Instituto de Crédito Oficial

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Introduction

In February 2023, Instituto de Crédito Oficial ("ICO") issued a green bond to finance and refinance projects aimed at providing positive environmental impact with regard to renewable energy and clean transportation (the "2023 Green Bond"). In February 2024, ICO engaged Sustainalytics to review the projects financed with proceeds from the 2023 Green Bond (the "Nominated Projects") and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the ICO Green Bond Framework (the "Framework").[1] Sustainalytics provided a Second-Party Opinion on the Framework in June 2021.[2] This is Sustainalytics' third annual review of allocation and reporting of the instruments issued under the Framework, following the previous reviews in May 2022[3] and May 2023.[4]

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	Acquisition, maintenance, refurbishment and repowering of existing and future renewable energy production facilities from the following renewable sources: • Solar • Wind • Bioenergy • Hydropower when electricity generation complies with either of the following criteria: a) run-of-river plant without artificial reservoir; b) power density above 5 W/m^2;	Estimated annual GHG emissions reduced/avoided (in tCO_2e per year)

[1] ICO, ICO Green Bond Framework, (2021), at: https://www.ico.es/documents/20124/39589/Green+Bond+Framework+Junio.pdf/d19a5839-08c8-0307-e85e-e73ec0921307?t=1624438845883#:~:text=ICO%20GREEN%20BOND%20FRAMEWORK%20(2021),-14&text=stations%20and%20supporting%20electric%20infrastructure,freight%2C%20waterborne%20transport%20and%20aircrafts.
[2] Sustainalytics, "Second-Party Opinion, Instituto de Crédito Oficial Green Bond Framework", (2021), at: https://www.ico.es/documents/77230/77304/Green+Bond+Framework+second+party+opinion.pdf/8176fcdf-546d-c292-6741-17943670b10e?t=1623667262585
[3] Sustainalytics, "Annual Review, Instituto de Crédito Oficial", (2022), at: https://www.ico.es/documents/20124/39589/Green+Bond+Annual+Review+2022.pdf/58401d53-e9e5-accc-d6ec-458769e186a0?t=1652867657153
[4] Sustainalytics, "Annual Review, Instituto de Crédito Oficial", (2023), at: https://www.ico.es/documents/20124/39589/Instituto+de+Cr%C3%A9dito+Oficial_Annual_Review_Final.pdf/36e748ed-8e17-e26f-a73e-341a8c98ffb4?t=1684929529427

	c) life-cycle GHG emissions lower than 100g CO_2e/kWh. Development, construction, equipment, operation and maintenance of new or additional energy transmission and distribution networks aligned with the following criteria: • the system is the interconnected European system • Construction and operation of direct connection or expansion of existing direct connection of low-carbon electricity generation below the threshold of 100 gCO_2e/kWh measured on a life cycle basis to a substation or network; • Construction or operation of new transmission and distribution networks dedicated to hydrogen; • Conversion or repurposing of existing natural gas networks to 100% hydrogen; • Retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network.	
Hydrogen Production	Development, construction and upgrade of hydrogen electrolysis with related lifecycle emissions that comply with the European Taxonomy threshold of 3 tCO_2e/tH_2.	Estimated annual GHG emissions reduced/avoided (in tCO_2e per year)
Energy Efficiency	Development, operation, distribution and maintenance of equipment or technology helping reduce energy consumption and increase energy savings including: • Construction and operation of electricity storage including pumped hydropower storage; • Construction of hydrogen storage facilities, and conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage; • District heating using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat; • Smart grids, such as smart meters, sensors or remote control devices contributing to energy efficiency; • Light sources rated in the highest two populated classes of energy efficiency.	Estimated annual GHG emissions reduced/avoided (in tCO_2e per year)
Green Buildings	Acquisition, construction, development, renovation of buildings: • Built before 31 December 2020 with an Energy Performance Certificate (EPC) as least equal to class A or rank in the top 15% on energy efficiency measures within the local market equivalent;	Estimated annual GHG emissions reduced/avoided (in tCO_2e per year)

	• Built after 31 December 2020 with the primary energy demand (PED)[5] at least 10% lower than the threshold set for the nearly zero-energy building (NZEB); • Required to have, or are designed and intended to receive: i) a design stage certification; ii) a post-construction certification; or iii) an in-use certification in any of the following building certification schemes: LEED Gold; BREEAM Excellent; or any other equivalent recognized regional certification with similar standards; • Renovation leading to energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.	
Clean Transportation	Low-carbon vehicles and infrastructure: • Rolling stock and infrastructure for electrified public and freight transportation systems; • Vehicle fleets including passenger cars, light commercial vehicles and large vehicles emitting less than 50 gCO_2/km until 2025 and 0 gCO_2/km from 2026 onwards; • Construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure; • Infrastructure for hydrogen refueling installations for road and off-road transportation, such as passengers cars, public transportation, road freight, waterborne transport and aircrafts.	Estimated annual GHG emissions reduced/avoided (in tCO_2e per year)
Pollution Prevention and Control	Development, manufacturing, construction, operation and maintenance of waste management activities such as: • Separated non-hazardous waste collection and transportation with the waste being segregated at source intended for preparation for reuse or recycling operations; • Bio-waste anaerobic digestion or composting • Material recovery from non-hazardous waste with at least 50% of the processed separately collected non-hazardous waste being converted into secondary raw materials that are suitable for the substitution of virgin materials in production processes	Tonnes of waste managed (m^3 per year)
Environmentally Sustainable Management of	Development, manufacturing, construction, operation and maintenance of:	Estimated annual GHG emissions reduced/avoided (in tCO_2e per year)

[5] Total primary energy use in kWh/m^2 per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

Living Natural Resources and Land Use	• Sustainable agriculture and climate smart farm input (organic farming certified with the EU label); • Environmentally sustainable fishery (MSC and ASC or equivalent certifications) and aquaculture (ASC or equivalent certification); • Environmentally sustainable forestry (FSC, PEFC or equivalent certifications).	
Sustainable Water and Wastewater Management	Development, construction and maintenance of: • Water collection, treatment and supply systems where the net average energy consumption is equal or lower than 0.5 kWh per cubic meter produced water supply and the energy consumption is reduced by at least 20%; • Centralized wastewater treatment provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment system (projects selected under this category will provide demonstrable water savings or other quantifiable benefits).	Annual reduction in water consumption (m^3 per year)

Issuer's Responsibility

ICO is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from ICO's 2023 Green Bond. The work undertaken as part of this engagement included collection of documentation from ICO and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by ICO. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by ICO.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,[6] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the ICO Green Bond Framework. ICO has disclosed to Sustainalytics that the proceeds from the 2023 Green Bond were fully allocated as of January 2024.

[6] Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Reported Allocation

Use of Proceeds Category	2023 Green Bond Proceeds Allocation		Number of financed projects	Geographical regions of the projects
	EUR million allocated	Percentage of total allocation		
Renewable Energy	490	98%	10	US, Chile, Dominican Republic, Spain and Australia
Clean Transportation	10	2%	1	Spain
Total	500	100%	11	

Appendix 2: Reported Impact

Use of Proceeds Category	Sub-Category	KPIs
Renewable Energy	Wind Energy	• Installed capacity: 2,640 MW • Annual energy production distributed: 8,637,778 MWh • Annual GHG emissions avoided: 206,391 tCO_2e
	Solar Energy	• Installed capacity: 2,010 MW • Annual energy production distributed: 3,960,827 MWh • Annual GHG emissions avoided: 78,473 tCO_2e
Clean Transportation	Hydrogen Refueling Stations (HRS)	• Number of HRS: 6 • Estimated charge in 2023: 1,292 MWh • Annual GHG emissions avoided: 2,614 tCO_2e

Disclaimer

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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