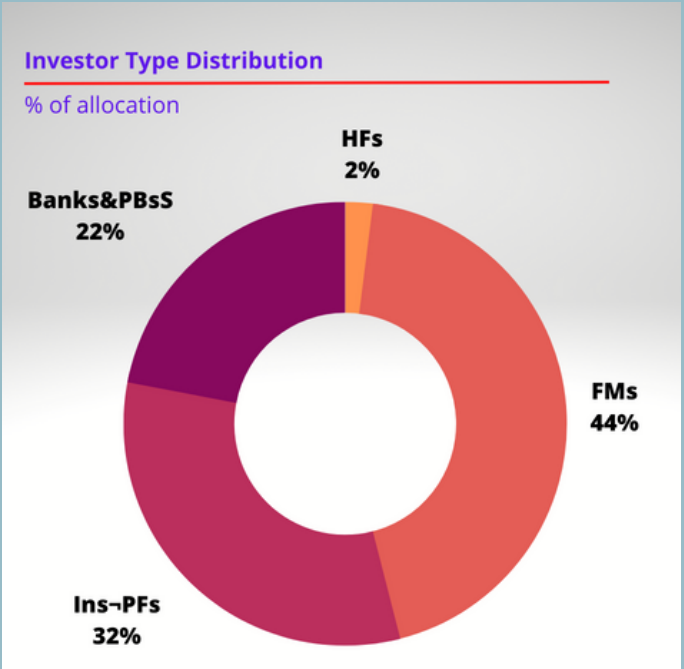
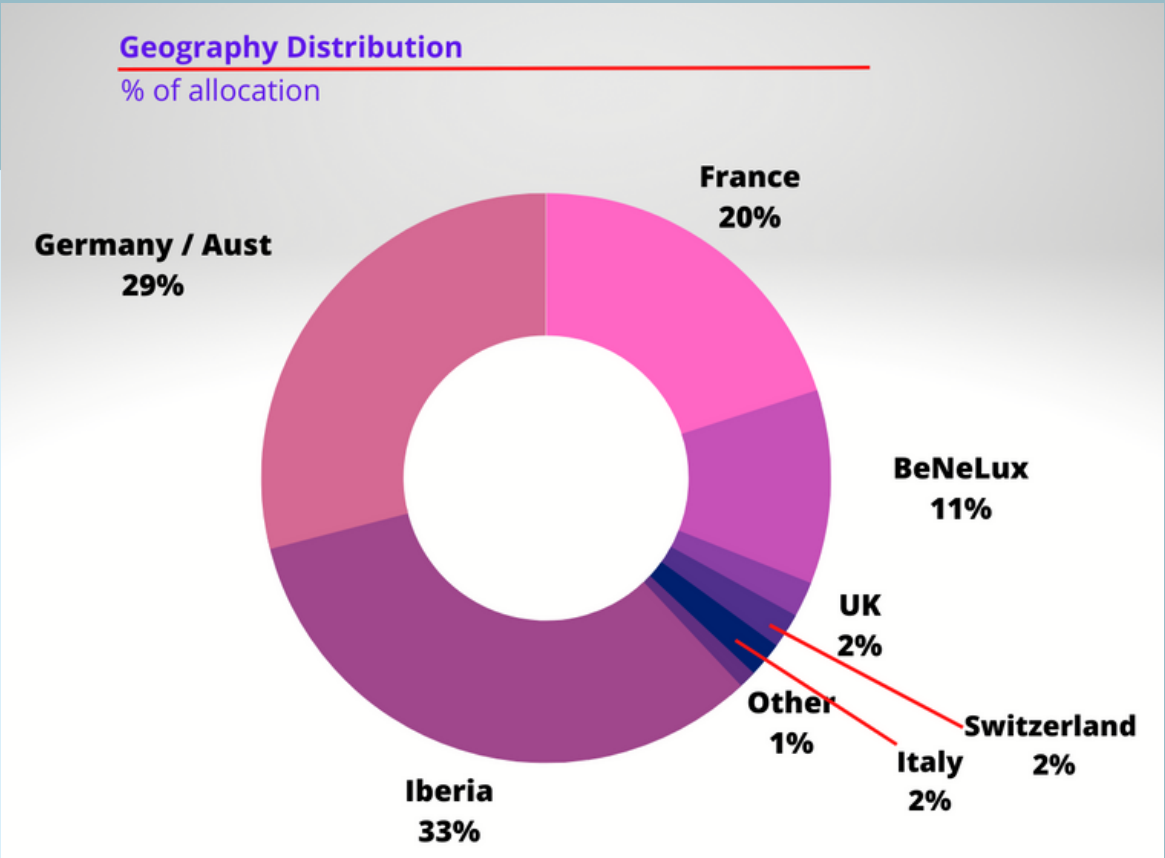
Issuer:	Basque Government
Ratings:	A3 / AA- / A- (Moody's / S&P / Fitch)
Format:	Sustanaible Bond
Pricing Date::	7 April 2021
Settlement:	16 April 2021
Maturaty:	30 April 2032
Size:	EUR 1bn
Coupon:	0.45%
Reoffer Spread:	SPGB+9 bps
Yield:	0.518%
ISIN:	ES0000106726



Basque Government 2022 EUR 500m 11yr sustainable bond

Terms & Conditions

Issuer:	Basque Government
Ratings:	A3/AA-/A (Moody's/S&P)/Fitch)
Format:	Sustainable Bond
Pricing Date::	20 April 2022
Settlement:	29 April 2022 (T+7)
Maturaty:	30 July 2033
Size:	EUR 500m
Coupon:	1.875% anual
Reoffer Spread:	SPGB + 14bps
Yield:	1.942%
ISIN:	ES0000106734



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INVESTORS PRESENTATION 2023

Thank you for your attention

EUSKO JAURLARITZA



GOBIERNO VASCO

EKONOMIA ETA OGASUN SAILA

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