



Sustainability Bond

Comunidad Foral de Navarra

An opportunity to link financial policy
to sustainability



Nafarroako Gobernua
Gobierno de Navarra

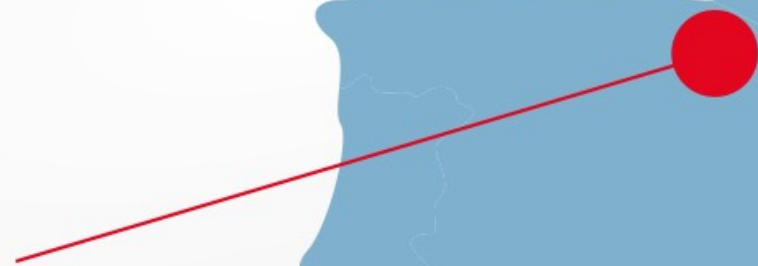
Navarra

Surface area

10,391 km²

Population 2019

653,846



Navarra is...



...an **advanced** region focused on innovation, with its own tax system and highly qualified professionals.



...a **sustainable** region: environmentally-friendly, leader in renewable energies and high standard of living.

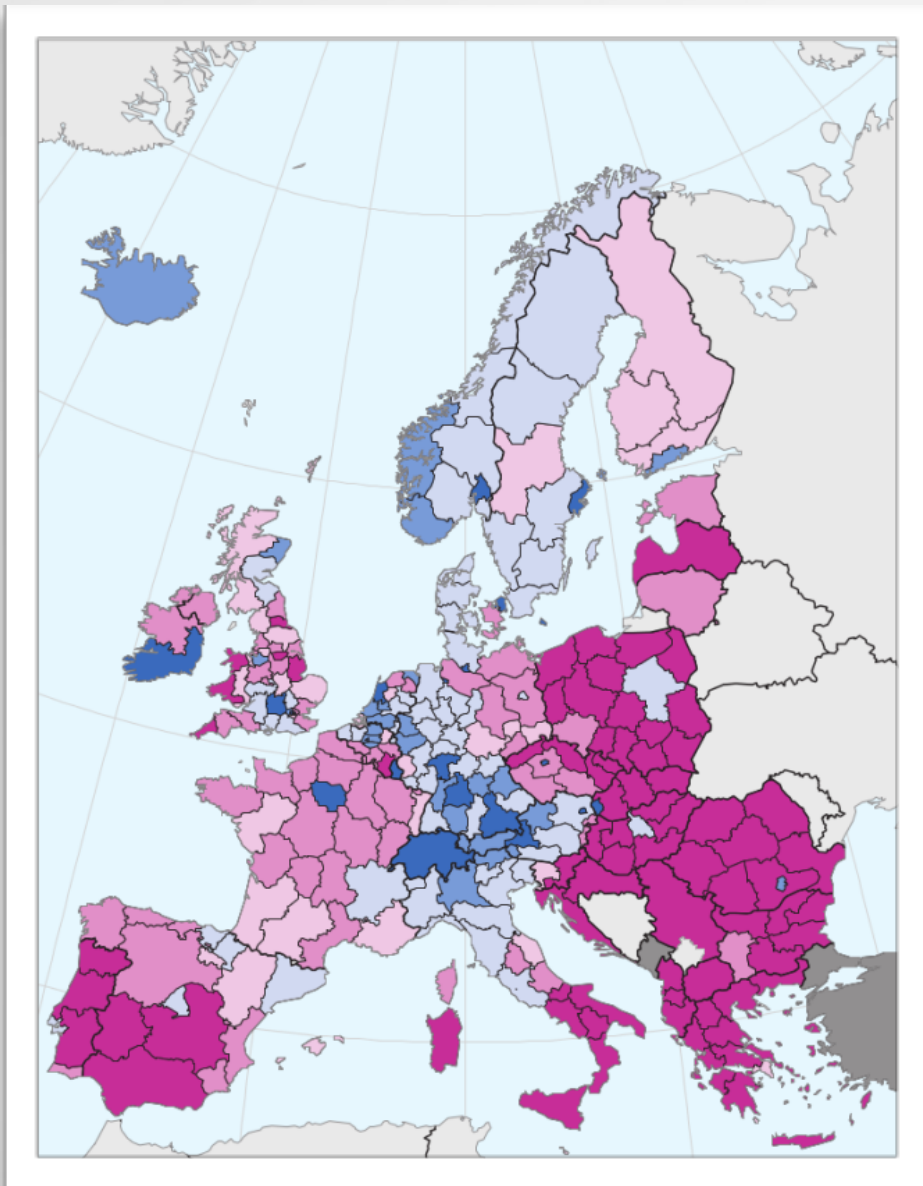


...a **stable** region with a moderate inflation, a controlled debt and a high financial rating.



**NAVARRA IS
AN ADVANCED REGION**

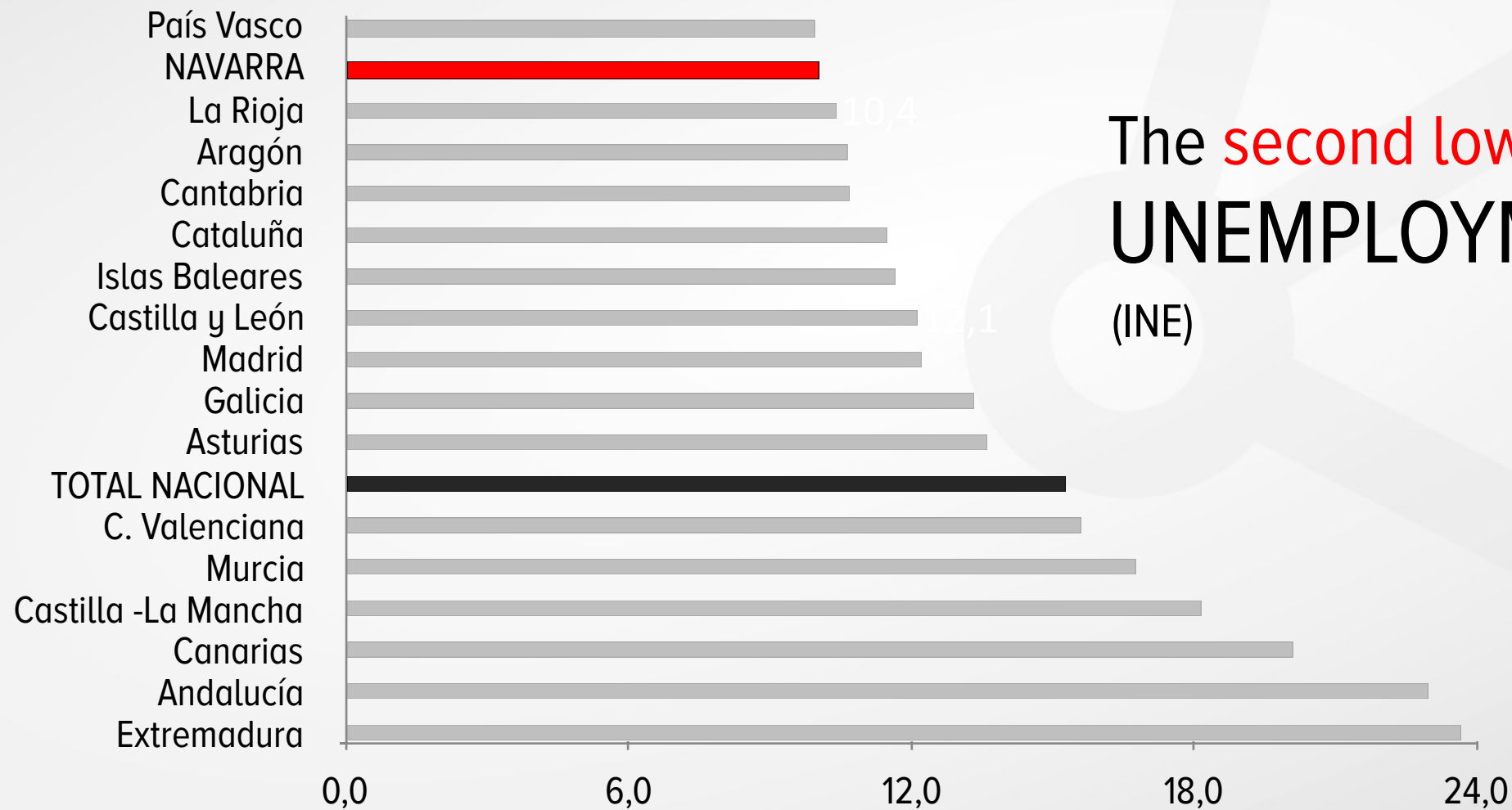
Navarra is an advanced region



GROSS DOMESTIC PRODUCT (GDP)
per capita in PPS is **13% above** the
European Union average in 2017

(EUROSTAT)

Navarra is an advanced region



The **second lowest** regional
UNEMPLOYMENT RATE
(INE)

Navarra is an advanced region

Índice de talento: ranking global y por pilares para las comunidades

Posición en 2017

Tres primeros
puestos

Tres últimos
puestos

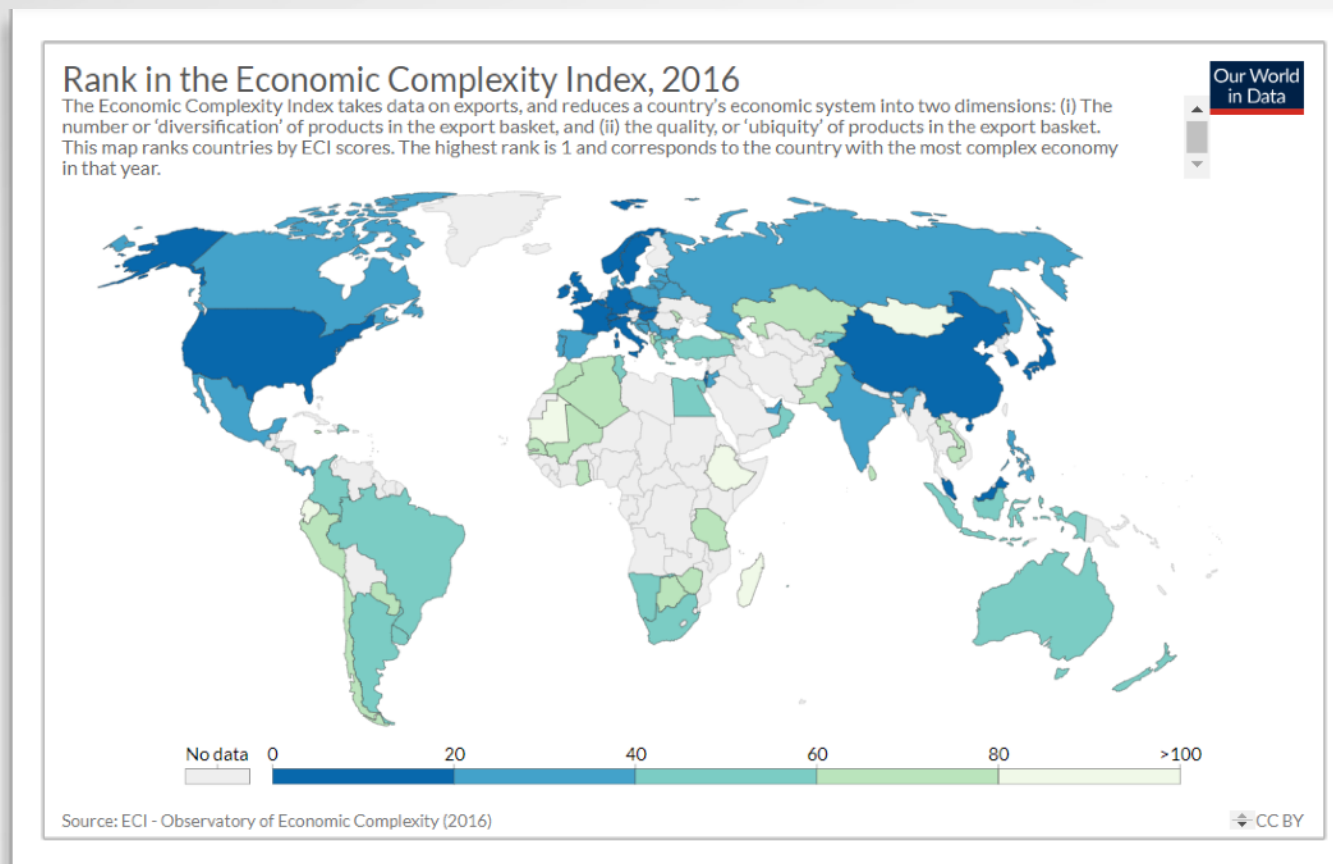
	ÍNDICE GLOBAL	PILARES					
		1 Generar	2 Atraer	3 Desarrollar	4 Retener	5 Capacidades técnicas	6 Conocimiento
Madrid	1	2	1	1	4	1	1
Navarra	2	6	6	3	1	3	3
Cataluña	3	4	2	2	9	5	4
País Vasco	4	1	17	5	8	2	2
Asturias	5	8	16	6	3	6	7
Aragón	6	9	9	10	6	8	5
La Rioja	7	7	13	13	2	9	6
Cantabria	8	5	15	8	5	4	11
Castilla y León	9	11	12	11	7	13	9
Com. Valenciana	10	12	5	4	16	10	10
Baleares	11	14	3	15	13	7	8
Galicia	12	16	8	9	11	11	14
Andalucía	13	13	7	7	14	16	12
Extremadura	14	3	14	12	10	17	17
Murcia	15	10	11	14	12	14	13
Cast.La Mancha	16	15	10	16	15	12	16
Canarias	17	17	4	17	17	15	15

Fuentes: Ivie y Cotec

BELEN TRINCADO / CINCO DÍAS

Good position
in the Regional Talent
COMPETITIVENESS
Index 2017

Navarra is an advanced region

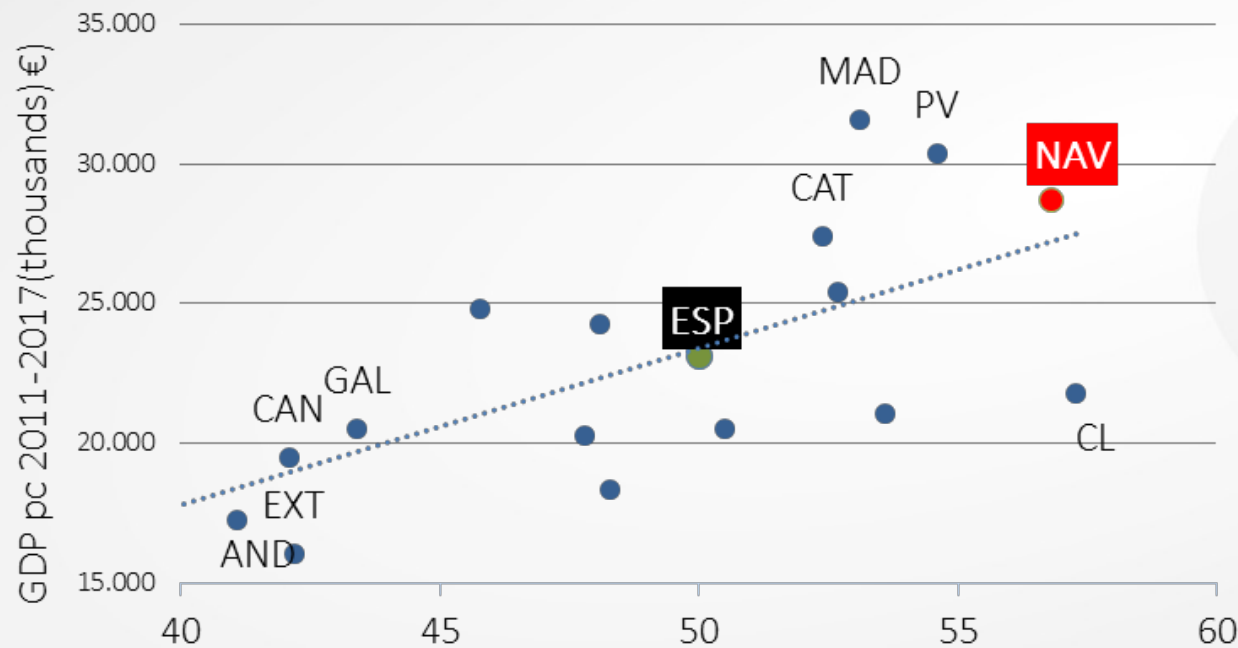


Higher rank
in the ECONOMIC
COMPLEXITY INDEX
(ECI) than the rest of the regions in Spain

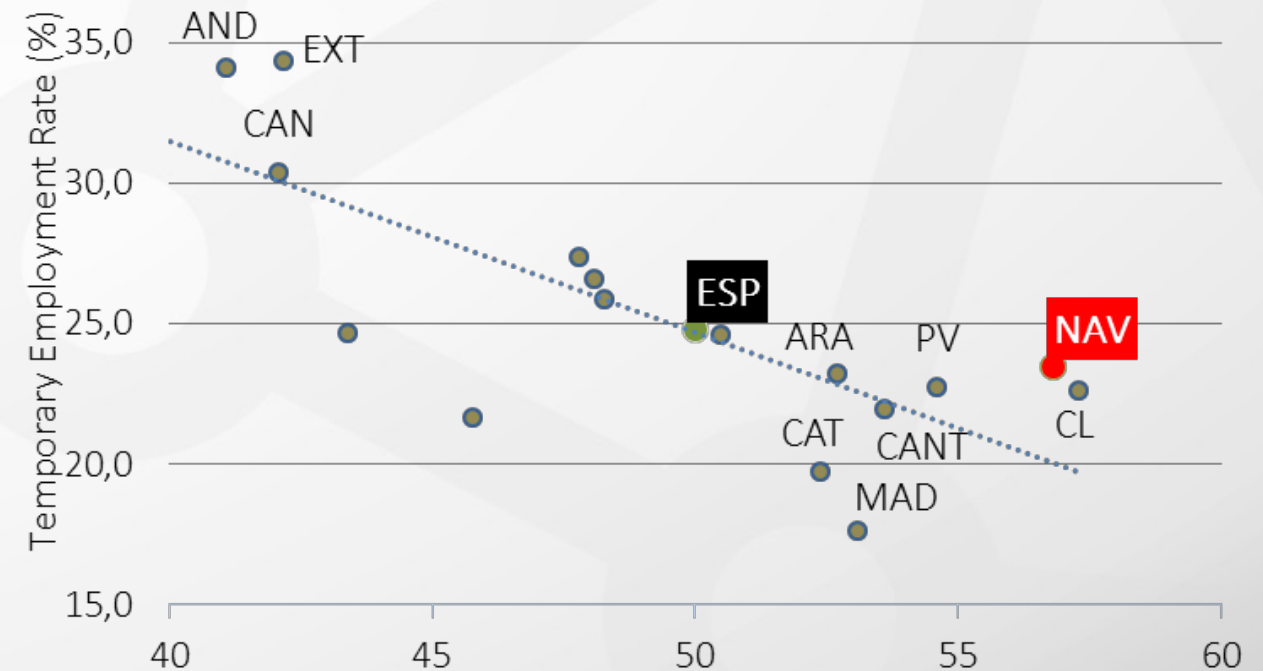
High values of ECI are associated with regions that export many different kinds of sophisticated goods that are only produced by a handful of other regions with similar diversified productive capacities

Navarra is an advanced region

Higher ECI values are related with **higher GDP** per capita values...



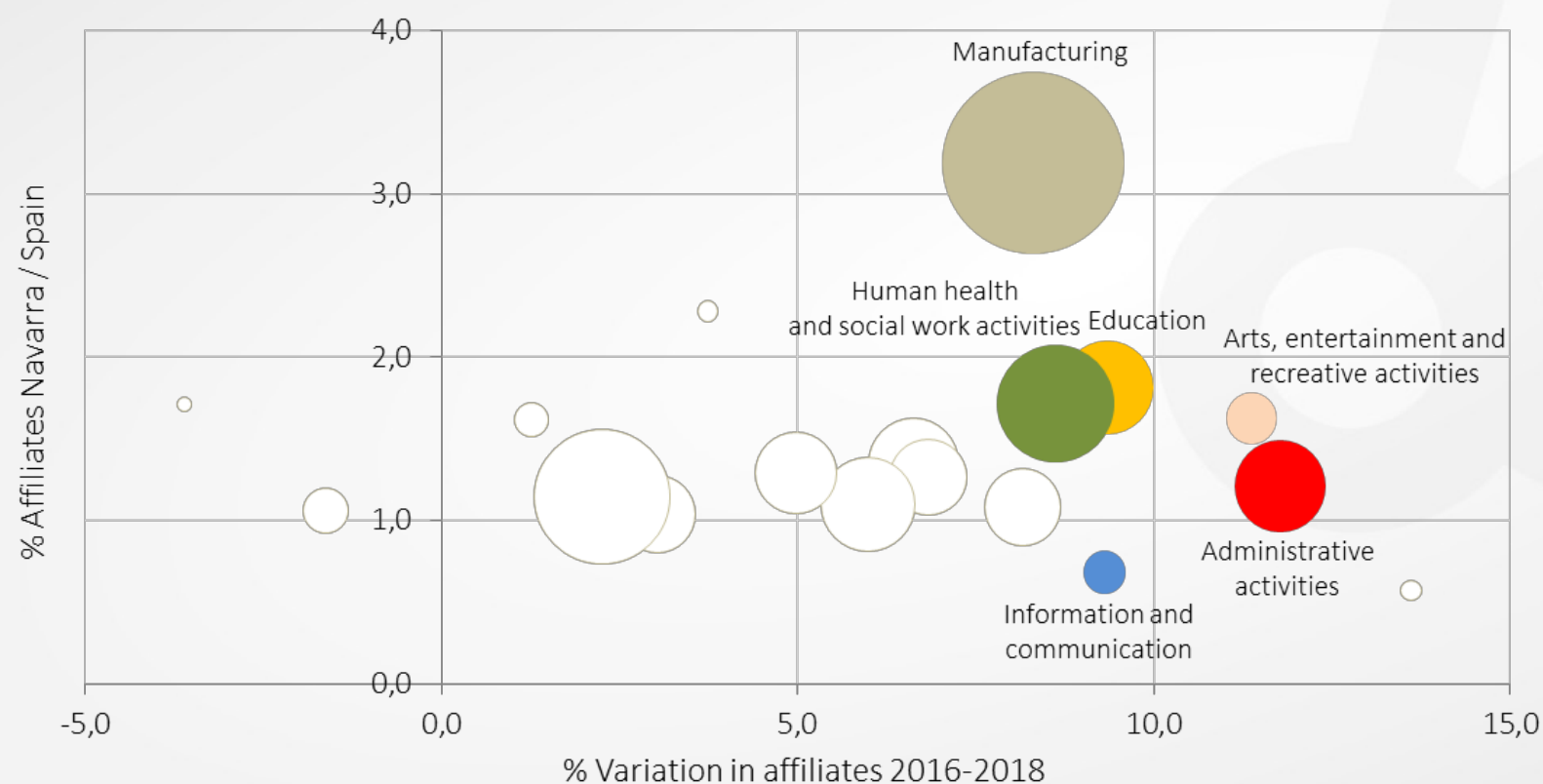
... and **lower temporary employment rate**



Source: Caixabank Research and Economic Policy Service.

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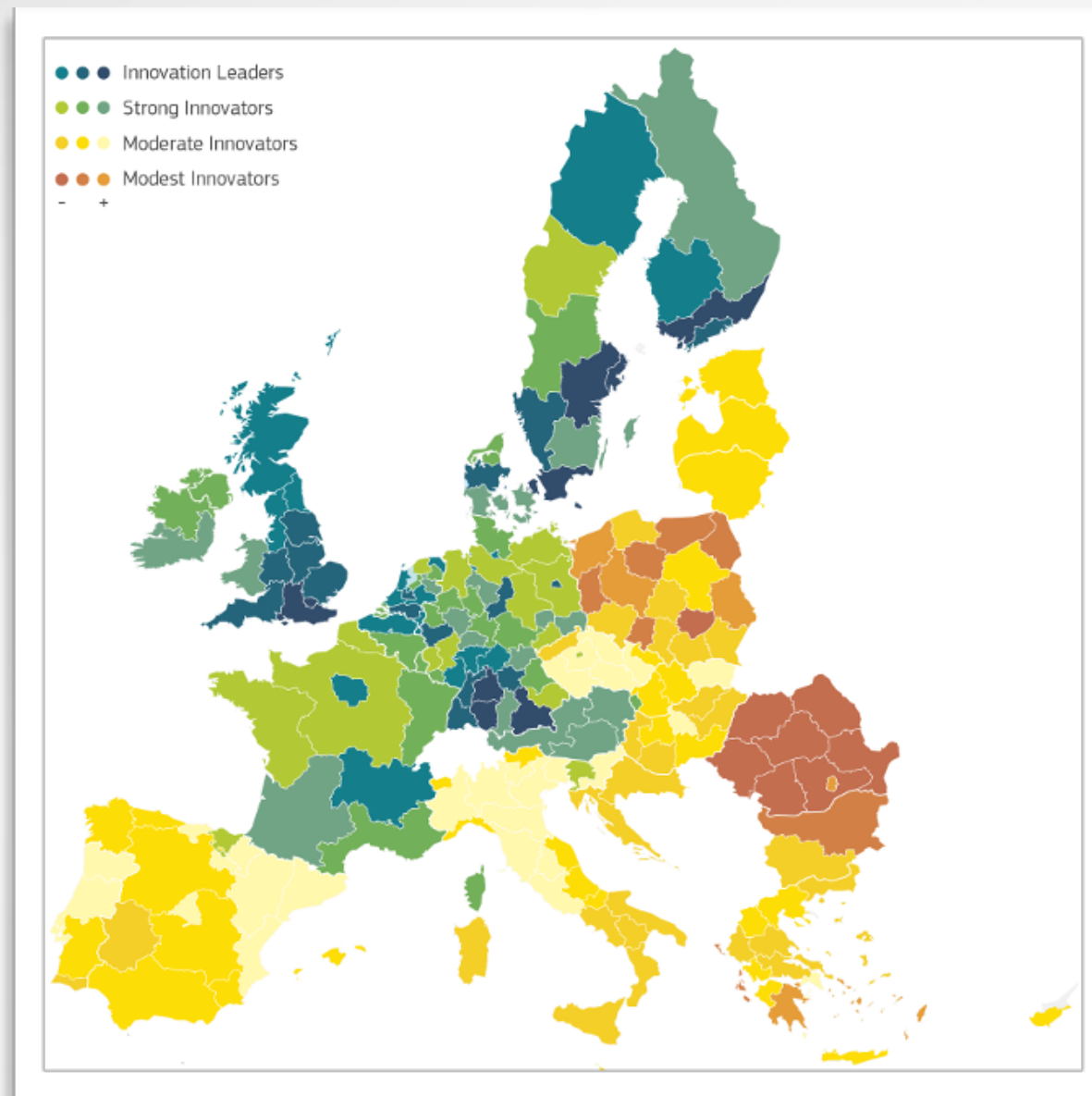
% Variation in affiliates 2016-2018



GROWTH EMPLOYMENT
in **strategical activities**
(S3 Strategy)

Source: Ministry of Labour, Migrations & Social Security.

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REGIONAL
INNOVATION
INDEX (RII):

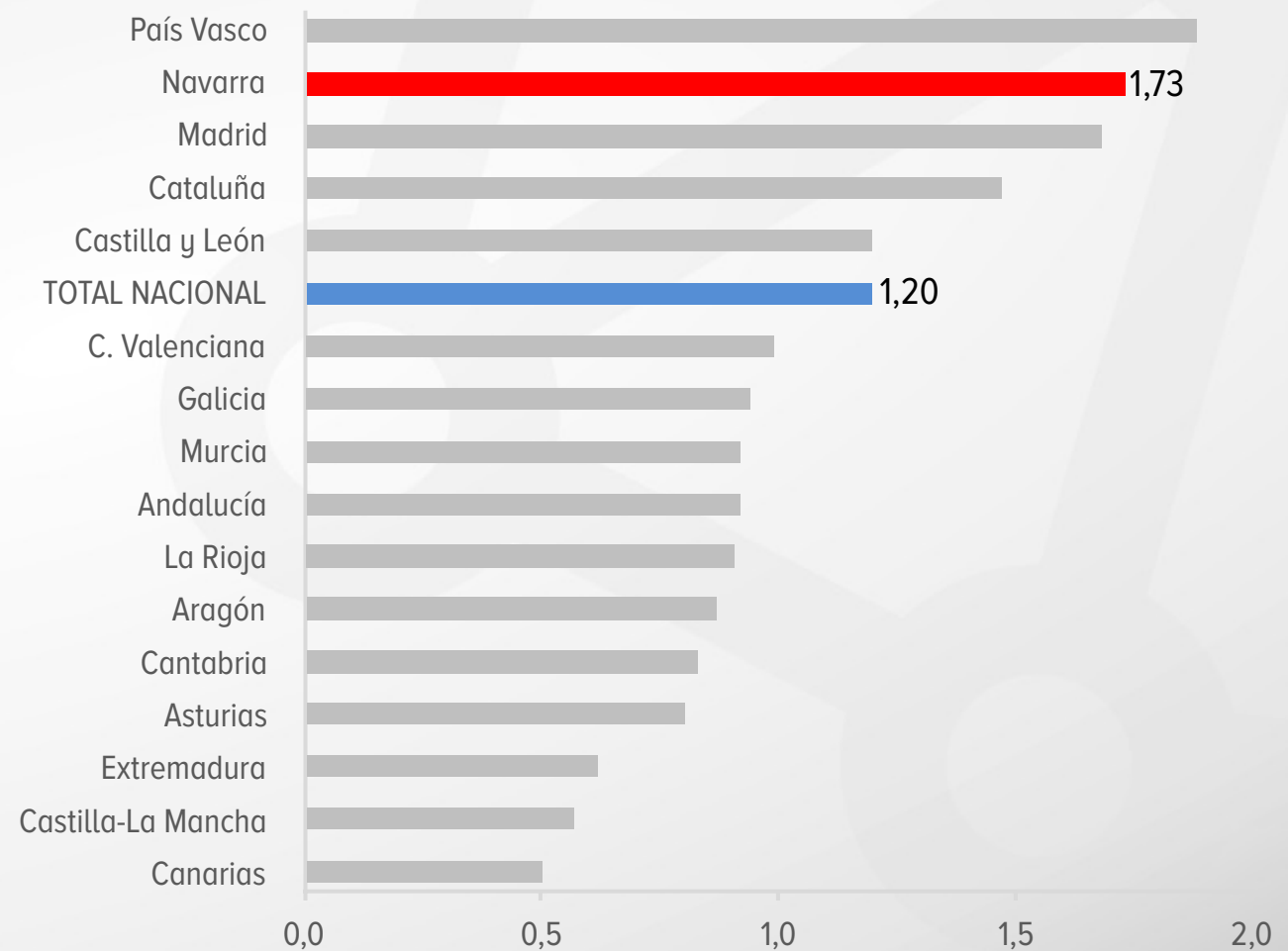
11.4% above
that of the score
of Spain in 2017

EUROSTAT

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Strong **commitment** with
R&D and innovation

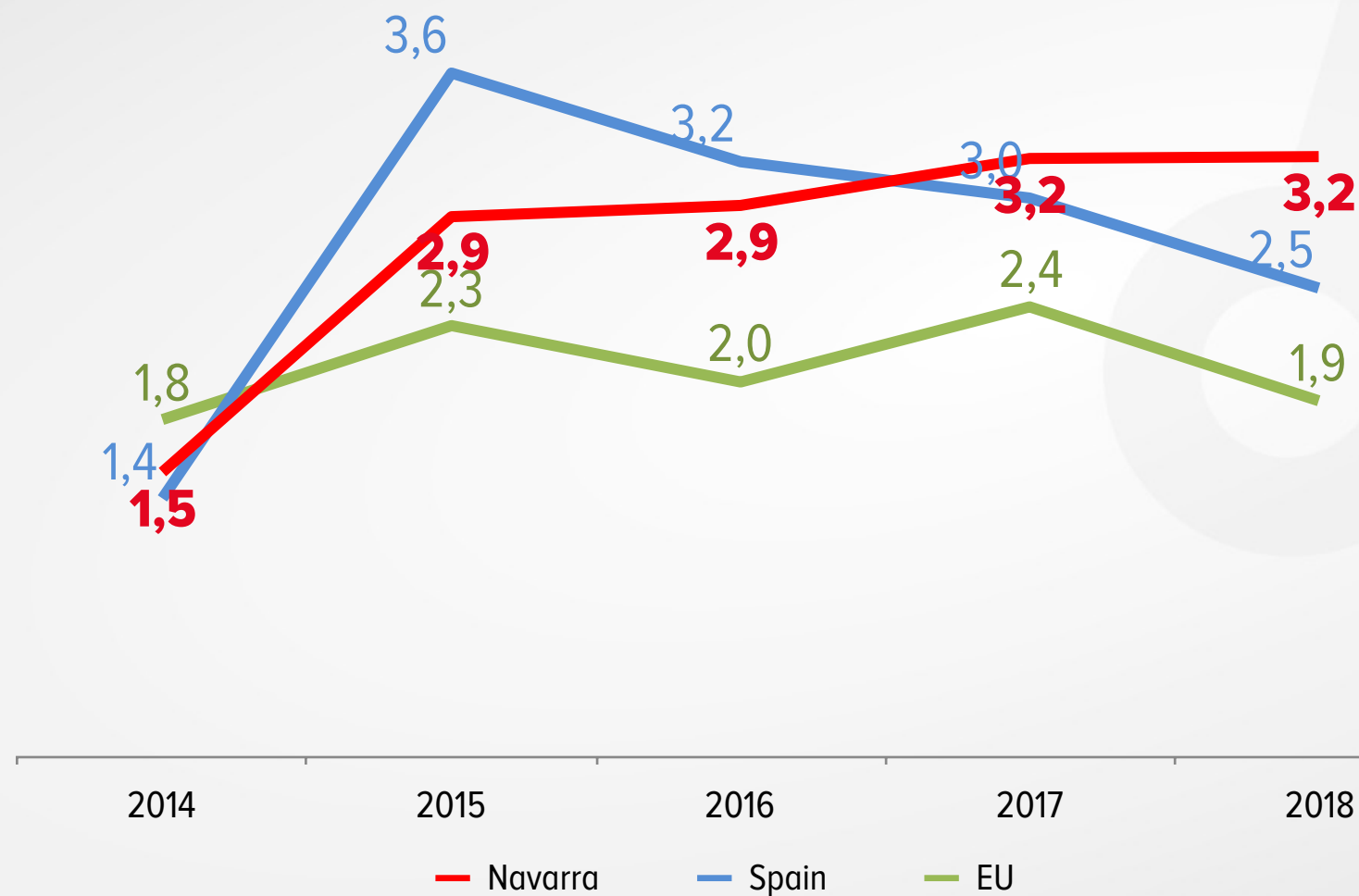
R&D expenses over GDP in % 2017



Source: INE.

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Annual GDP Growth in percentage



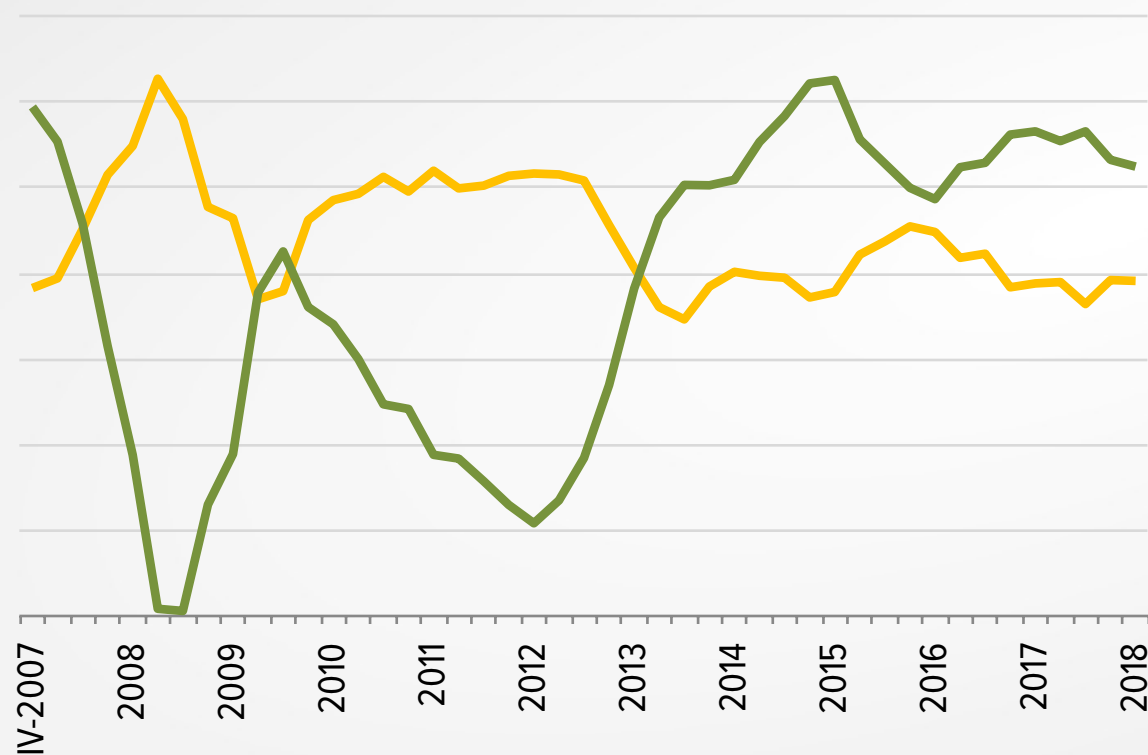
Robust GDP GROWTH
since 2014, specially in
the last two years

Source: Nastat, INE, Eurostat.

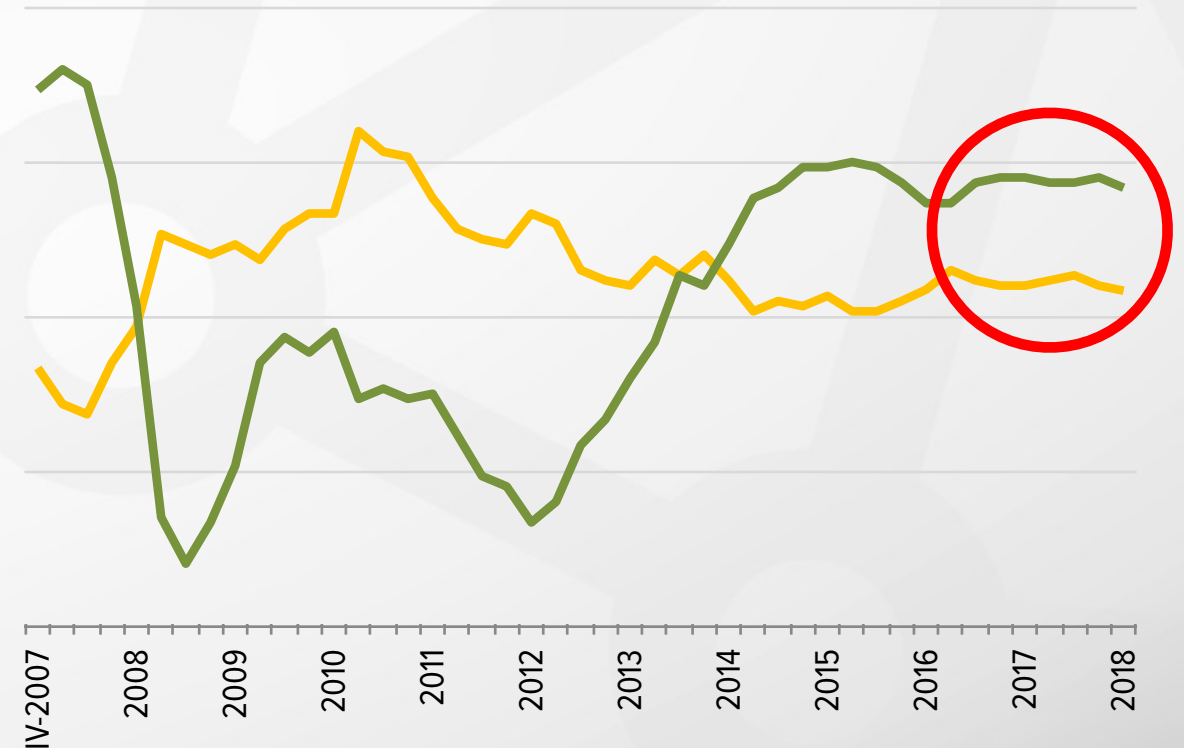
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Both, domestic and external DEMAND, remain **SOLID**

SPAIN



NAVARRA



Source: Nastat, INE.

- Domestic demand contribution GDP in pps
- External demand contribution GDP in pps

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Real GDP growth forecast

	2019
BBVA	2.4 %
Hispalink	2.5 %
Laboral Kutxa	2.8 %
Funcas	2.8 %
Ceprede	1.9 %
AVERAGE	2.5 %

GDP GROWTH in Navarra will continue around **2.5% - 2.8%** in 2019...

Source: BBVA, Hispalink, Laboral Kutxa, Funcas.

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...similar to our **BASELINE SCENARIO**

Navarra macroeconomic framework 2019

	2019
Real GDP	2.7
Nominal GDP	4.4
GDP Deflator	1.7
Employment	2.2
Consumer prices (annual average)	1.5



Source: Government of Navarra.

An aerial photograph of a village in Navarre, Spain, featuring a church with a bell tower and surrounding hills. A large red diagonal overlay covers the left and top portions of the image.

NAVARRA IS A SUSTAINABLE REGION

Navarra is a sustainable region

Navarra is **aligned** with UN SDGs 2030



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ENVIRONMENTAL DIMENSION

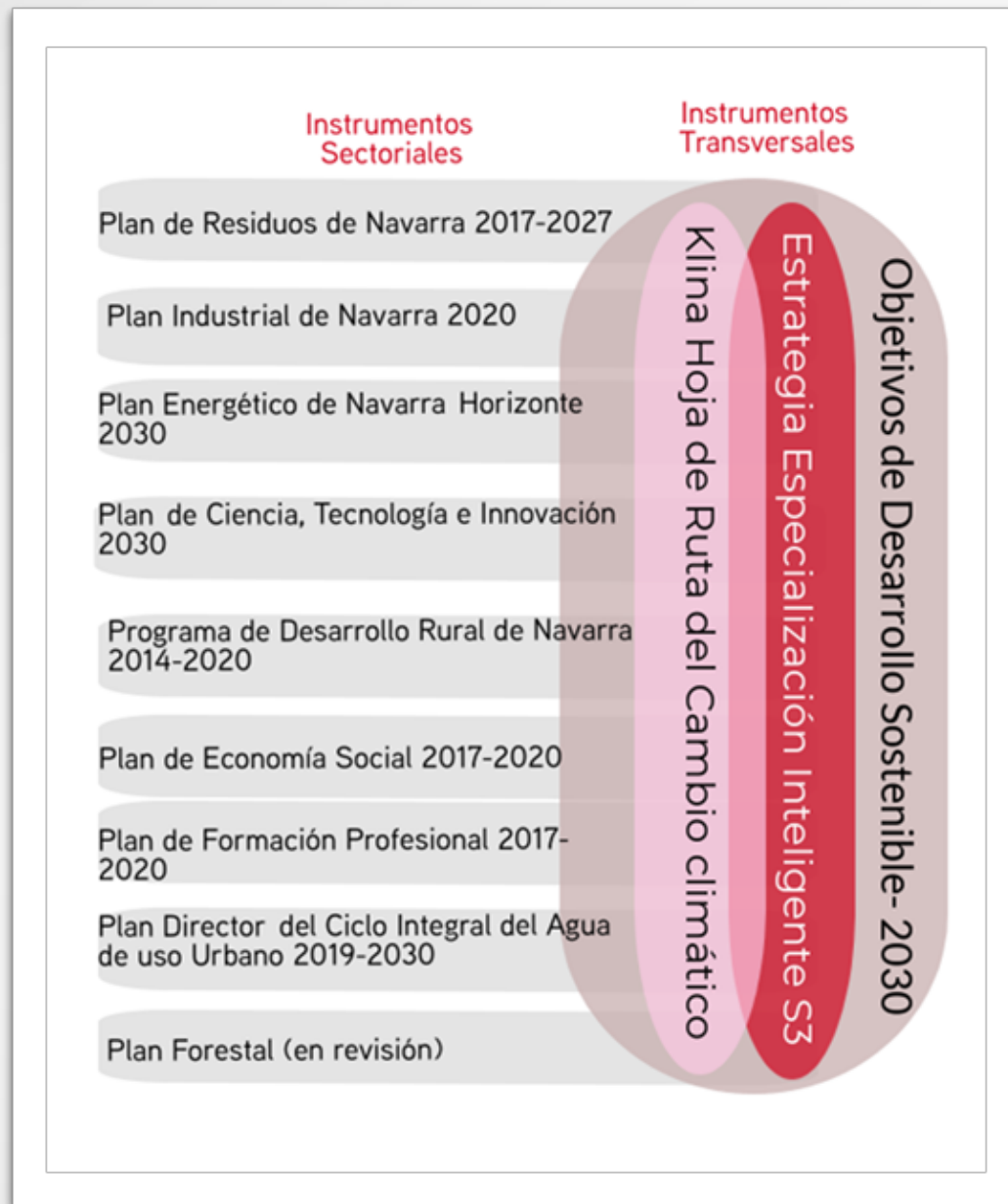


STRATEGIC VISION

"Navarra, culturally sustainable territory"

Navarra is a sustainable region

ENVIRONMENTAL DIMENSION



Navarra has developed a **comprehensive planning process** focused to achieve the UN SDGs 2030...

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ENVIRONMENTAL DIMENSION

...including the joint approval
Plans: **KLINA** and **ENERGY 2030**

The logo for KLINA features the word "KLINA" in a bold, sans-serif font. The letters "KL" are dark blue, while "INA" is red. A large, red, curved line arches over the "INA" part of the word, resembling a stylized roof or a protective shield.

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ENVIRONMENTAL DIMENSION

MITIGATION GOAL: a **45% reduction** in greenhouse gas emissions in 2030

ADAPTATION GOAL: reducing the **effects** of climate change and raising the **awareness** among population to make Navarra more **resilient**



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SOCIAL DIMENSION

Main GOALS:



Promoting social mobility and inclusion



Promoting social cohesion



Reducing of unemployment and income inequality

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SOCIAL DIMENSION

Social mobility and inclusion: right to social inclusion and guarantee minimum income

SGD 1 indicators	2015	2016	2017
Severe poverty rate with stable regional threshold	4.4	6.4	4.7
At-risk of poverty or social exclusion rate (AROPE indicator)	13.0	13.0	13.5
People at risk of poverty after social transfers	9.6	9.0	8.3
Severely materially deprived people	2.2	3.4	0.3
People living in households with very low work intensity	7.1	8.4	8.2
Population living in a dwelling with a leaking roof, damp walls, floors or foundation or rot in windows frames of floor			14.0
Population living in a dwelling with a leaking roof, damp walls, floors or foundation or rot in windows frames of floor	2.3	4.5	4.5

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SOCIAL DIMENSION

Social cohesion: equal opportunities for men and woman and specific economic and fiscal policies

SGD 10 indicators	2015	2016	2017
Purchasing power adjusted GDP per capita	29,200	30,000	
Relative median at-risk-of-poverty gap	36.6	37.1	
Gini coefficient of equivalised disposable income	30.8	31.6	
Income share of the bottom 40% of the population	20.9	21.0	
First-time asylum applicants	40	116	283
People at risk of poverty after social transfers	9.6	9	8,3

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SOCIAL DIMENSION

Social cohesion: equal opportunities for men and woman and specific economic and fiscal policies

SGD 5 indicators	2015	2016	2017
Digital gender gap	5,2		
Women employed in R & D sectors	37,8	38,5	
Gender equality Index	69,2		
Gender pay gap in unadjusted form	18,7	18,0	
Gender employment gap	9,9	10,2	13,0
Seats held by women in parliament and local government	43,4	50,5	
Positions held by women in senior management	27,0	31,2	30,9
Physical and/or sexual violence by a partner or a non-partner	6,2		
Inactive population due to caring responsibilities	14,7	12,8	12,3
Early school leavers	10,8	13,4	11,3

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SOCIAL DIMENSION

Unemployment and income inequality

SGD 8 indicators

	2015	2016	2017
People aged 15 to 29 year old not in employment	12,3	14,1	14,3
Men	12,4	12,2	9,0
Total employment rate	68,5	69,3	72,1
Long term employment rate	7,6	7,1	4,7
Involuntary temporary employment rate	24,2	24,8	22,0
Inactive population due to caring responsibilities	14,7	12,8	12,3
Incidence rate of accidents at work	3,8	3,4	3,9
% Total expenditure of public funds on social protection and employment programs over budget	10,2		
Total general government expenditure on social protection and employment programs (% GDP)	20,5		

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SUSTAINABILITY BOND

Issuer	Comunidad Foral de Navarra
Issuer Ratings	A+ (post) by S&P
Nominal Amount	EUR 50,000,000
Listing	AIAF
Issue date	30/4/2019
Expiration date	30/4/2044
Denominations	EUR 1,000
Issue price	98.812 %
Coupon	2.10 %
Gov Law and Documentation	Spanish Law
ISIN Code	ES0001353442
Use of Proceeds	According to the Navarre Sustainability Bond Framework; this Sustainability Bond will finance and Green and Social Projects.
Dealer	BBVA
Target Market	The target market for the Bonds is professionals and eligible counterparties (all channels for distribution), each as defined in MIFID II.

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SUSTAINABILITY BOND











FRAMEWORK - Use of proceeds (I)

Eligible Categories	SDG
AFFORDABLE HOUSING	 
ACCESS TO ESSENTIAL SERVICES: EDUCATION & HEALTHCARE	  
SOCIOECONOMIC ADVANCEMENT	  
EMPLOYMENT GENERATION	 
RENEWABLE ENERGY	 

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SUSTAINABILITY BOND

FRAMEWORK - Use of proceeds (II)

CLEAN TRANSPORTATION	 
POLLUTION PREVENTION AND CONTROL	
SUSTAINABLE WATER AND WASTEWATER MANAGEMENT	
ENERGY EFFICIENCY	 
SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES	
CLIMATE CHANGE ADAPTATION	
TERRESTRIAL AND AQUATIC BIODIVERSITY CONSERVATION	 

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SUSTAINABILITY BOND

FRAMEWORK - Process

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 an Interdepartmental Commission created by the Government of Navarra. This Committee is composed of a representative of each of the Government departments with the rank of General Director, a representative of the Commission created for the implementation of the 2030 Agenda, the Chief of Staff of the Department of Finance and a technician of the Budget- Directorate-General. Besides, representatives from all the departments of the Government of Navarra may participate in the meetings when the committee requests it due to the need of additional expertise or specific knowledge.

The Interdepartmental Commission created by the Government of Navarra will select eligible projects or programmes from the sections of the General Budget that align with the eligibility criteria defined in this Sustainable Finance Framework.

As not all activities in the selected budget programmes might be eligible according to the Sustainable Finance Framework, Navarra Government will provide investors with information regarding the percentage of each eligible budget programme that was eligible for each Sustainable Finance issuance.

Navarra applies core minimum environmental and social policies and requirements for most of its activities, including those financed with the proceeds of the Sustainable Finance instruments signed under this framework. These requirements are continuously developed and renewed and publicly accessed.

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SUSTAINABILITY BOND

FRAMEWORK - Process

Management of Proceeds

The proceeds of any Sustainable Finance instrument signed under this framework will be allocated to eligible budgetary programmes in the General Budget of Navarra, corresponding to the fiscal year of the Sustainable Finance instrument signed. The total expenditures required for the eligible programmes will equal or exceed the net Sustainable Finance instrument proceeds. This will ensure compliance even when eligible programmes or budgets are impacted unexpectedly.

The proceeds from any Sustainable Finance instrument will be directly allocated to the eligible projects at settlement or value date. In the event the whole proceeds cannot be allocated at value date, Navarra will temporarily invest the unallocated funds in any form of cash or liquidity position or time deposits with banks, or other forms of available short-term liquid investment in safe that do not involve GHG intensive activities nor controversial activities. This event would be monitored by the Financial Department of Navarra.

Navarra has internal systems in place to track proceeds of its Sustainable Finance instruments, and to account for all eligible programmes. Thus, the Committee will monitor and prevent any such double counting in allocation of proceeds.

In the case of any selected eligible program becomes ineligible or has been cancelled, Navarra will re-allocate the proceeds of the Sustainability instrument to another eligible programme.

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SUSTAINABILITY BOND

FRAMEWORK - Reporting

Allocation Reporting

Allocation reporting will be available to investors within one year from the date of any Sustainable Finance instrument and annually until the proceeds of the Sustainable Finance instrument have been fully allocated. The reporting will produce insights into the total amount provided to the various eligible budgetary programmes and the total of each eligibility category. The allocation reporting will be made available on Navarra's website.


Impact Reporting

Navarra will provide a dedicated Sustainable Finance impact report for investors within one year from the issuance date and annually until the proceeds have been fully allocated, with estimates of the main environmental or social impacts or outputs of the eligible programmes, where feasible. Some case studies of projects may be provided to illustrate the positive impact.

Navarra is a sustainable region

SUSTAINABILITY BOND


EXTERNAL REVIEW



SUSTAINALYTICS


Second-Party Opinion
Navarra Sustainable Finance
 Government of Navarra


Evaluation Summary


Sustainalytics is of the opinion that the Navarra Sustainable Finance Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:

 **USE OF PROCEEDS** The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that projects within the four specified social areas and the eight specified environmental areas to have positive environmental or social impacts and to advance the UN Sustainable Development Goals.

 **PROJECT EVALUATION / SELECTION** Navarra has established an Interdepartmental Commission, consisting of representatives from all government departments, to select eligible sections of the General Budget for financing under the Framework. Sustainalytics considers this to be in line with market practice.

 **MANAGEMENT OF PROCEEDS** Navarra will use its internal systems to track the proceeds, and intends to allocate funds from each sustainable finance instrument to budgetary programmes within the same fiscal year. Pending allocation, funds will be temporarily invested in any form of cash, liquidity position or time deposits within banks or other forms of available short-term liquid investments. Sustainalytics is of the opinion that this process is in accordance with market practice.

 **REPORTING** The government of Navarra commits to providing allocation and impact reporting to investors within one year from the date of any Sustainable Finance instrument and, afterwards, annually until the net proceeds have been fully allocated. Allocation reporting will be provided at the category level, while impact reporting will include quantitative and qualitative outcomes of financed projects. Sustainalytics is of the opinion that this process is in accordance with market practice.



**SECOND-PARTY
OPINION**

Evaluation date	April 12, 2019
Issuer Location	Pamplona, Spain

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	11

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Sustainalytics

Navarra has hired Sustainalytics to provide a Second Party Opinion on Navarra Sustainable Finance Framework. Sustainalytics has reviewed the Sustainable Finance Framework and its alignment with the four pillars of the Green Bond Principles, Social Bond Principles, the Sustainability Bond Guidelines 2018 and the Green Loan Principles.

The Second Party Opinion, as well as the Sustainable Finance Framework hereof, will be published and will make available for market information on the website of Navarra.

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SUSTAINABILITY BOND

EXTERNAL REVIEW



Sustainalytics conclusion

The Region of Navarra has developed the Navarra Sustainable Finance Framework, under which it intends to issue sustainable finance instruments, including but not limited to green, social and sustainability bonds, loans, and other instruments, and use the proceeds to fund investments in a range of environmentally and socially impactful projects and programmes. Specifically, Navarra will identify budget areas that are aligned with the Framework's definition of affordable housing, access to essential services (education and healthcare), socioeconomic advancement, employment generation (including through the potential effect of SME financing and microfinance), renewable energy, clean transportation, pollution prevention and control, sustainable water and waste water management, energy efficiency, environmentally sustainable management of living natural resources and land use, climate adaptation, and terrestrial and aquatic biodiversity conservation.

The use of proceeds categories specified in the Framework are aligned with those of the Green Bond Principles 2018 and/or the Social Bond Principles 2018. Navarra has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the investments funded by the sustainable finance transactions will contribute to the advancement of many of the UN Sustainable Development Goals.

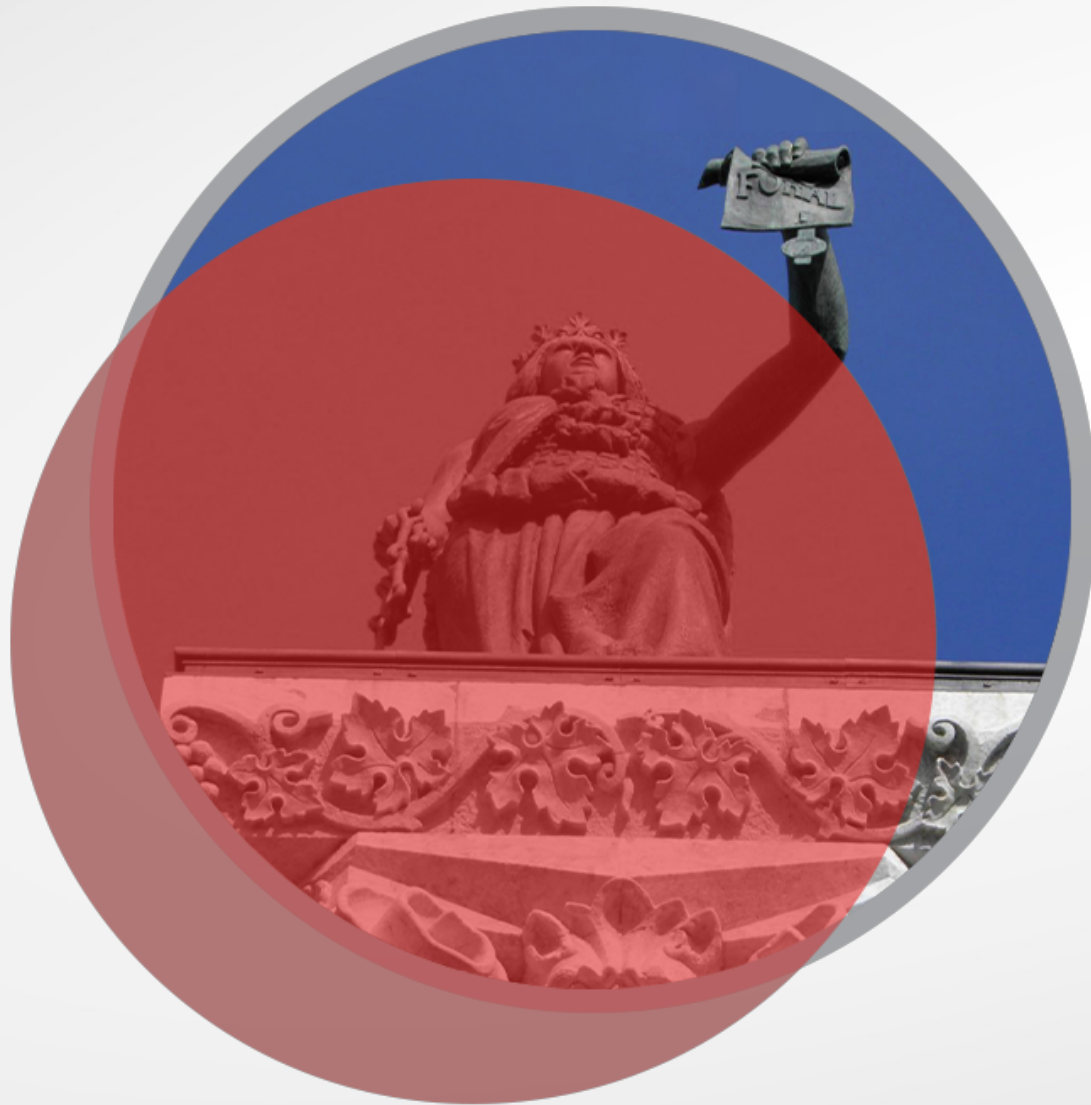
Based on the above, Sustainalytics is confident that Navarra is well-positioned to issue Green, Social or Sustainability Bonds and other Sustainable Finance Instruments, and that the Navarra Sustainable Finance Framework is robust, transparent, and in alignment with the Sustainability Bond Guidelines 2018.



NAVARRA IS A STABLE REGION

Navarra is a stable region

FINANCING SYSTEM



Navarra has its **own tax system**, unlike other regions in Spain.

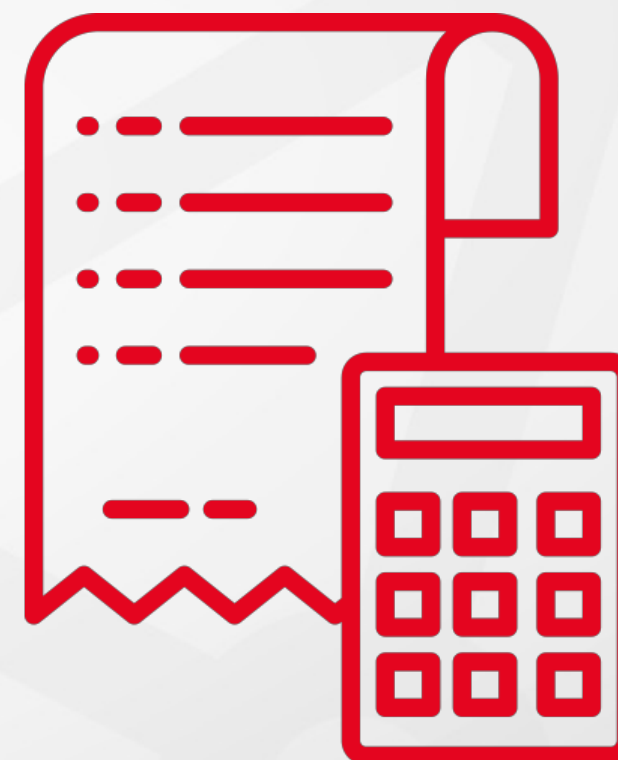
Navarra has **full authority** to manage, levy and collect practically all taxes. Its relation with the Spanish State is governed by the **Economic Agreement**.

Navarra is a supportive region. It **collects** taxes and **contributes** to the State and other regions.

Navarra is a stable region

COLLECTION 2018

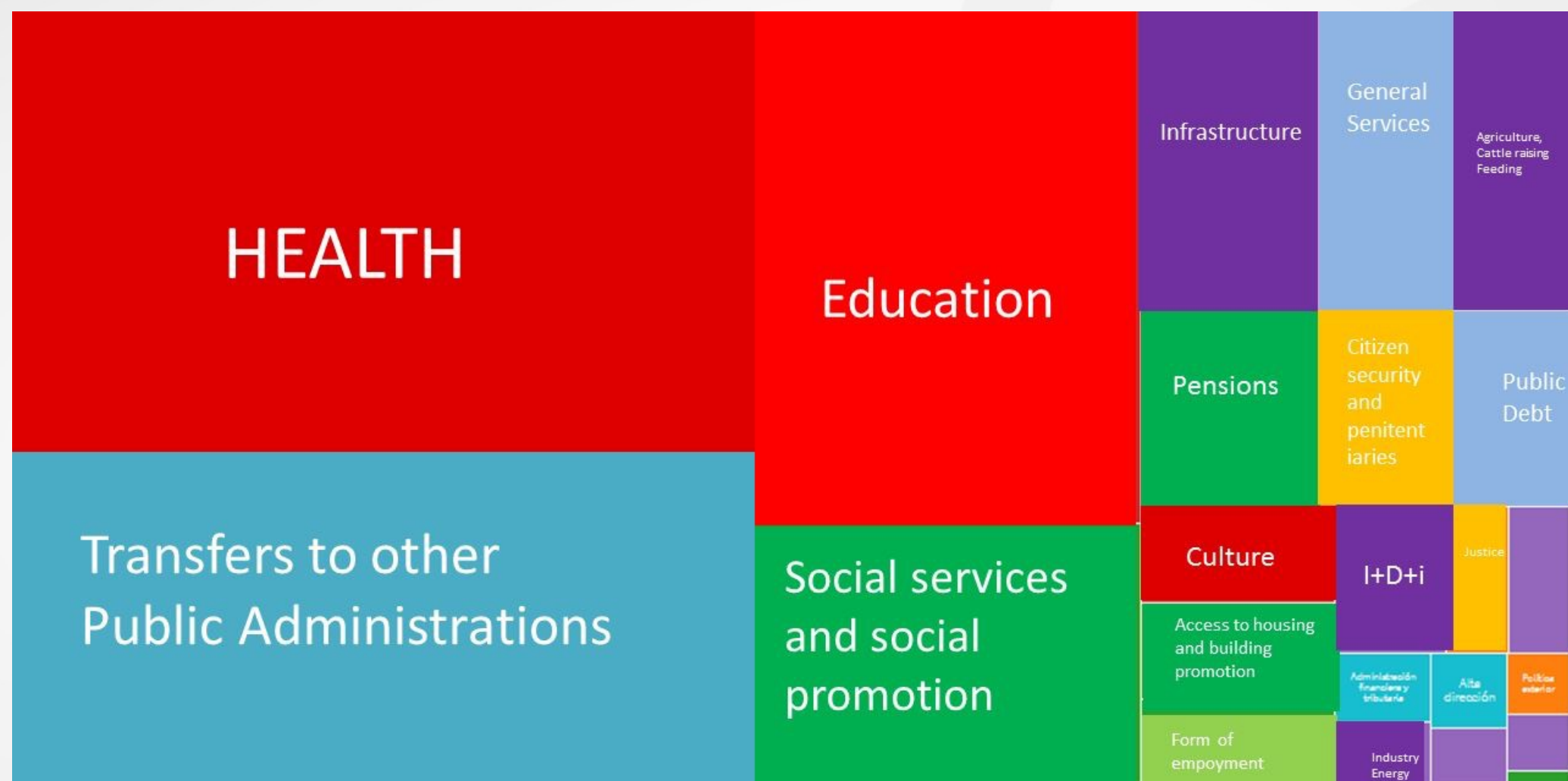
DIRECT TAXES	M€
Personal income tax	1,345
Corporation tax	192
Wealth tax	42
Inheritance and gift tax	58
Other direct taxes	47
TOTAL DIRECT TAXES	1,684
INDIRECT TAXES	
Value Added Tax	1,181
Excise duties:	493
Hydrocarbons	223
Manufactured tobacco products	138
Alcohol	48
Electricity	21
Other indirect taxes	158
TOTAL INDIRECT TAXES	1,769
Fees and other revenue	19
TOTAL AGREED TAXES	3,483



Source: Government of Navarra.

Navarra is a stable region

NAVARRA 2019 BUDGET

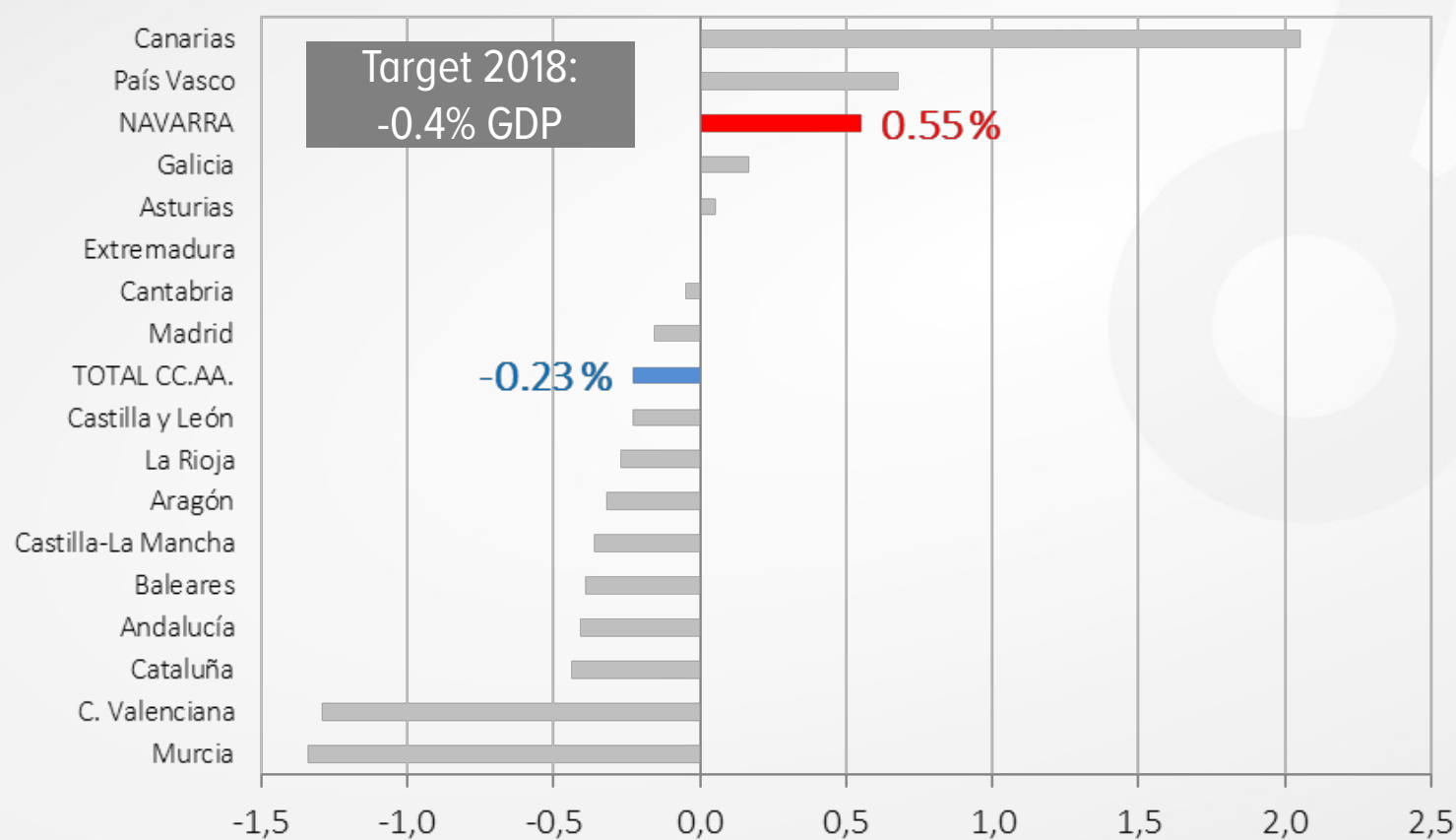


Source: Government of Navarra.

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DEFICIT AND DEBT

Public deficit to GDP ratio in 2018 by autonomous communities



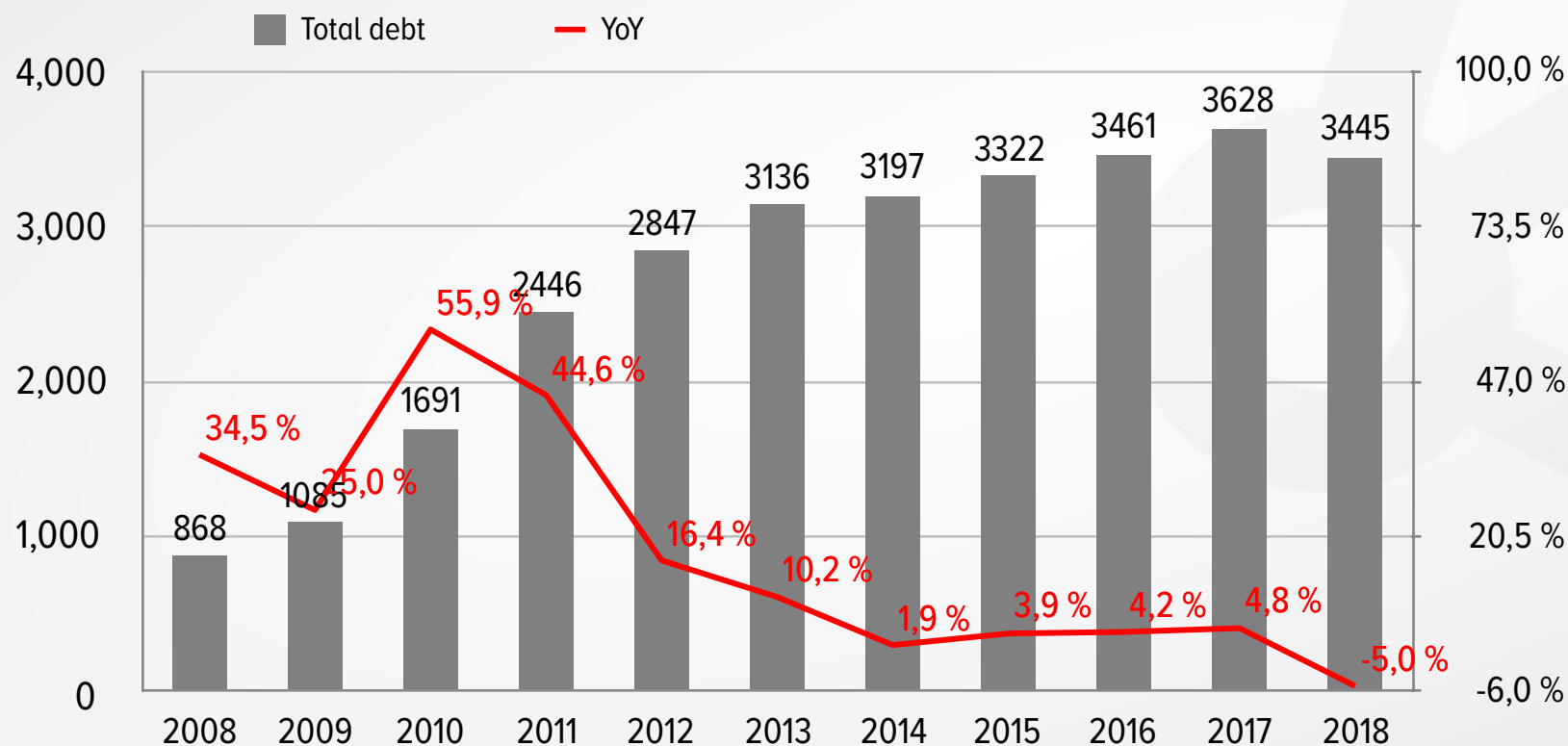
In 2018 and for the second consecutive year, Navarra again posted a **surplus**

Source: Ministry of Finance and Public Administrations.

Navarra is a stable region

DEFICIT AND DEBT

Outstanding Debt evolution (€ Mill)



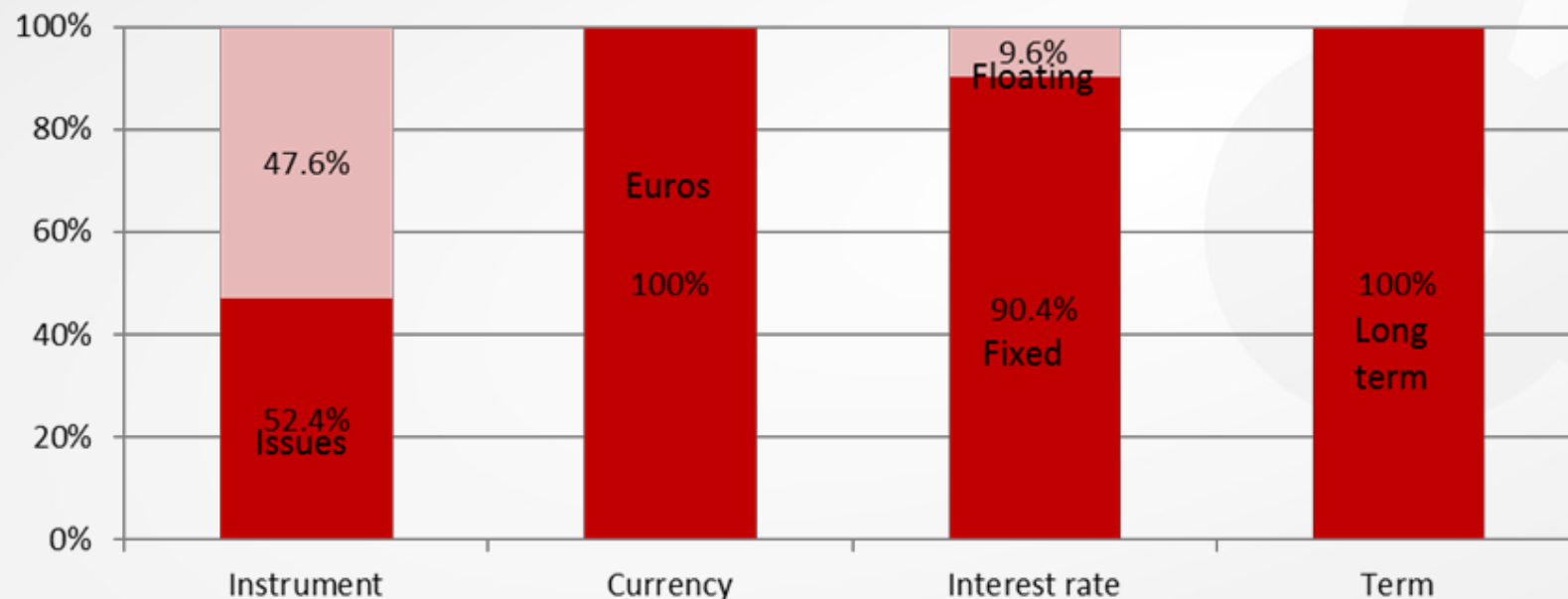
Navarra's total financial indebtedness decrease to €3,445 million at the end of 2018, **5% less** than the previous year.

Source: Bank of Spain. Data published by the Bank of Spain, in accordance with the Excessive Deficit Procedure (EDP).

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DEFICIT AND DEBT

Features of debt portfolio



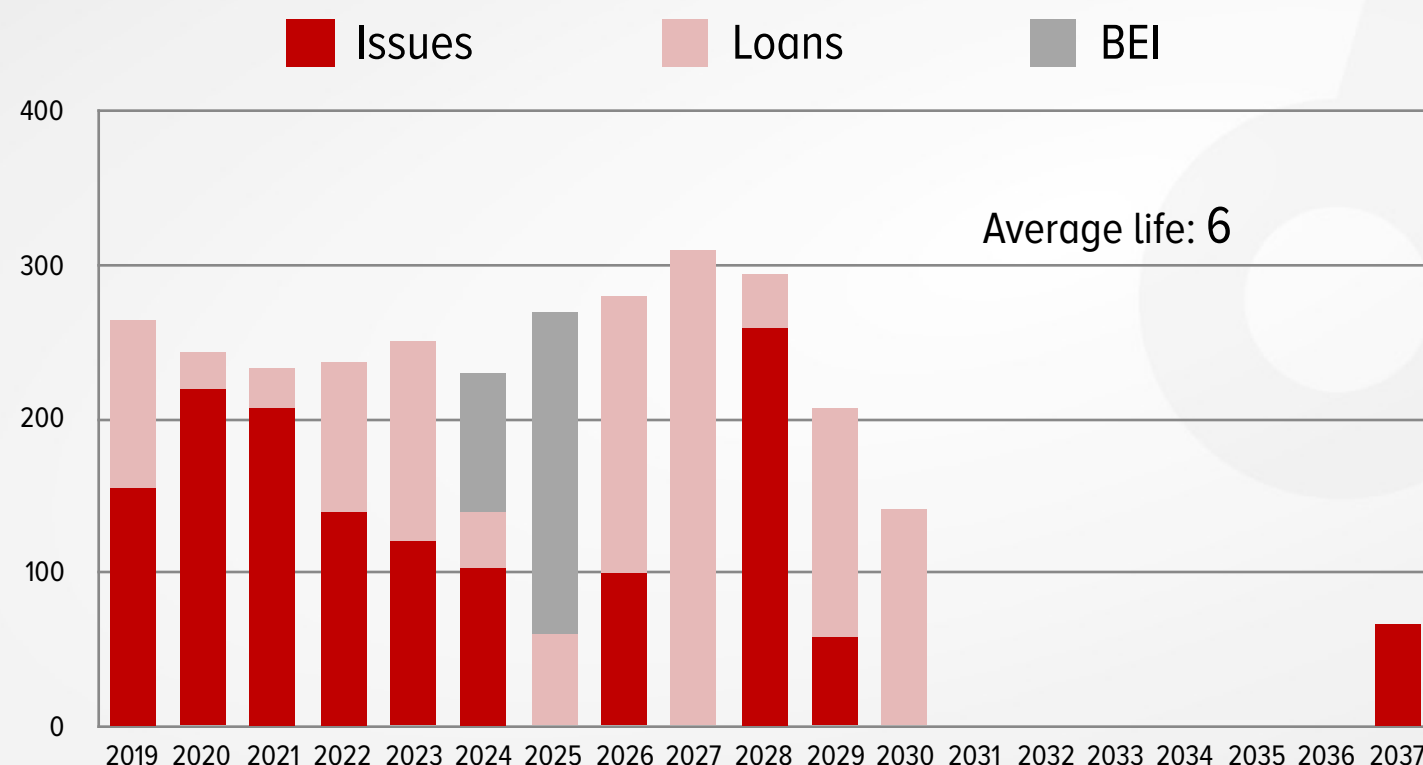
Loans are the main debt instrument of Navarra. There is no financing in other currencies, so currency risk is non-existent. Mainly fixed rates, reduce risk and volatility on payments.

Source: Government of Navarra.

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DEFICIT AND DEBT

Maturity schedule of General Administration 31/12/2018 (€ Mill)



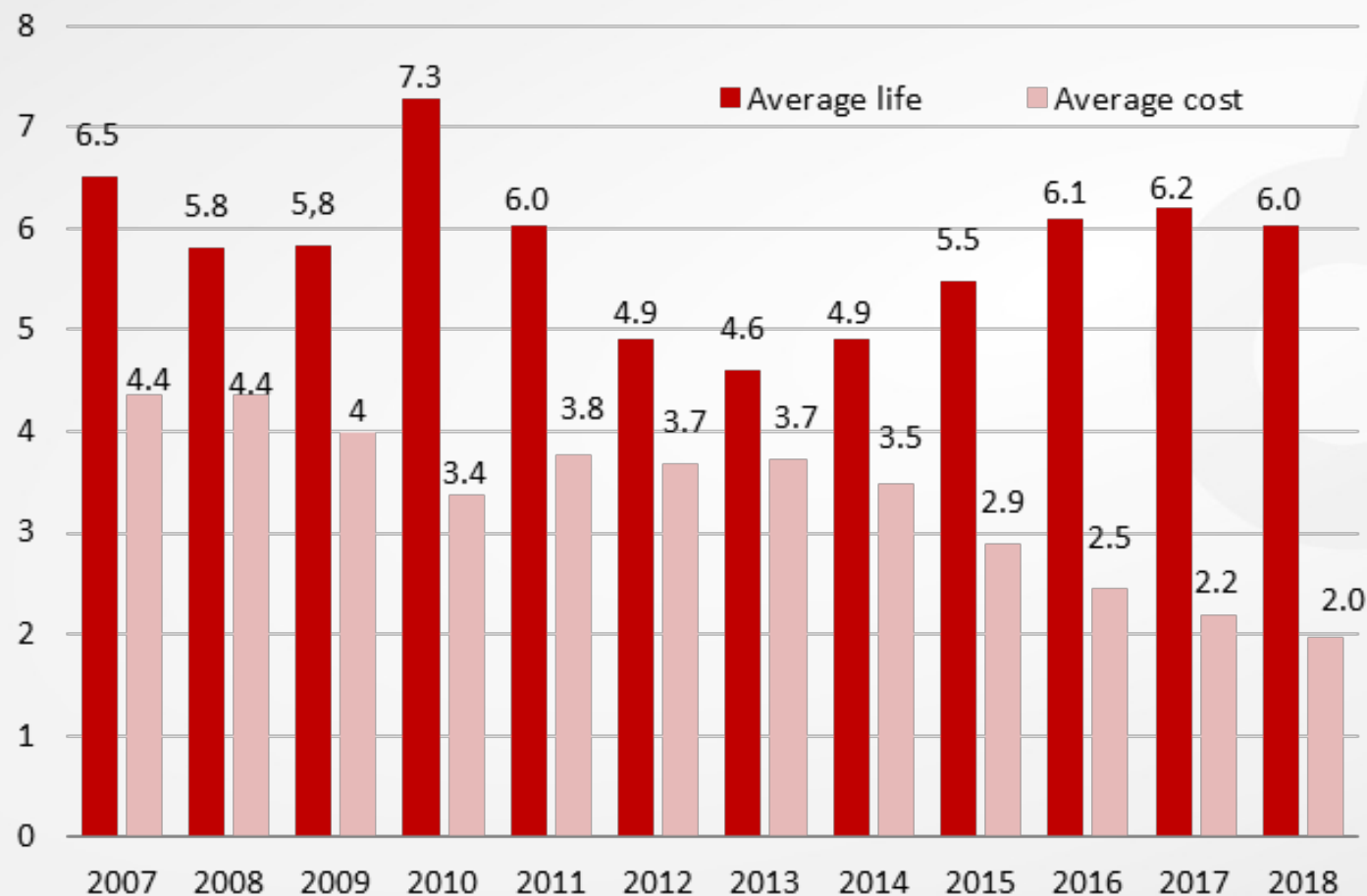
The maturity profile extends out to 2037. The aim is no more than €325 million every year

Source: Government of Navarra.

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DEFICIT AND DEBT

Average life and average cost of portfolio 31/12/2018



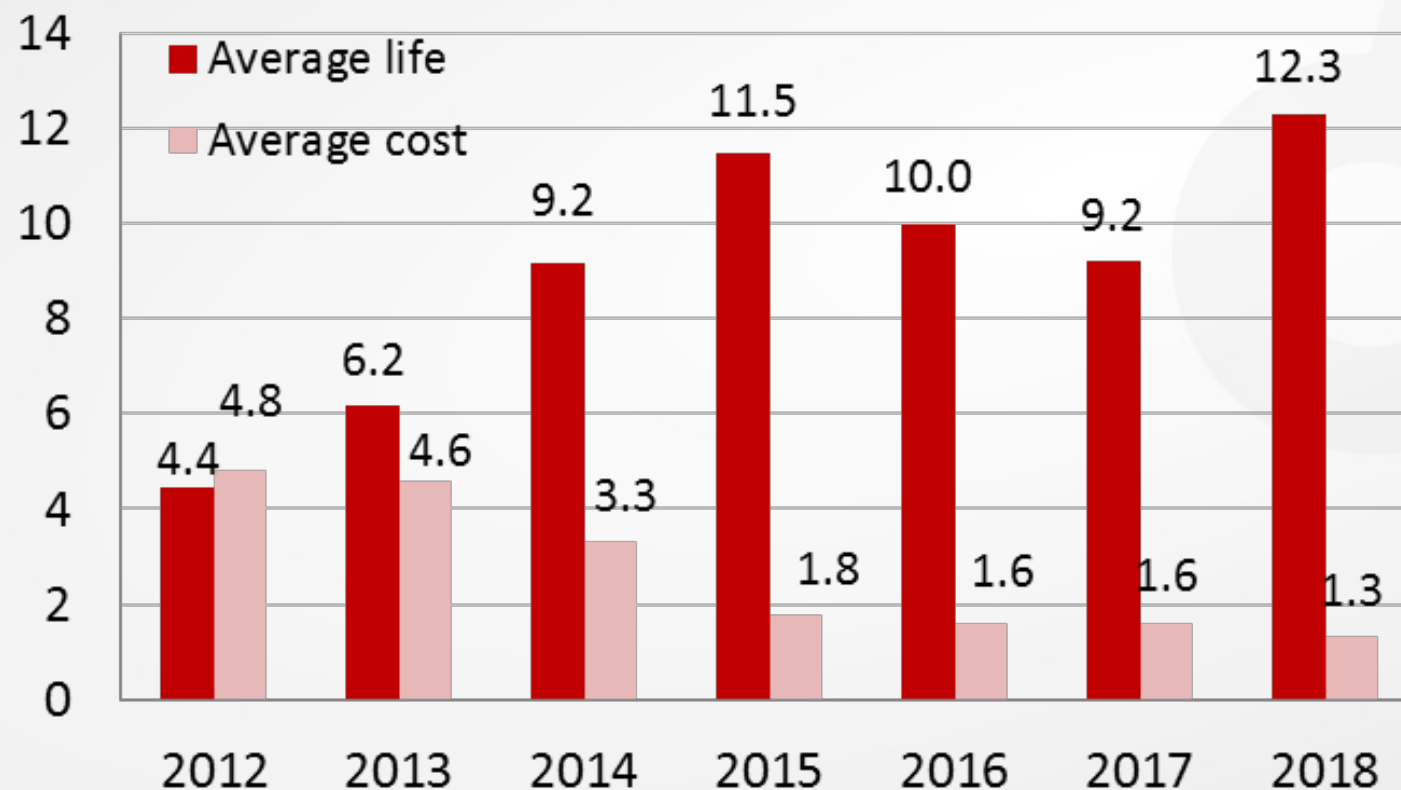
Growing funding needs in the credit crunch scenario led to a reduction of the average life of the debt portfolio. However, since 2013 average life has increased 31%, meanwhile average cost has reduced 47% in the same period.

Source: Government of Navarra.

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DEFICIT AND DEBT

Average life and average cost of new operations annually
31/12/2018



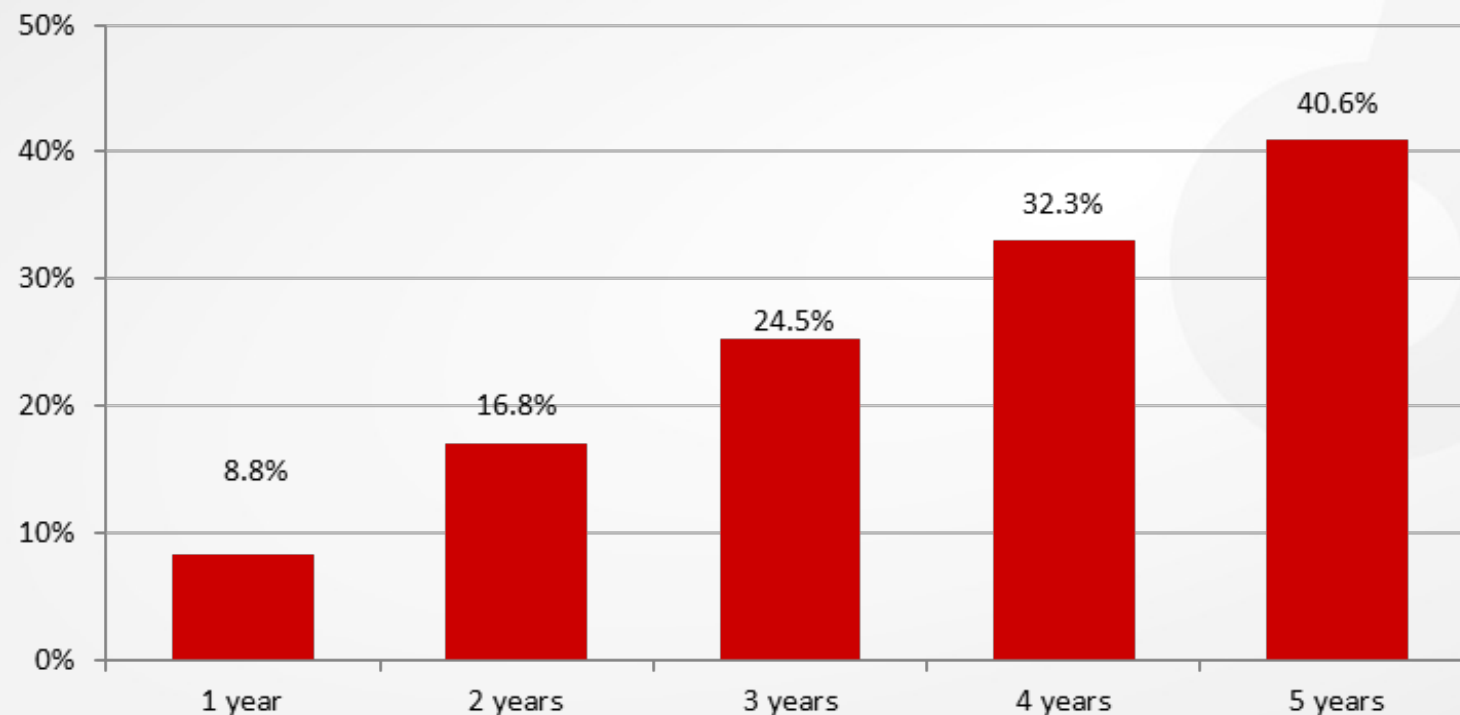
Every year since 2013, with more than nine years of maturity, the average cost of new debt has been reduced constantly.

Source: Government of Navarra.

Navarra is a stable region

DEFICIT AND DEBT

Refinancing risk



The degree of concentration of the investment portfolio is reduced, because the payment obligations of the debt are distributed with relative linearity.

Source: Government of Navarra.

Navarra is a stable region

RATING

Navarra's rating is higher than the Spanish Government's and the rest of the regions of the common regime

Rating 2019 March

	Moddy's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NAVARRA			A+	Positive		
PAÍS VASCO	A3	Stable	A+	Positive	A-	Stable
ARAGÓN			BBB	Positive		
CANTABRIA					BBB	Stable
MADRID	Baa1	Stable	BBB+	Stable	BBB	Stable
GALICIA	Baa1	Stable	A-	Positive		
CANARIAS			A-	Positive	BBB+	Stable
ASTURIAS	Baa1	Stable			WD	
EXTREMADURA	Baa2	Stable	BBB	Stable		
ANDALUCÍA	Baa2	Stable	BBB+	Stable	BBB-	Stable
CASTILLA-LEÓN	Baa1	Stable				
BALEARES			BBB+	Positive		
CATALUÑA	Ba3	Stable	NR		BB	Stable
MURCIA	Ba1	Stable			BBB-	Stable
VALENCIA	Ba1	Stable	BB	Positive	BBB-	Stable
CASTILLA LA MANCHA	Ba1	Stable			BBB-	Stable
LA RIOJA					BBB	Stable
ESPAÑA	Baa1	Stable	A-	Positive	A-	Stable

Navarra is a stable region

RATING

S&P analysis

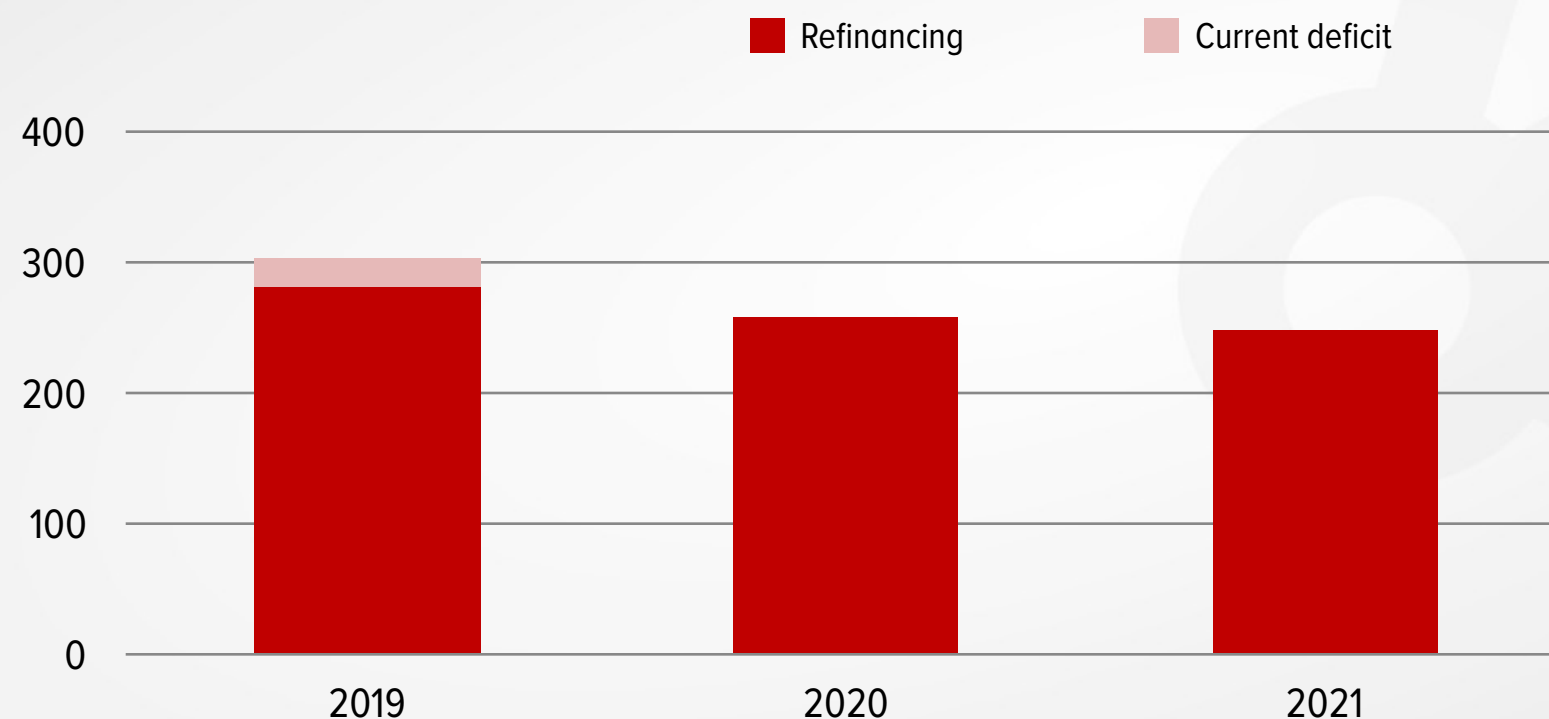
- Navarra's high fiscal autonomy and sound financial management make it more resilient in a stress scenario than Spain.
- Navarra does not participate in Spain's equalization system for funding regions.
- Navarra's economy is wealthier, more competitive and more export-oriented than Spain and competitive industry, focused on internationally diverse markets, which partly mitigates its high concentration on Spain's economy.
- Robust revenue growth and cost containment are helping reduce debt while strengthening Navarra's liquidity cushion.

S&P has maintained the assessment of Navarre's stand-alone credit profile (SACP) at 'aa-'. The SACP is a measure of the intrinsic creditworthiness before taking into account any constraints arising from the sovereign rating.

Navarra is a stable region

FUNDING NEEDS 2019 / 2021

Refinancing needs



Commitment to budgetary stability and financial sustainability. Deficit will not exceed 0.1% in 2019.

Source: Government of Navarra.

