

# SECOND PARTY OPINION

on the sustainability of the Kingdom of Spain’s Sovereign Green Bond Framework

V.E considers that the Kingdom of Spain’s Sovereign Green Bond Framework is aligned with the four core components of ICMA’s Green Bond Principles 2021 (“GBP”) and is in line with best practices identified by V.E.



## Framework

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the Framework

Eligible Categories	7 Green Categories: renewable energy, clean transport, energy efficiency, sustainable management of water and wastewater, biodiversity protection, circular economy, climate change adaptation
Project locations	Spain
Existence of framework	Yes
Share of refinancing	To be disclosed before the first issuance of green bonds each year
Look back period	36 months (please see the “Use of Proceeds” section)

## Issuer

ESG Performance as of June 2021



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Environmental Responsibility				
Social Responsibility				
Governance Responsibility				

## Coherence

Coherent
Partially coherent
Not coherent

V.E considers that the Kingdom of Spain’s Green Financing Framework is coherent with the Kingdom of Spain’s strategic sustainability priorities, and that it contributes to the achievement of its environmental commitments and targets.

## Key findings

V.E considers that the Kingdom of Spain's Sovereign Green Bond Framework is aligned with the four core components of the GBP 2021 and best practices identified by V.E.

### Use of Proceeds – aligned with the GBP and best practices identified by V.E

- The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under seven Categories of Eligible Green Expenditures (“Eligible Categories”), as indicated in Table 1.
- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Green Expenditures.
- The Environmental Objectives are clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards for all the Eligible Categories.
- The Expected Environmental Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing prior to each year's first issuance of a Sovereign Green Bond, applicable to all issuances of that year. The Issuer has committed, to the extent possible, to limit the look-back period for refinancing Eligible Expenditures to 24 months prior to the issuance date, in line with best market practice. In any event, the maximum possible look-back period will be 36 months. The Issuer will only exercise this extension in two scenarios: for the issuance of new benchmarks; or in instances where it is deemed necessary to ensure the liquidity of the bonds or the full allocation of funds.

### Evaluation and Selection – aligned with the GBP and best practices identified by V.E

- The Process for the Evaluation and Selection of Eligible Green Expenditures has been clearly defined and detailed by the Issuer. The process is considered well-structured for all the evaluation and selection steps (including the proposal, selection, validation, monitoring of Eligible Green Expenditures). The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and this Second Party Opinion.
- Eligibility criteria (selection and exclusion) for expenditure selection have been clearly defined and detailed by the Issuer for all of the Eligible Categories.
- The process applied to identify and manage potentially material environmental and social (E&S) risks associated with the projects is publicly disclosed in this Second Party Opinion. The Process is considered advanced: it combines monitoring, identification, and corrective and preventive measures, for all Eligible Green Expenditures (see detailed analysis on pages 28 - 33).

### Management of Proceeds – aligned with the GBP and best practices identified by V.E

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework.
- The allocation period will be 12 months.
- The net proceeds of the Bond will be placed in the operative account of the Spanish Treasury and tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed. The Spanish Treasury will manage the unallocated proceeds in accordance with its Treasury Policies.
- For as long as the Bond is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match any allocations to Eligible Green Expenditures.
- The Issuer has provided information on the procedure that will be applied in case of divestment or postponement of Eligible Green Expenditures, and has committed to reallocate divested proceeds to projects that comply with the Bond Framework.



#### Reporting – aligned with the GBP and best practices identified by V.E

- The Issuer has committed to report on the Use of Proceeds on an annual basis until bond maturity. The reports will be publicly available on the Issuer's website until bond maturity.
- The Issuer has committed to include in the reports relevant information related to the allocation of bond proceeds and the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments and controversies related to the Eligible Green Expenditures.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Green Expenditures will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Categories until bond maturity and in case of material changes. The environmental benefits of Eligible Green Expenditures will be verified internally.

#### Contact

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# SCOPE

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V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Sovereign Green Bonds<sup>1</sup> (“Bonds”) to be issued by the Kingdom of Spain (the “Issuer”, “Spain”) in compliance with the Green Bond Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Green Bond Principles (“GBP”) – edited in June 2021.

Our opinion is built on the review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the GBP 2021.
- Issuer: we have assessed the sustainability performance of the Issuer (Sovereign Sustainability Rating©).

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from June 7 to July 20, 2021. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

## Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

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<sup>1</sup> The “Green Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

# COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the Kingdom of Spain's Green Financing Framework is coherent with the Kingdom of Spain's strategic sustainability priorities, and that it contributes to the achievement of its environmental commitments and targets.

In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development, which includes the 17 Sustainable Development Goals (SDGs). In September 2019 at the SDG summit – 10 years before the target year to achieve the SDGs – world leaders called for a "Decade of Action".

Achieving sustainable development requires the transition of all economic sectors towards sustainable development models, and immediate action by all private actors. In particular, national governments must mobilise to achieve the SDGs, through regional and global leadership, integrating environmental and social sustainability into policies, budgets, institutions and regulatory frameworks, and working with all stakeholders. In the regional context, in 2019, the European Union presented its strategy, the European Green Deal<sup>2</sup>, which aims to make Europe the first carbon-neutral continent by 2050. To this end, Member States have a responsibility to contribute to plan's realisation by taking action that limits climate change and introducing national policies and action plans that better ensure sustainable growth.

Spain is vulnerable to the impacts and risks of climate change. The latest climate change scenarios by the State Meteorological Agency (AEMET)<sup>3</sup> forecasts that Spain's maximum temperatures are increasing – especially during the summer. In turn, the number of hot days is increasing, heat waves are lasting longer, while precipitation levels are reducing. Climate change is expected to have a major impact on Spain's socio-economic aspects and environmental sectors<sup>4</sup>, including risks linked to water resources, desertification and soils, terrestrial ecosystems, agriculture and livestock, marine environment, coasts, urban environment, infrastructure and transport, energy, human health and tourism.

The Kingdom of Spain acknowledges its mission in facing the aforementioned challenges by ratifying and implementing relevant international and regional agreements, and by formalising significant environmental commitments and action plans, which in some cases have quantitative targets:

- Spain became a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) in 1992 and to the Kyoto Protocol in 1998.
- Spain is committed to the United Nations 2030 Agenda for Sustainable Development, supports the achievement and fulfilment of the Sustainable Development Goals (SDGs) and has reported on its progress through its Voluntary National Review (2018)<sup>5</sup>.
- Spain ratified the Paris Agreement in 2016 and contributes to the EU's Nationally Determined Contribution (NDCs)<sup>6</sup>. In the most recent update to its NDCs, submitted to the UNFCCC in December 2020, the EU ramped up its 2030 emission reduction target from 40% to 55% (compared to 1990 levels)<sup>7</sup>.

<sup>2</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>3</sup> [http://www.aemet.es/documentos/es/conocerlas/recursos\\_en\\_linea/publicaciones\\_y\\_estudios/publicaciones/Informes\\_estado\\_clima/Resumen\\_ejecutivo\\_informe\\_clima\\_2020.pdf](http://www.aemet.es/documentos/es/conocerlas/recursos_en_linea/publicaciones_y_estudios/publicaciones/Informes_estado_clima/Resumen_ejecutivo_informe_clima_2020.pdf)

<sup>4</sup> [https://www.miteco.gob.es/es/cambio-climatico/temas/impactos-vulnerabilidad-y-adaptacion/impactos-y-riesgosccespanawebfinal\\_tcm30-518210.pdf](https://www.miteco.gob.es/es/cambio-climatico/temas/impactos-vulnerabilidad-y-adaptacion/impactos-y-riesgosccespanawebfinal_tcm30-518210.pdf)

<sup>5</sup> [https://sustainabledevelopment.un.org/content/documents/20113Spain\\_VNR\\_Report\\_Spain\\_29\\_de\\_junio\\_2018.pdf](https://sustainabledevelopment.un.org/content/documents/20113Spain_VNR_Report_Spain_29_de_junio_2018.pdf)

<sup>6</sup> <https://www4.unfccc.int/sites/ndcstaging/pages/Party.aspx?party=ESP>

<sup>7</sup> [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Spain%20First/EU\\_NDC\\_Submission\\_December%202020.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Spain%20First/EU_NDC_Submission_December%202020.pdf)

- In early 2020, Spain proposed the Strategic Energy and Climate Framework, including the National Integrated Energy and Climate Plan (*Plan Nacional Integrado de Energía y Clima*, or PNIEC) for the 2021-2030 period<sup>8</sup>. Through the PNIEC, Spain is responding to its climate mitigation and energy reduction targets stemming from EU policy and the Paris Agreement. The PNEIC sets Spain the following targets: a 23% minimum national reduction of GHG emissions by 2030 compared to 1990; achieve a 42% share of renewables in final energy consumption by 2030; a 39.5% improvement in energy efficiency by 2030.
- Within the Strategic Energy and Climate Framework, Spain has developed a Long-Term Strategy<sup>9</sup> (*Estrategia a Largo Plazo*, or ELP). The ELP complements the PNIEC and acts as a roadmap to move towards climate neutrality by 2050, with intermediate milestones in 2030 and 2040.
- The Strategic Energy and Climate Framework also includes Spain's Climate Change and Energy Transition Law<sup>10</sup>, which provides the legal basis for Spain's commitment to climate action in the international arena. Among its main objectives is for Spain to target climate neutrality by 2050.
- The National Climate Change Adaptation Plan 2021-2030, which is also part of the Strategic Framework for Energy and Climate, aims to promote more resilient development in the face of Spain's climate change adaptation needs.
- To ensure a green transition aligned with sustainable and inclusive development, Spain's Strategic Energy and Climate Framework includes: the Just Transition Strategy<sup>11</sup>, which takes into consideration social aspects of the decarbonisation of the economy; and the Circular Economy Strategy<sup>12</sup>. The latter aims to promote a production and consumption model that promotes environmental protection and social welfare.

Moreover, in the context of sustainable finance, the Public Treasury of the Kingdom of Spain is working on a National Sustainable Finance Plan to develop this market. The main objectives of this plan include:

1. Facilitating the transformation of the public and private financial sector, ensuring its adaptation to the new climate-neutral model;
2. Improving the competitiveness of Spain's financial sector in order to take advantage of value creation opportunities that sustainable finance creates in the medium and long term;
3. Redirecting capital towards investments that promote a low-carbon and more sustainable economy, and to promote increased public sector investment aligned to the objectives of the Paris Agreement.

Among the National Sustainable Finance Plan's objectives are developing regulation around Climate Change and the Energy Transition, the potential creation of a mixed investment fund (public and private) that could finance sustainable projects, and financial sector reform in order to promote greater adoption of the EU Taxonomy of Sustainable Finance for identifying sustainable activities.

In terms of international coherence, the Kingdom of Spain's Green Bond Framework explicitly seeks to align with the key sustainability objectives defined at EU level. In particular, the Framework seeks to align with the EU Sustainable Finance Taxonomy Regulation. The selection criteria for Eligible Green Expenditures consider the technical screening criteria of the EU Taxonomy Climate Delegated Act for activities that contribute substantially to climate mitigation and adaptation. Once all elements of the EU Green Bond Standard, including the implementing acts of the Sustainable Finance Taxonomy, have been published and developed, the Kingdom of Spain will seek to incorporate their content into the Green Bond Framework.

<sup>8</sup> [https://www.miteco.gob.es/images/es/pnieccompleto\\_tcm30-508410.pdf](https://www.miteco.gob.es/images/es/pnieccompleto_tcm30-508410.pdf)

<sup>9</sup> [https://unfccc.int/sites/default/files/resource/LTS1\\_Spain\\_Annexes.pdf](https://unfccc.int/sites/default/files/resource/LTS1_Spain_Annexes.pdf)

<sup>10</sup> [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2021-8447](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-8447)

<sup>11</sup> [https://www.miteco.gob.es/es/transicion-justa/documentoetj\\_tcm30-514300.pdf](https://www.miteco.gob.es/es/transicion-justa/documentoetj_tcm30-514300.pdf)

<sup>12</sup> [https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/economia-circular/espanacircular2030\\_def1\\_tcm30-509532.PDF](https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/economia-circular/espanacircular2030_def1_tcm30-509532.PDF)



With the creation of the Green Bond Framework for the financing and refinancing of Eligible Green Expenditures, Spain responds in a coherent manner to its national and international commitments and targets mentioned above, and addresses the main challenges that governments face in terms of sustainable development globally.

# FRAMEWORK

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The Kingdom of Spain has described the main characteristics of the Sovereign Green Bonds within a formalised Green Bond Framework that covers the four core components of the GBP 2021 (the last updated version was provided to V.E on July 16 2021). The Issuer has committed to make this document publicly accessible on its website, in line with good market practices.

## Alignment with the Green Bond Principles

### Use of Proceeds



- The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under seven Categories of Eligible Green Expenditures (“Eligible Categories”), as indicated in Table 1.
- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Green Expenditures.
- The Environmental Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all the Eligible Categories.
- The Expected Environmental Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing prior to each year’s first issuance of a Sovereign Green Bond, applicable to all issuances of that year. The Issuer has committed, to the extent possible, to limit the look-back period for refinancing Eligible Expenditures to 24 months prior to the issuance date, in line with best market practice. In any event, the maximum possible look-back period will be 36 months. The Issuer will only exercise this extension in two scenarios: for the issuance of new benchmarks; or in instances where it is deemed necessary to ensure the liquidity of the bonds or the full allocation of funds.

It is important to note that the financing of Spanish environmental policy has multiple mechanisms. Thus, in order to avoid a double-counting problem, there are important potentially eligible projects that, in the current state of regulation, cannot be financed by the Sovereign Green Bonds of the Kingdom of Spain.

On the one hand, the European Recovery Plan ‘Next Generation EU Recovery Plan’ (NGEU for its acronym in English), requires that the expenses and recovery plans that will be financed by this financial instrument are not financed by National Green Bonds to avoid the double counting of environmental benefits from green financing instruments. In addition, NGEU only allows funding of national recovery plans and expenses that have started as of February 2020.

On the other hand, the regime to support the deployment of renewable energies has its own earmarked financing sources and, therefore, cannot be financed with Sovereign Green Bonds.

Finally, Spain is a highly decentralised state at the administrative level, in which the regions (Autonomous Communities) have great autonomy in terms of competences and management of public spending. Thus, sub-central public administrations, unlike what happens in the case of other sovereign issuers, control part of environmental spending and even issue their own green bonds.



## BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories.
- ⇒ Relevant environmental benefits are identified and measurable for all project categories.
- ⇒ The Issuer has committed to transparently communicate the estimated share of refinancing for each bond issuance.



Table 1. V.E's analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of Eligible Green Expenditures: Eligible expenditures will have to be included in the General Government Budget laws, including tax benefits, capital expenditure, current expenditure, transfers and subsidies. In particular, support for research and development and innovation will be included.
- Location of Eligible Green Expenditures: Spain

ELEGIBLE GREEN CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Renewable Energy	<p>Eligible expenditures to accelerate the development of renewable energies, such as solar, wind, hydro, geothermal, hydrogen and bioenergy.</p> <ul style="list-style-type: none"> <li>• Facilities operating with life cycle emissions below 100gCO<sub>2</sub>e/kWh are eligible.</li> <li>• Hydroelectric power shall include installations with a power density greater than 5 W/m<sup>2</sup>.</li> <li>• Bioenergy can include high-efficiency biomass cogeneration, for which feedstocks are limited to sources that do not deplete existing terrestrial carbon stocks or compete with food production.</li> </ul> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Eligible expenditures dedicated to the development of renewable energy production.</li> <li>• Eligible expenditures dedicated to the construction and operation of transmission and distribution of electricity generated with renewable and clean energies.</li> <li>• Eligible expenditures to strengthen R&amp;D&amp;I<sup>13</sup> and technological developments.</li> </ul>	<p><u>Climate change mitigation</u></p> <p>Avoidance of GHG emissions</p> <p>Increase in the renewable energy installed capacity</p> <p>Increase in the production of renewable energy</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <p>The environmental objective is clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>

<sup>13</sup> Research, Development and Innovation



<p>Clean transportation</p>	<p>Eligible expenditures aimed at reducing dependence on fossil fuel transport, such as aid for the development and maintenance of the rail system for freight and passenger transport, the development of low-carbon vehicles, aid for sustainable public transport and the promotion of modal shift to more environmentally friendly modes.</p> <ul style="list-style-type: none"> <li>• Land transportation activities with zero direct emissions.</li> <li>• Until the end of 2025, emissions of less than 50gCo2/km for light-duty vehicles. From 2026, zero specific CO2 emissions for such vehicles.</li> </ul> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Eligible expenses dedicated to the improvement, maintenance, renovation or development of the railway infrastructure.</li> <li>• Eligible expenditures dedicated to promoting low-carbon mobility.</li> <li>• Eligible expenditures dedicated to the renewal, adaptation and replacement of the vehicle fleet in favor of low-carbon vehicles. Incentives for the purchase of hybrid and electric cars by individuals and companies are included.</li> <li>• Eligible expenditures on public infrastructure for electric vehicles.</li> <li>• Eligible expenditures aimed at financing sustainable public transport to encourage the use of more environmentally friendly means of transport. This will include contributions to metropolitan area transport consortia, compensation to railway managers for tariff reductions, contributions to ensure the sustainability of railway infrastructure managers and railway operators (e.g. to cover the network administration deficit, to cover the operating deficit, to repay long-term debt) compensation to railway operators for the operating deficit for the provision of railway services declared public service obligation</li> </ul>	<p><u>Climate change mitigation</u> Avoidance of GHG emissions</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <p>The environmental objective is clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefit is clear, relevant, measurable, and will be quantified in the reporting.</p>
<p>Sustainable water and wastewater management</p>	<p>Eligible expenditures to improve the water network and equipment for efficient water supply, distribution and storage.</p> <p>Starting in 2021, expenditures related to the treatment of water and water reuse with low emissions and energy consumption, in line with the thresholds defined in the EU Taxonomy for Sustainable Finance.</p> <p>Eligible expenditures aimed at achieving the good condition of water bodies and preventing their deterioration, improving the water network and equipment to ensure</p>	<p><u>Sustainable use and protection of water and marine resources</u> Sustainable and efficient water management to secure the water supply</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <p>The environmental objectives are clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p>



	<p>the guarantee of supply, its storage and efficient distribution, as well as the efficient management and treatment of wastewater.</p> <ul style="list-style-type: none"> <li>• Improve control of the public water domain, water quality and water bodies.</li> <li>• Helps reduce the impact of droughts/floods.</li> <li>• Improved energy efficiency in water catching systems, storage and distribution.</li> <li>• Recovery of the natural conditions of watercourses.</li> <li>• Eligible expenditures to improve irrigation efficiency through modernization to ensure the sustainability of irrigation systems.</li> </ul> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Eligible expenditures aimed at infrastructure and management to ensure the guarantee of supply and the efficiency of demand management.</li> <li>• Eligible expenditures dedicated to water management infrastructure including wastewater treatment, purification and reuse.</li> <li>• Eligible expenditures dedicated to the management of risk due to extreme events, and to the reduction of their impact through actions to mitigate the effects of droughts and floods.</li> <li>• Eligible expenditures dedicated to the management of water resources and the control of the public water domain.</li> <li>• Eligible expenditures dedicated to water quality monitoring and improvement of the status of water bodies.</li> <li>• Eligible expenditures to improve the energy efficiency of irrigation.</li> <li>• Eligible expenditures for investment in irrigation to ensure water resources for irrigation for adaptation to climate change, prevention and control of diffuse pollution by reducing returns and better application of fertilizers, sustainable use and protection of water and the transition to a circular economy.</li> </ul>	<p>Reducing the impacts of droughts and floods</p> <p><u>Pollution prevention and control</u></p> <p>Improve water treatment and reuse</p>	<p>The expected environmental benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
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<p>Energy efficiency (including energy efficiency of buildings)</p>	<p>Eligible expenditures to promote the development of projects that increase energy savings and energy efficiency in line with the best available techniques, such as district heating, smart grids, and efficient renovation measures.</p> <ul style="list-style-type: none"> <li>• Improve by at least two letters in the energy efficiency certificate.</li> <li>• Or, alternatively, achieve a reduction in primary energy demand of at least 30%.</li> </ul> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Eligible expenditures that support energy efficiency improvements in commercial and residential buildings.</li> <li>• Eligible expenditures dedicated to incentivise programs that promote energy saving and energy management in industry, including grant programs to incentivize energy saving and efficiency projects in industry.</li> <li>• Programs to promote energy efficiency in public administration buildings and public housing.</li> <li>• Eligible expenditures aimed at strengthening R&amp;D&amp;I and technological developments.</li> </ul>	<p><u>Climate Change Mitigation</u> Reduction of GHG emissions</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <p>The environmental objective is clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefit is clear, relevant, measurable, and will be quantified in the reporting.</p>
<p>Protection and restoration of biodiversity and ecosystems and environmentally sustainable management of natural resources</p>	<p>Eligible expenditures for sustainable land use and protection, as well as for the protection and restoration of biodiversity and terrestrial and marine ecosystems.</p> <p>Eligible expenditures to promote agroforestry and marine sinks.</p> <p>Eligible expenditures for the conservation, sustainable use and promotion of biological diversity, including forest products, forest genetic resources, as well as other genetic resources of flora and fauna.</p> <p>Eligible expenditures for the conservation and improvement of animal genetic resources.</p> <p>Eligible expenditures that have an impact on the transformation of the agricultural sector towards a green and sustainable model in accordance with the Sustainable Development Strategy of Spain's Agenda 2030.</p> <p>Examples of eligible expenditures:</p>	<p><u>Protection and restoration of biodiversity and ecosystems</u> Increase in protected and restored areas Prevention of wildfires Conservation of native breeds</p> <p><u>Climate change mitigation</u> Reduction of GHG emissions</p> <p><u>Climate change adaptation</u></p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <ul style="list-style-type: none"> <li>- The Issuer has stated that those expenses directly related to farming must influence the transformation of the agricultural sector towards a green and sustainable model in line with Spain's Agenda 2030 Sustainable Development Strategy<sup>14</sup>. An area for improvement is to exclusively finance expenditure on organic farming in line with internationally recognised standards.</li> <li>- Eligible Green Expenditures related to the conservation and improvement of genetic resources</li> </ul>

<sup>14</sup> <https://www.agenda2030.gob.es/recursos/docs/informeprog21eds30r.pdf>



	<ul style="list-style-type: none"> <li>• Eligible expenditures dedicated to reforestation or forest protection, as well as erosion and desertification control.</li> <li>• Eligible expenses for interventions for the protection of environmental heritage, biodiversity and protected natural areas, against climatic risks such as fires, droughts or floods. Specifically, actions for the protection of endangered species and protected natural areas included in the Natura 2000 Network. Particularly those Natura 2000 Network sites in the marine area, whose management is the responsibility of the Ministry for Ecological Transition and the Demographic Challenge.</li> <li>• Increase in certified organic agricultural production.</li> <li>• Eligible expenditures for environmental restoration and reconversion of areas degraded by urban, mining and industrial activities.</li> <li>• Expenditures on activities that increase organic carbon in soils.</li> <li>• Expenditures in the promotion of carbon sinks.</li> <li>• Eligible expenditures for the management of herd books and breeding programs, including yield controls, for pure breeds.</li> <li>• Eligible expenditures for the sustainable management of fish stocks, through objectives such as improving the selectivity of fishing gear and establishing catch ceilings based on the best available assessments.</li> <li>• Eligible expenditures for the establishment of periods of temporary cessation of fishing activity.</li> </ul>	<p>Increase of resilience and adaptation capacities</p>	<p>are part of the Development Plan of the National Programme for the Conservation, Improvement and Promotion of Livestock Breeds of the Kingdom of Spain, under the regulation of the Royal Decree 2129/2008, which was built in line with the guidelines of the Food and Agriculture Organization of the United Nations (FAO), in particular the Interlaken Declaration of 2007<sup>15</sup>. Furthermore, the Eligible Green Expenditures in this category are in line with the European Commission's "Farm to Fork" Strategy. This regulatory framework promotes sustainable livestock management by maintaining the genetic richness and biodiversity of native breeds, which play an important role in addressing the challenges of climate change adaptation, environmental protection, animal welfare and food security.</p> <p>The environmental objectives are clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
<p>Pollution prevention and control and circular economy</p>	<p>Eligible expenditures for the development of waste management activities such as waste prevention, waste reduction and recycling. Specifically:</p> <ul style="list-style-type: none"> <li>• Separate collection for reuse and recycling operations.</li> <li>• Preparation for reuse.</li> <li>• Anaerobic digestion of biowaste or other biodegradable waste.</li> <li>• Composting of biowaste.</li> <li>• Conversion of at least 50%, in terms of weight, of the collected waste into secondary raw materials.</li> </ul>	<p><u>Transition to a circular economy</u></p> <p>Waste prevention and reduction, promotion of recycling and reuse of resources</p> <p><u>Pollution prevention and control</u></p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <p>The environmental objectives are clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>

<sup>15</sup> [D3669\\_07 COP A1404S \(fao.org\)](https://www.fao.org/D3669_07_COP_A1404S/)



	<p>Expenditures to improve air, water and soil quality, prevent environmental hazards and damage</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Eligible expenditures to support the construction and maintenance of waste management activities dedicated to preparation for reuse and recycling.</li> <li>• Eligible expenditures to support the development, and manufacture of products with a longer useful life, reusable, repairable or with materials from waste.</li> <li>• Eligible expenditures that support the reduction of packaging or increased recycling of goods and raw materials.</li> <li>• Eligible expenditures for air quality assurance.</li> <li>• Eligible expenditures aimed at strengthening R&amp;D&amp;I and technological developments.</li> <li>• Eligible expenditures for the training of the different stages of the agrifood chain.</li> </ul>	<p>Improvement in air, water and soil quality</p>	
<p>Adaptation to Climate Change</p>	<p>Eligible expenditures for projects to prepare and protect the territory and economic sectors against the effects of climate change.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> <li>• Eligible climate change adaptation expenditures include, among others, measures that improve and ensure resilience against the negative effects of climate change (adaptation to extreme and slow-onset weather events), in order to avoid or reduce present and future damages derived from phenomena such as floods, droughts or sea level rise, systems for territorial configuration under climate resilience criteria, promotion of nature-based solutions, information support systems such as climate observation and early warning systems, remote monitoring of the coastal strip.</li> <li>• Eligible climate change adaptation expenditures include, among others, measures that strengthen and increase the resilience of the coastline to</li> </ul>	<p><u>Adaptation to climate change</u></p> <p>Increase in resilience and adaptation capacities</p> <p>Reduction in climate change vulnerabilities</p> <p><u>Protection and restoration of biodiversity and ecosystems</u></p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level of the Eligible Green Expenditures.</p> <p>The environmental objectives are clearly defined, relevant, and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>









	<p>the impacts of erosion, flooding and the effects of climate change on the coastal strip.</p> <ul style="list-style-type: none"><li>• Eligible expenditures for the recovery of degraded areas, protection and recovery of coastal ecosystems.</li><li>• Eligible expenses for the improvement of the management of the maritime-terrestrial public domain (DPMT): delimitation and recovery of the occupied DPMT, improvement of accessibility, promotion of intelligent networks for the management of the coast.</li></ul>		
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## SDG Contribution

The Eligible Categories are likely to contribute to eight of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Sustainable water and wastewater management		<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p> <p>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p>
Renewable Energy		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy efficiency (including energy efficiency of buildings)		7.3 By 2030, double the global rate of improvement in energy efficiency.
Energy efficiency (including energy efficiency of buildings)		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Clean Transportation		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Pollution prevention and control and circular economy		<p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p> <p>11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.</p>
Pollution prevention and control and circular economy		<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Renewable Energy Energy efficiency (including energy efficiency of buildings) Clean Transportation		UN SDG 13 consists of taking urgent action to combat climate change and its impacts. States can contribute to this goal by investing in renewable energy, green buildings, and reducing greenhouse gas emissions from transport operations through the transition to electric vehicles and promoting sustainable public transport.
Adaptation to Climate Change		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Protection and restoration of biodiversity and ecosystems and environmentally sustainable management of natural resources Adaptation to Climate Change		14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.
Protection and restoration of biodiversity and ecosystems and environmentally sustainable management of natural resources		15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements. 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally. 15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation neutral world. 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

## Evaluation and Selection of Eligible Expenditures



- The Process for the Evaluation and Selection of Eligible Green Expenditures has been clearly defined and detailed by the Issuer. The process is considered well-structured for all the evaluation and selection steps (including the proposal, selection, validation, monitoring of Eligible Green Expenditures). The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and this Second Party Opinion.
- Eligibility criteria (selection and exclusion) for expenditure selection have been clearly defined and detailed by the Issuer for all of the Eligible Categories.
- The process applied to identify and manage potentially material environmental and social (E&S) risks associated with the projects is publicly disclosed in this Second Party Opinion. The Process is considered advanced: it combines monitoring, identification, and corrective and preventive measures, for all Eligible Green Expenditures (see detailed analysis on pages 28 - 33).

### Process for Expenditure Evaluation and Selection

In order to manage the coordination of the Kingdom of Spain's Green Bond programme, on March 5, 2021, the Government's Delegated Commission for Economic Affairs (*Comisión Delegada del Gobierno para Asuntos Económicos*, CDGAE)<sup>16</sup> agreed to create a strategic working group called the "Working Group for the Structuring of the Sovereign Green Bond Issues of the Kingdom of Spain and the Promotion of Sustainable Finance" ("Working Group").

The Working Group is chaired and vice-chaired by the Director General of the Treasury and Financial Policy and the Director General of the Spanish Climate Change Office, and will be composed of representatives of various ministerial departments which may vary in the future depending on the needs detected and changes that may occur in the structure of the General Government Administration. Currently, the ministries involved are the following: Ministry of Economic Affairs and Digital Transformation; Ministry for Ecological Transition and the Demographic Challenge; Ministry of Finance; Ministry of Transport, Mobility and Urban Agenda; Ministry of Science and Innovation; Ministry of Agriculture, Fisheries and Food (invited); Ministry of Industry, Trade and Tourism; General Intervention of the State Administration (invited). In addition, the Issuer foresees the possibility of inviting sectoral experts from different bodies, both public and private, to contribute with experience and knowledge.

One of the main functions of the Working Group is to assist the Treasury in evaluating and selecting the programmes that will constitute eligible expenditure. The Working Group will meet at least annually and have the following responsibilities:

- Provide expertise to assess the compliance and eligibility of Eligible Green Expenditures.
- Ensure that Eligible Green Expenditures meet the eligibility criteria set out in the Framework through a monitoring system.
- Assist the Treasury in preparing periodic reports on the allocation of funds and environmental impacts.

<sup>16</sup> The CDGAE is the forum in which the strategies of the ministries in the economic area of the Government of the Kingdom of Spain are coordinated.



The expenditure selection and evaluation steps will be coordinated by the Directorate General of the Treasury and Financial Policy and are divided as follows:

- Preliminary analysis of the General Government Budgets: On an annual basis, the ministries involved will conduct an initial filtering of the General Government Budgets. This will subsequently be submitted for analysis by the Working Group. In this analysis, the budget items that could be aligned with the environmental objectives of the Kingdom of Spain will be selected.
- Analysis of potentially eligible expenditure items for the issuance of green bonds: Based on the pre-analysis and information provided by each member of the Working Group and relevant ministries, the Working Group will identify budget items that meet the eligibility criteria set out in the Framework.
- Determination of eligible expenditure and programmes for the annual green bond issuance: The Treasury, based on the information provided by the Working Group members, will select those eligible items that will become part of the portfolio of expenditure associated with the current year's issuance. In addition, the Ministry for Ecological Transition will work closely with the Treasury to ensure the green nature of the eligible expenditures associated with the green bonds issued.

The traceability and verification of the selection and evaluation of the Eligible Green Expenditures is ensured throughout the process:

- The Working Group will continuously review the eligibility of programmes through a monitoring system of eligible budget lines to ensure that they meet the eligibility criteria. In the event that budget lines no longer contribute to the objectives or eligibility criteria of the framework, they will be replaced by new budget lines that meet the eligibility criteria.
- As part of the ongoing review by the Working Group, consideration will be given to possible ESG controversies that may arise associated with Eligible Green Expenditures. In the event that a controversy is identified, new budget lines will be selected, in accordance with the eligibility criteria and will replace the previous ones, in such a way that the quality of the associated expenditure is ensured at all times.
- The Public Treasury will be the body in charge of creating and managing the registry of Sovereign Green Bond issues, in such a way as to ensure, at all times, the traceability of the decisions taken on the evaluation, selection and monitoring of the programmes.

### Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined section "3.1. Use of Proceeds" of the Framework (please see Table 1 in the Use of Proceeds section).
- All Eligible Green Expenditures will be located in the Kingdom of Spain and are expenditures considered in the General Government Budget
- In addition, the Kingdom of Spain applies exclusion criteria for certain environmentally controversial activities. The list of these activities can be found in the Framework. We consider the exclusion criteria to be relevant since they cover the main issues relevant to environmental responsibility, in line with good market practice.

## BEST PRACTICES

- ⇒ Eligibility and exclusion criteria (selection and exclusion) for the Eligible Green Expenditures are clearly defined and detailed for all the Eligible Categories
- ⇒ The Issuer reports that it will monitor compliance of selected expenditures with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content, frequency, and duration, and on the procedure adopted in case of non-compliance
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the Eligible Green Expenditures throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project

## Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework.
- The allocation period will be 12 months.
- The net proceeds of the Bond will be placed in the operative account of the Spanish Treasury and tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed. The Spanish Treasury will manage the unallocated proceeds in accordance with its Treasury Policies.
- For as long as the Bond is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match any allocations to Eligible Green Expenditures.
- The Issuer has provided information on the procedure that will be applied in case of divestment or postponement of Eligible Green Expenditures, and has committed to reallocate divested proceeds to projects that comply with the Bond Framework.

## Management Process

- The net proceeds of the contemplated issuances will be paid into the operating account of the Spanish Treasury, where they will be held in cash and managed in accordance with the Spanish Treasury's general fund management policy.
- The Spanish Treasury will be responsible for verifying that the amount associated with Eligible Green Expenditures is equivalent to the nominal amount of Green Sovereign Bonds issued. This monitoring will be done through a register managed by the Spanish Treasury, which allows assessing the effective allocation of eligible expenditure to each Green Bond issuance and the impact of the associated programmes.
- The Kingdom of Spain intends to allocate the full net proceeds of the bonds within 12 months.
- In the event of unallocated net proceeds, the Spanish Treasury will manage these unallocated proceeds in accordance with its fund management policies.
- The Spanish Treasury will ensure that eligible expenditures are identified for a total nominal value that is greater than the amount of the intended Green Bond issuance so that, in the event of divestment or deferral, this larger eligible portfolio will facilitate any reallocation that may be necessary.

### BEST PRACTICES

- ⇒ The allocation period is 12 months
- ⇒ The Issuer has provided information on the procedure that will be applied in case of divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Bond Framework.

## Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds on an annual basis until bond maturity. The reports will be publicly available on the Issuer's website until bond maturity.
- The Issuer has committed to include in the reports relevant information related to the allocation of bond proceeds and the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments and controversies related to the Eligible Green Expenditures.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Green Expenditures will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Categories until bond maturity and in case of material changes. The environmental benefits of Eligible Green Expenditures will be verified internally.

### Indicators

The Issuer has committed to transparently communicate at Bond by Bond and at Eligible Green Expenditure level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

#### REPORTING INDICATORS

- ⇒ The total amount issued
- ⇒ The amount allocated to eligible programme, their distribution by fiscal years, and the department responsible for the implementation of the different programmes.
- ⇒ The distribution of eligible expenditure by categories of green expenditure and type of expenditure
- ⇒ The percentage of unallocated funds
- ⇒ The percentage of financing vs refinancing
- ⇒ Percentage of co-financing for Eligible Green Expenditure, if relevant.
- ⇒ Information concerning the implementation of initiatives

In the event of reallocations with respect to the initial allocation, the Issuer will include a section in the report explaining the reason for the changes, the budget lines that are removed and those that are added, the impact of this reallocation on the distribution of the funds by eligible categories and type of expenditure, as well as any other relevant information.

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits of the Eligible Green Expenditures are clear, relevant, and exhaustive.

ELIGIBLE GREEN EXPENDITURES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy	Expected installed capacity of renewable energy (MW) Planned production of distributed renewable energy in (MWh) Research, Development, and Innovation (R&D&I) expenditures	Greenhouse gas emissions avoided (tons/year)
Clean Transportation	Number of public transport passengers Kilometers of track electrified Kilometers of track built or renewed Train-km benefiting from the application of reduced fares to encourage the use of rail transport R&D&I expenditures	Greenhouse gas emissions avoided (tons/year)
Sustainable water and wastewater management	Equivalent inhabitants in compliance with regulations Km of watercourse with flood mapping Number of water bodies assessed R&D&I expenditures	Greenhouse gas emissions avoided (tons/year)
Energy efficiency (including energy efficiency of buildings)	R&D&I expenditures	Greenhouse gas emissions avoided (tons/year) Expected energy savings (MWh/year)
Protection and restoration of biodiversity and ecosystems and environmentally sustainable management of natural resources	Hectares of sustainable agriculture restored/maintained Hectares of protected areas restored/maintained Hectares affected by forest fires restored Hectares of forest fire prevention actions R&D&I expenditures	
Pollution prevention and control and circular economy	Volume of waste treated R&D&I expenditures	Volume of waste reduced



ELIGIBLE GREEN EXPENDITURES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Adaptation to Climate Change	<p>Km. of coastline with regional planning of actions to combat erosion and flooding and to adapt to climate change (annual and cumulative or %)</p> <p>Total length of protected coastline (km/period of time)</p> <p>Hectares of territory with recovery and maintenance actions</p> <p>Population protected against extreme weather and climate risks</p>	

#### BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until bond maturity, and the report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of proceeds and to the expected sustainable benefits of the projects/categories. The Issuer has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The Issuer will report on the Use of Proceeds and the environmental benefits at Eligible Expenditure level.
- ⇒ The indicators selected by the Issuer to report on the allocation of funds are relevant and exhaustive.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Green Expenditure Categories.
- ⇒ The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible categories will be disclosed publicly.

## Contribution to sustainability

### Expected Impacts

The potential positive impact of the eligible projects on environmental and social objectives is considered to be advanced.

ELEGIBLE GREEN EXPENDITURES	EXPECTED IMPACT	ANALYSIS
Renewable Energy	ADVANCED	The promotion of renewable energy and energy efficiency is key to addressing the national challenges of reducing the carbon footprint. Renewable energy projects are key to building a sustainable national energy matrix. Indeed, according to data from the International Energy Agency (IEA) in 2019 <sup>17</sup> , just over 40% of Spain's energy is generated from fossil resources (coal, oil and gas), while around 37% comes from solar, wind, hydroelectric and biofuel resources. These proportions demonstrate the current transition process of the Spanish electricity generation system. Investment in renewables remains key to achieving climate change mitigation goals. Furthermore, Eligible Green Expenditures seek to achieve advanced environmental benefits by adopting the technical eligibility criteria of the European Taxonomy, which are considered to be the most stringent to date.
Clean transportation	ADVANCED	According to the 2018 GHG inventory <sup>18</sup> , the transport sector is the main contributor to GHG emissions in Spain, generating 27% of the country's emissions. This highlights the relevance of investing in expenditures aimed at reducing reliance on fossil fuel-based transport. Eligible Green Expenditures under this category seek to promote rail and public transport, which are highly relevant areas for national governments. Clean transport not only has a global benefit through avoided GHG emissions, it also has a local impact through improved air quality. Eligible Green Expenditure seeks to achieve advanced environmental benefits by adopting the technical eligibility criteria of the European Taxonomy, which are considered to be the most stringent to date.
Sustainable water and wastewater management	ADVANCED	According to the 2021 SDG Index <sup>19</sup> , Spain's level of water stress continues to present challenges. On the other hand, the SDG Index indicates that the wastewater management target has been met. The public sector has a major responsibility in the management of water resources, which supports the relevance of these expenditures. Improving the efficiency of water and wastewater systems and water quality have positive impacts on all stakeholders, and benefits not only sustainable water management but also climate change adaptation, with both short- and long-term benefits. Regarding the technical criteria, some projects are nature-based solutions (e.g. restoration of natural watercourse conditions). In addition, expenditures associated with water treatment and reuse will adopt eligibility criteria related to energy consumption, and GHG emissions of water treatment systems, in line with the European Taxonomy, thus also ensuring benefits in terms of climate change mitigation.

<sup>17</sup> <https://www.iea.org/subscribe-to-data-services/electricity-statistics>

<sup>18</sup> <https://www.lamoncloa.gob.es/lang/en/gobierno/news/Paginas/2019/20190610co2-emissions.aspx>

<sup>19</sup> <https://dashboards.sdgindex.org/profiles/spain>

ELEGIBLE GREEN EXPENDITURES	EXPECTED IMPACT	ANALYSIS
Energy efficiency (including energy efficiency of buildings)	ADVANCED	<p>The role of national governments is key in renovating public and private buildings and improving the energy efficiency of industrial processes. According to the 2018 GHG inventory<sup>20</sup>, industry is the second highest emitting activity (19%) and the residential, commercial and institutional sector accounts for 9% of emissions. This highlights the relevance of this category of eligible expenditures. Energy efficiency has a positive impact both locally, through reduced energy consumption, and globally, through reduced GHG emissions. Eligible Green Expenditures in this category adopt strict technical eligibility criteria as projects must comply with the European Taxonomy criteria, considered the most stringent in the market, or with an improvement by at least two letters in the energy efficiency certificate, to achieve a 30% reduction in energy consumption.</p>
Protection and restoration of biodiversity and ecosystems and environmentally sustainable management of natural resources	ROBUST	<p>According to the 2021 SDG Index<sup>21</sup>, several indicators listed under SDG 15 (life on land) show that challenges remain for this SDG in Spain, while the no deforestation target has been met. National governments play an important role in the protection of ecosystems and biodiversity through the establishment of natural protected areas and the restoration of ecosystems, among others. The protection of biodiversity and genetic diversity has positive effects both locally and globally, providing short and long-term benefits such as conservation, resilience and climate change mitigation through carbon sinks. Eligible expenditures follow some relevant certifications (e.g. Natural 2000 areas) and encourage nature-based solutions, e.g. periods of temporary suspension of fishing activity, which, for this type of expenditure, are considered the most appropriate. Although eligible expenditures associated with sustainable agriculture are covered by the Spanish Sustainable Development Strategy 2030, the level of environmental impact of these expenditures is not visible for V.E. One area for improvement is to adopt international standards and certifications associated with organic farming which guarantee positive environmental impacts, in line with best market practices. Furthermore, it should be noted that V.E. does not have full visibility on the positive environmental impacts of additional agriculture items to be financed in the future.</p>
Pollution prevention and control and circular economy	ADVANCED	<p>The promotion of the circular economy is key to reducing waste generation, reusing resources and enhancing eco-design in the production of goods in general. Pollution prevention and control and the circular economy are key issues for national governments, as waste management is often managed by the public sector, and public action can send important signals to economic sectors on the topics of waste reduction and prevention, or product life extension. Eligible expenditures focus on waste prevention, reuse and recycling, with both local and global positive impacts, and with medium and long-term effects. Prevention and reuse are at the top of the EU waste management hierarchy, illustrating that the technical approach follows best practice.</p>

<sup>20</sup> <https://www.lamoncloa.gob.es/lang/en/gobierno/news/Paginas/2019/20190610co2-emissions.aspx>

<sup>21</sup> <https://dashboards.sdgindex.org/profiles/spain>

ELEGIBLE GREEN EXPENDITURES	EXPECTED IMPACT	ANALYSIS
Adaptation to Climate Change	ADVANCED	Adaptation to climate change is a key priority for national governments. In particular, according to the latest report "Impacts and risks derived from climate change in Spain" <sup>22</sup> published by the Ministry for the Ecological Transition and the Demographic Challenge, Spain faces episodes of drought, strong heat waves, and risks of sea level rise. Key tools and initiatives for adaptation to climate change often fall under the responsibilities and powers of the public sector, such as weather monitoring, and zoning decisions. Climate change adaptation measures seek to achieve positive impacts on all relevant actors, as well as long-term impacts through prevention, preparedness, and resilience in the face of extreme events. Information networks and nature-based solutions represent best practices.
OVERALL ASSESSMENT	ADVANCED	

### ESG Risks Identification and Management Systems

The identification and management of the environmental and social risks associated with the Eligible Green Expenditures is considered advanced.

#### Integration of ESG factors in the Public Tendering Process

The public procurement process in Spain is considered to adequately promote the integration of the identification and management of ethical, environmental, and social risks.

Public procurement in Spain is governed by two main regulations: Law 9/2017, of November 8, on Public Sector Contracts (hereafter the "LCSP" as per the Spanish acronym)<sup>23</sup>, and the Royal Decree Law 3/2020, of February 4<sup>24</sup>. These two rules of legal rank have transposed the package of Community Directives on public procurement of 2014 (Directive of the European Parliament and of the Council 2014/23/EU, 2014/24/EU and 2014/25/EU) into the Spanish legal system.

Additionally, public sector procurement in Spain is governed by three collegiate bodies at the state level: the State Public Procurement Advisory Board; the Cooperation Committee on public procurement; and the Procurement Supervision Office. These bodies' objectives include complying adequately with the obligations of the Community Directives and combating irregularities in the application of the legislation on public procurement.

Furthermore, at the level of the General State Administration, inter-ministerial commissions have been created for the coordinated implementation between ministries of the provisions of the LCSP in the matter of ecological or environmental public procurement and socially responsible public procurement. These are the Inter-ministerial Commission for the incorporation of ecological criteria in public procurement (Royal Decree 6/2018, of January 12) and the Inter-ministerial Commission for the incorporation of social criteria in public procurement (Royal Decree 94/2018, of March 2). Both Commissions have submitted relevant Plans to the Council of Ministers, namely:

- The Ecological Public Procurement Plan of the General State Administration, its Autonomous Bodies and the Social Security Management Entities 2018-2025. This plan seeks to incorporate ecological criteria in public contracting (on voluntary basis) which may be incorporated into the contracting specifications as

<sup>22</sup> [impactosyriesgosccespanawebfinal\\_tcm30-518210.pdf \(miteco.gob.es\)](#)

<sup>23</sup> The LCSP transposes into the Spanish legal system the Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU, of February 26, 2014.

<sup>24</sup> Royal Decree Law 3/2020 on urgent measures incorporates into the Spanish legal system various EU directives in the field of public procurement in certain sectors.

selection criteria, award criteria, technical specifications and special execution conditions. This plan has been implemented through actions and in the legal framework of public procurement since 2018, giving rise to concrete specifications in the type of tendering documents, especially in the field of public procurement and centralised information systems related to procurement such as the Platform of Contracting of the Public Sector, among others.

- The Plan to promote socially responsible public procurement, approved by Agreement of the Council of Ministers of April 12, 2019. This plan seeks to encourage the use of public procurement to promote employment opportunities, decent jobs, social inclusion, accessibility, or fair trade, among other areas.

The LCSP has several obligations, as well as established systems to identify, prevent, manage and adequately control ethical risks in bidding processes, including:

- The obligation of all public sector entities to publish all the information related to their public contracting activity<sup>25</sup>, including the contractor profile and the contracts awarded in the Public Sector Procurement Platform<sup>26</sup> or in the regional platform, thus guaranteeing transparency. An extensive amount of information must be published in the profiles of the contracting parties, including the decision not to award or conclude the contract, the withdrawal of the award procedure, the declaration of desertion, as well as the filing of appeals and the eventual suspension of the contracts for the filing of appeals.
- The obligation of the contracting bodies to advertise in their contractor profile the award of a public contract, allowing companies around 15 days to resort to the tender, maximising transparency in the bidding process. To ensure transparency after tenders, notices of modification of any contract must be published, which allows the bidders who were not awarded to track the execution of that contract through the contractor profile of the contracting body. In addition, the formalisations of the orders must be published (in-house providing technique), and the quarterly publication of the minor contracts in the contractor profiles, which allows the supervisory and control bodies (external and internal) to the Administration itself to control the illegal fragmentation of the object of the contract.
- The obligation of the contracting authorities is: 1) to take appropriate measures to combat fraud, favouritism and corruption; 2) prevent, detect and effectively resolve conflicts of interest that may arise in bidding procedures in order to avoid any distortion of competition; 3) and guarantee transparency in the procedure and equal treatment of all candidates and tenderers<sup>27</sup>. Additionally, the LCSP establishes the obligation of any person or entity to inform the contracting body of the possible existence of a conflict of interest of which they are aware.
- Procurement prohibitions<sup>28</sup>, which define prohibitions aimed at preventing ethical risks, which must be respected by the entire public sector (and not only the contracting authorities, which is what the Community Directives mandate).
- Obligation on the part of the contracting bodies and bureaux of bodies, and the advisory bodies and administrative courts, to notify the competition defence authorities (National Commission of Markets and Competition, CNMC, or equivalent autonomous bodies) about collusive activities<sup>29</sup>.

The control measures in relation to public procurement in matters of ethical business risks are considered adequate, these include:

- Special appeal in matters of public procurement. This appeal is applied in accordance with the Community Directives and has also expanded its target area so that the responsible bodies are aware of appeals in relation to tendering procedures not subject to harmonised regulation, for example, orders ("in house providing") seeking to evade the public procurement rules.
- External control (I) by the Court of Accounts, in charge of compliance with the legal provisions for the presentation of contractual information by the entities and entities of the Local Public Sector.

<sup>25</sup> Article 347 of Law 9/2017

<sup>26</sup> The Public Sector Procurement Platform can be found at the following link: <https://contrataciondelestado.es>

<sup>27</sup> Article 64.1 of Law 9/2017

<sup>28</sup> Articles 71 to 73 of Law 9/2017

<sup>29</sup> Article 132.3 of Law 9/2017



- Quasi-external control (II) by the Independent Office for the Regulation and Supervision of Procurement (OIRESCON), which has the function of coordinating the supervision of public procurement, to ensure the correct application of the legislation, promote competition and combat illegalities related to public procurement.
- Independent bodies for the supervision of public procurement created by the Autonomous Communities, equivalent to OIRESCON at the state level, such as the Public Procurement Office of Aragon.
- The National Markets and Competition Commission or the corresponding regional competition authority, is responsible for preventive measures against collusion. Additionally, the National Markets and Competition Commission carries out 'screening' tasks to detect cases of collusive conduct in contracting procedures.

Regarding the integration of environmental and social considerations in public procurement, relevant provisions and measures that are part of the LCSP and/or Royal Decree Law 3/2020 can be highlighted, including:

- Mandate to include, necessarily, in the documents formalising the contracts concluded by public sector entities, the definition of the purpose and type of contract, taking into account social, environmental and innovation considerations in the definition of the purpose<sup>30</sup>.
- Mandate to the drafter of the tender specifications to include social, labour and environmental considerations as solvency criteria, award criteria or special performance conditions<sup>31</sup>. In addition, the law obliges contracting authorities to include in the tender specifications at least one of the social or environmental conditions listed in the law and may also include conditions referring to economic considerations related to innovation<sup>32</sup>.
- Award criteria, such as:
  - o A wide *numerus apertus* (non-exclusive list) of social, environmental and innovation considerations (offered by the law), with concrete examples to facilitate the implementation of the rule<sup>33</sup>.
  - o In contracts for social services and other specific services, the law requires that quality-related criteria must account for at least 51% of the score<sup>34</sup>, and price is prohibited as the sole determining factor in the awarding of the contract<sup>35</sup>.
  - o Contracting bodies must calculate the costs (to be assessed with the award criteria), taking into account, preferably, the cost of the life cycle<sup>36</sup>.
  - o Specific social award criteria to be applied in the event of a tiebreak, either to be included in the tender documents or in the absence of provision in the tender documents<sup>37</sup>.

It is also worth noting the following law:

- Law 7/2021<sup>38</sup> which contemplates a series of measures related to public procurement, including the inclusion of award criteria linked to the fight against climate change and specific technical prescriptions that establish the necessary reduction of emissions and carbon footprint in the contracting specifications.

## Environmental Risks

The Ministry for the Ecological Transition and the Demographic Challenge is the main body for the execution of the Government's policy to fight against climate change, pollution prevention, protection of natural heritage, biodiversity, forests, sea, water, and energy. On the other hand, the General State Administration, the Autonomous Communities,

<sup>30</sup> Article 35.1.c of Law 9/2017 and Article 53.1.c) of Royal Decree Law 3/2020

<sup>31</sup> Article 122.2 and 124 of Law 9/2017

<sup>32</sup> Article 122.2 and 124 of Law 9/2017

<sup>33</sup> Article 145.2 of Law 9/2017 and 66.2 of Royal Decree Law 3/2020

<sup>34</sup> Article 145.4, second paragraph of Law 9/2017 and 66.4 of Royal Decree Law 3/2020

<sup>35</sup> Article 145.3 g) Law 9/2017 and 66.3 g) of Royal Decree Law 3/2020.

<sup>36</sup> Article 148.4 of Law 9/2017 and 67.3 of Royal Decree Law 3/2020

<sup>37</sup> Article 147 of Law 9/2017 and 66.11 of Royal Decree Law 3/2020

<sup>38</sup> Article 31



and the Local Entities, within the scope of their respective competences, must ensure that projects, works or activities comply with the state environmental regulations. Similarly, the exercise of environmental inspection is subject to the distribution of powers between the State and the Autonomous Communities.

The Issuer has laws and regulations aimed at ensuring the adequate control, protection, and mitigation of environmental risks of the activities and projects associated with Eligible Green Expenditures:

*Environmental Management System:*

- Royal Decree 239/2013, of April 5, which establishes the rules for the application of Regulation (EC) N° 1221/2009 of the European Parliament and of the Council, of November 25, 2009, concerning the voluntary participation of organisations in an Eco-Management and Audit Scheme (EMAS), and by which Regulation (EC) N° 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC are repealed, has the objective of promoting the adoption of EMAS systems to assess and reduce the environmental impact of organisations. Given that this regulation on the implementation of EMAS systems is voluntary, it should be noted that V.E has no visibility over the companies that are part of the EMAS registry in Spain and that are associated with activities part of the Eligible Green Expenditures.

*Environmental Impact Assessment:*

- Law 21/2013<sup>39</sup> of December 9 on Environmental Assessment, which transposes European standards, namely, Directive 2001/42/EC, of June 27, on assessing the impact of certain plans and programmes on the environment, and Directive 2011/92/EU, of December 13, on the evaluation of the repercussions of certain public and private projects on the environment, which establishes the bases that should govern the environmental evaluation of plans, programmes and projects that may have significant effects on the environment, including responsible decommissioning at the end of projects. The responsibilities to exercise this law vary depending on the Public Administration to which it corresponds to adopt, approve or authorise, monitor and control the environmental assessment, throughout the implementation of project plans, programmes or projects<sup>40</sup>, including the General Administration of the State and public bodies linked or dependent on it; the autonomous communities; or local entities. In each case respectively, the entities in charge of exercising this law are: the organ of the competent ministry in environmental matters; the environmental body and substantive body determined by the legislation of each autonomous community; and the environmental body and substantive body that correspond to the regional or local Administration determined by the regional legislation.
- It is also worth highlighting the Spanish National Plan for Adaptation to Climate Change (PNACC) in which part of its strategic components is to be integrated into plans, programmes, and sectoral regulations, including in the field of environmental assessment. Within the framework of the PNACC, measures aimed at facilitating the integration of adaptation to climate change in environmental assessment procedures will be promoted, especially by promoters and the environmental body. This will be done through the improvement of consultation tools that facilitate the integration of climate change in evaluations (scenario viewers, sectoral and territorial evaluations, etc.); preparation of methodological manuals that facilitate the integration of climate change in assessments; and promoting the training of people who work in the field of environmental assessment.

*Protection of biodiversity*

- Law 42/2007<sup>41</sup>, of December 13, on Natural Heritage and Biodiversity, establishes the basic legal regime for the conservation, sustainable use, improvement and restoration of natural heritage and biodiversity. It is the responsibility of each public Administration, in their respective fields of competence, to contribute to the objectives of this law.

<sup>39</sup> <https://www.boe.es/eli/es/l/2013/12/09/21/con>

<sup>40</sup> Article 51 and 52 of Law 21/2013

<sup>41</sup> <https://www.boe.es/buscar/act.php?id=BOE-A-2007-21490>

- Law 41/2010<sup>42</sup>, of December 29, on the protection of the marine environment, establishes the legal regime that governs the adoption of the necessary measures to achieve or maintain the good environmental status of the marine environment, through its planning, conservation, protection and enhancement. The General State Administration, through the Ministry of the Environment, Rural and Marine Affairs, is responsible for exercising the functions referred to in this law.
- Law 7/2021<sup>43</sup>, of May 20, on climate change and energy transition, includes among its provisions, that a zoning will be established to identify areas of sensitivity and exclusion due to their importance for biodiversity, connectivity and provision of ecosystem services, as well as other environmental values. This is aimed at ensuring that new energy production facilities from renewable energy sources do not produce a severe impact on biodiversity and other natural values. The Ministry for the Ecological Transition and the Demographic Challenge will prepare and periodically update a cartographic tool<sup>44</sup> that reflects this zoning, and will ensure, in coordination with the Autonomous Communities, that the deployment of renewable energy projects is carried out preferably in locations with less impact.

*Prevention and mitigation of environmental/industrial accidents:*

- Law 26/2007<sup>45</sup>, of October 23, on Environmental Responsibility, and Royal Decree 2090/2008, of December 22, which approves the Regulations for the partial development of Law 26/2007, of October 23, regulates the responsibility of operators to prevent, avoid and repair environmental damage. In case of identifying non-compliance with environmental regulations in the projects, the autonomous competent authority must issue a resolution in relation to prevention, avoidance, or repair measures for environmental damage, including infractions and sanctions.

*Prevention and mitigation of inconveniences (noise, odours, vibrations, etc.):*

- Law 37/2003<sup>46</sup>, of November 17, on noise and development regulations, aims to prevent, monitor and reduce noise pollution. The competent authority for the application of this law may correspond to the General State Administration or the Autonomous Community depending on the activity carried out.

*Waste management and reduction:*

- Law 22/2011<sup>47</sup>, of July 28, on waste and contaminated soils and development regulations aims to regulate the management of waste through measures that prevent its generation and mitigate adverse impacts on human health and the environment, and also regulate the legal regime of contaminated soils. The application of this law corresponds to various administrations including the Council of Ministers, the General State Administration, the Autonomous Communities, the Local Entities, or the Provincial Councils.

## Social Risks

The main social risks associated with Eligible Green Expenditures are governed by a series of codes, regulations and measures that guarantee the adequate protection and mitigation of social risks.

In terms of labour law, the Labour and Social Security Code<sup>48</sup> contains the rules that regulate the relations between employers and employees. This Code regulates issues such as prevention of occupational hazards, freedom of association and labour relations, the right to strike, social security regulations, labour administrative regulations, etc. In terms of health and safety at work, the Occupational Risk Prevention Code<sup>49</sup> contains all the preventive regulations on these rights, including in subcontracting in the construction sector.

Public authorities competent in labour matters are responsible for developing functions promoting prevention, technical advice, monitoring and control of compliance of subjects which fall under the scope of application of the regulations on the prevention of occupational risks, and will sanction infractions to these regulations. The public administrations

<sup>42</sup> <https://www.boe.es/buscar/doc.php?id=BOE-A-2010-20050>

<sup>43</sup> [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2021-8447](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-8447)

<sup>44</sup> This tool has already been developed and can be consulted at the following link: [https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/evaluacion-ambiental/zonificacion\\_ambiental\\_energias\\_renovables.aspx](https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/evaluacion-ambiental/zonificacion_ambiental_energias_renovables.aspx)

<sup>45</sup> <https://www.boe.es/buscar/pdf/2007/BOE-A-2007-18475-consolidado.pdf>

<sup>46</sup> <https://www.boe.es/buscar/act.php?id=BOE-A-2007-21490>

<sup>47</sup> <https://www.boe.es/buscar/act.php?id=BOE-A-2011-13046>

<sup>48</sup> [https://www.boe.es/biblioteca\\_juridica/codigos/codigo.php?id=93&modo=2&nota=0&tab=2](https://www.boe.es/biblioteca_juridica/codigos/codigo.php?id=93&modo=2&nota=0&tab=2)

<sup>49</sup> [https://www.boe.es/biblioteca\\_juridica/codigos/codigo.php?id=037\\_Preencion\\_de\\_riesgos\\_laborales&modo=1](https://www.boe.es/biblioteca_juridica/codigos/codigo.php?id=037_Preencion_de_riesgos_laborales&modo=1)





competent in health matters are responsible for enforcing the rules related to occupational health. The Labour and Social Security Inspectorate is the public service that is responsible for monitoring compliance with the standards of the two aforementioned Codes and enforce relevant responsibilities. In case of identifying breaches, infractions and sanctions will be applied. In addition, there are complaint channels that can be accessed in person, online and by post<sup>50</sup>. Regarding risks related to public participation, Law 27/2006<sup>51</sup> (which incorporates Directives 2003/4/CE and 2003/35/CE), of July 18, regulates the rights of access to information, public participation, and access to justice in environmental matters. According to this Law, it is the responsibility of the public administrations to regulate the procedures for effective public participation through various obligations such as making publicly accessible the relevant information on the plan, programme or regulatory provision; inform about the right to participate and how it can be done; recognise the right to make observations and comments in the initial stages of the procedure in which all options for the decision to be adopted are still open; justify the final decision adopted and the way in which the participation process has been developed. The public can file claims and the Public Administration impose coercive fines in case of non-compliance with resolutions.

### Ethical Risks

Regarding the regulation and prevention of corruption and conflicts of interest, the Spanish legal system has institutions and measures in place that identify and adequately mitigate ethical risks, which go beyond the provisions of public procurement regulations (please refer to section 'Integration of ESG factors in the Public Tendering Process').

The Council for Transparency and Good Governance (Consejo de Transparencia y Buen Gobierno in Spanish) is an independent public body, with its own legal personality and full capacity to act public and private. The Transparency and Good Governance Council is governed by the provisions of Law 19/2013, of December 9, on transparency, access to public information and good governance, as well as by the provisions that develop it and by its Statute, approved by Royal Decree 919/2014 of October 31. The Council for Transparency and Good Governance is responsible for promoting the transparency of public activity, ensuring compliance with disclosure obligations, safeguarding the exercise of the right of access to public information, and ensuring compliance with the provisions of good governance.

Additionally, Spain has a number of articles related to good governance and anti-corruption laws, including:

- Articles 23 and 24 of Law 40/2015, of October 1, on the Legal Regime of the Public Sector, which establishes the general rules for abstention and recusal of Public Administrations.
- Law 3/2015, of March 30, regulating the exercise of the senior position of the General State Administration or the respective regulations of the Autonomous Communities.
- Law 53/1984, of December 26, on Incompatibilities of Personnel at the Service of Public Administrations.
- Law 19/2013, of December 9, on transparency, access to public information and good governance (created by the Office of Conflicts of Interest) and transparency regulations at the regional level (many of which also have a competent body equivalent to the state Office of Conflicts of Interest).

Regarding the application of business ethics issues, the Special Prosecutor's Office against Corruption and Organised Crime<sup>52</sup> (Anticorruption Prosecutor's Office), integrated into the Spanish Public Prosecutor's Office and dependent on the State Attorney General's Office, has powers throughout the national territory to investigate processes of special importance relative to corruption, economic crimes, or others committed by public officials in the exercise of their positions. It also undertakes the investigation of economic crimes committed by organised groups, unless they are under the specific competence of the Anti-Drug Prosecutor's Office or the National High Court's Office. Additionally, the Support Unit for the Special Prosecutor's Office against Corruption and Organised Crime, created by Resolution of the Tax Agency of January 8, 1996, provides advice in the financial, accounting and tax fields and, in general terms, in the economic field (in accordance with the Collaboration Agreement in terms of support to the Public Prosecutor's Office in the fight against economic crimes, signed, on December 27, 1995, by the Ministries of Justice and Interior, Economy and Finance, and the Tax Agency).

<sup>50</sup> [https://www.mites.gob.es/its/web/Atencion\\_al\\_Ciudadano/COMO\\_DENUNCIAR\\_ITSS.html](https://www.mites.gob.es/its/web/Atencion_al_Ciudadano/COMO_DENUNCIAR_ITSS.html)

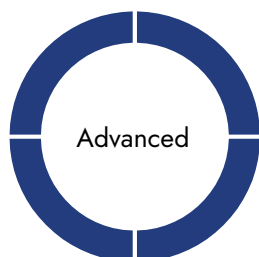
<sup>51</sup> <https://www.boe.es/buscar/act.php?id=BOE-A-2006-13010>

<sup>52</sup> <https://www.fiscal.es/fiscal%C3%ADas-especiales>

# ISSUER

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## Sustainability performance of the Issuer



According to the *Sovereign Sustainability Rating* © last updated by V.E (Vigeo Eiris) in June 2021, Spain received a rating of 78/100 which indicates an overall advanced sustainability performance. Spain ranks 14<sup>th</sup> out of 178 countries rated in our global sovereign sustainability index, and 12<sup>th</sup> out of 37 OECD countries<sup>53</sup> rated by V.E<sup>54</sup>.

V.E's assessment of the Issuer's sustainability performance is based on publicly available country information and statistics derived from sources that have been agreed for use in our data collection and rating methodologies for the Sovereign Sustainability Rating.

By sustainability pillar, Spain has an advanced performance across all three pillars: Environmental Responsibility (68/100), Social Responsibility (75/100), and Governance Responsibility (92/100).

In response to the V.E. rating, the Issuer has provided additional information and more recent data reported in Spanish policy publications and/or statistics by the EU, which suggest recent improvements in some areas related to the Environmental Responsibility Pillar. On issues related to renewable electricity production, data from Red Eléctrica de España<sup>55</sup> (Spain's Transmission System Operator) indicate that renewable electricity production (excluding hydropower) rose to 32% of the generation mix in 2020. The Issuer also indicates that the share of renewables in total energy consumption in 2019, according to the methodology set out in the Renewable Energy Directive 2009/28 was 18.4%, slightly below the EU 28 average (18.9%)<sup>56</sup>. On water management issues, the Issuer indicates that in the water planning process presented in 2021, there has been a 5% reduction in water allocated for different uses<sup>57</sup>.

It should be noted that this additional information cannot be incorporated into Spain's Sovereign Sustainability Performance rating as it is derived from sources that have not been agreed for use in V.E.'s data collection and rating methodologies for the Sovereign Sustainability Rating.

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<sup>53</sup> There are 37 countries that are members of the Organization for Economic Cooperation and Development (OECD): Australia, Austria, Belgium, Canada, Chile, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Source <https://www.oecd.org/about/members-and-partners/>. All these countries are covered by V.E in the Sovereign Sustainability Rating.

<sup>54</sup> Note: The Issuer has not been subject to a review of its ability to mitigate sustainability risks based on the review of stakeholder opinion.

<sup>55</sup> Red Eléctrica de España, Spain's Transmission System Operator (TSO) <https://www.ree.es/es/datos/publicaciones/informe-anual-sistema/informe-del-sistema-electrico-espanol-2020>

<sup>56</sup> <https://ec.europa.eu/eurostat/web/energy/data/shares>

<sup>57</sup> MITECO, 2021. Synthesis of the drafts of hydrological plans of the intercommunity river basin districts. Review for the third cycle: 2022-2027. Available at: [https://www.miteco.gob.es/es/agua/temas/planificacion-hidrologica/planificacion-hidrologica/PPHH\\_tercer\\_ciclo.aspx](https://www.miteco.gob.es/es/agua/temas/planificacion-hidrologica/planificacion-hidrologica/PPHH_tercer_ciclo.aspx)

PILLAR	COMMENTS	OPINION
Environmental Responsibility	<p>Spain has an advanced performance in the Environmental Responsibility pillar, with a score of 68/100, placing the country in the top quartile in V.E's rated sovereign universe (34<sup>th</sup> out of 178) and the 22<sup>nd</sup> in the OECD group. Spain's performance is indicative of a high commitment to international environmental conventions, with a mixed performance on indicators related to environmental protection that is specific to an advanced economy.</p> <p>At the time of the evaluation, Spain has ratified all the international environmental conventions included in our rating framework, including the Paris Agreement, the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Framework Convention to Combat Desertification and the Aarhus Convention on access to environmental justice, and the Stockholm Convention on persistent organic pollutants.</p>	Advanced
	<p>Spain has a highly carbon intensive economy like most OECD economies, hence the country needs to accelerate efforts towards energy efficiency and transition to renewables. As a member of the European Union (EU), Spain committed to the collective pledge to reduce net domestic GHG emissions by at least 55% by 2030, compared to 1990 levels.<sup>58</sup></p> <p>Spain's CO<sub>2</sub> emissions per capita were 5.24 metric tons in 2016,<sup>59</sup> the 12<sup>th</sup> lowest among the OECD economies. Renewable electricity production (excluding hydropower) is relatively high – at 24.8% in 2015, it was the eighth highest in OECD. However, the share of renewable energy in total energy consumption remains below the OECD average (16.3% in 2015).<sup>60</sup> Spain's PM<sub>2.5</sub> urban pollution is the twelfth lowest in the OECD group – e.g. the annual mean levels of fine particulate matter in cities (population weighted) was 9.5 microgram/m<sup>3</sup> in 2016.<sup>61</sup></p>	Robust
	<p>Spain has an overall mixed performance on biodiversity and ecosystem management. The country has a reasonable coverage of protected areas that are important to safeguard terrestrial and marine biodiversity – 57.6% in 2019<sup>62</sup> – however, this is well below the OECD average. Spain's Red List Index, which is indicative of the rate of biodiversity loss in the country, was 0.85 in 2021 and recorded a relatively stable trend over the past two decades.<sup>63</sup></p>	Limited
	<p>Intensified efforts are necessary in areas related to water management, waste, sustainable agricultural practices, and transition to green growth. Spain has a moderate performance in areas related to water consumption – e.g. the country has the sixth highest annual freshwater consumption in total internal water resources (28.1% in 2017)<sup>64</sup> and the 12<sup>th</sup> highest water withdrawal per capita (633.8 m<sup>3</sup>/capita in 2018)<sup>65</sup> in the OECD group. Regarding waste, Spain recorded a moderate amount of municipal waste (480.1 kg/capita in 2019)<sup>66</sup>, nonetheless, lower than the OECD average.</p> <p>Spain's share of arable land in the agricultural area (over 45.4% in 2018)<sup>67</sup> is lower than the OECD average and its fertiliser consumption is moderate at 157.7 kilograms per hectare of arable land.<sup>68</sup> The share of environmentally-related taxes in GDP fare below the OECD</p>	Weak

<sup>58</sup> EU's First INDC (Updated submission), 2020

[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Spain%20First/EU\\_NDC\\_Submission\\_December%202020.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Spain%20First/EU_NDC_Submission_December%202020.pdf)

<sup>59</sup> Source : <https://data.worldbank.org/indicator/EN.ATM.CO2E.PC>

<sup>60</sup> Source : <https://data.worldbank.org/indicator/EG.ELC.RNWX.ZS>; <https://data.worldbank.org/indicator/EG.FEC.RNEW.ZS>

<sup>61</sup> Source : <http://unstats.un.org/sdgs/indicators/database/?indicator=11.6.2>

<sup>62</sup> Source : <http://unstats.un.org/sdgs/indicators/database/?indicator=15.1.2>

<sup>63</sup> Source : <http://unstats.un.org/sdgs/indicators/database/?indicator=15.5.1>

<sup>64</sup> Source : <https://data.worldbank.org/indicator/ER.H2O.FWTL.ZS>

<sup>65</sup> Source : <https://data.oecd.org/water/water-withdrawals.htm>

<sup>66</sup> Source : <https://data.oecd.org/waste/municipal-waste.htm>

<sup>67</sup> Country agri-environmental / land use indicators. Source : <http://www.fao.org/faostat/en/#data/EL>

<sup>68</sup> Source : <https://data.worldbank.org/indicator/AG.CON.FERT.ZS>

PILLAR	COMMENTS	OPINION
	<p>average, while environmentally-related R&amp;D expenditure (% total government R&amp;D) was above the OECD average.<sup>69</sup></p>	
Social Responsibility	<p>Spain's performance in the Social Responsibility pillar is assessed as advanced with a score of 75/100. The country ranks in the top quartile in V.E's rated sovereign universe (20<sup>th</sup> out of 178) and the 17<sup>th</sup> in the OECD group. With a population of 47.1 million<sup>70</sup> and a GDP of USD 42,185 per capita (2019),<sup>71</sup> Spain is identified as a country with very high human development by the Human Development Index (HDI).</p> <p>Spain scores well on most social indicators, particularly those related to access to education and ICT infrastructure, healthcare, reduction of maternal and child mortality, gender equality and protection of workers' rights.</p>	Advanced
	<p>Like most OECD peers, Spain has high enrolment rates for both primary and secondary education. However, the government spending on education, which amounted to 4.2% of GDP (2017), is below the OECD average.<sup>72</sup> Spain ranked the 17<sup>th</sup> (out of 193) in the United Nations E-Government Development Index, indicative of the country's robust provision of online services and telecommunication connectivity.<sup>73</sup></p> <p>Spain fares within the OECD average in areas related to healthcare accessibility. According to pre-pandemic statistics, the country had a moderate availability and use of health services, with 5.7 nurses &amp; midwives and 3.9 physicians per 1,000 people.<sup>74</sup> Life expectancy at birth is high, and child and maternal mortality rates are low.<sup>75</sup></p>	Robust
	<p>Regarding gender equality, Spain has good rates of women in political life and in the labour force.<sup>76</sup> The working population enjoys fundamental rights such as freedom of association and collective bargaining. According to International Trade Union Confederation (ITUC), Spain has received a rating of two in the 2020 ITUC Global Rights Index which means that the country faced sporadic violations of workers' rights.<sup>77</sup></p> <p>Spain has a moderate performance in areas related to poverty and income inequality, unemployment, and promotion of healthy lives. Income equality is high, with a Gini coefficient of 0.33 (2018), which is the thirteenth highest in the OECD group.</p>	Limited

<sup>69</sup> Source: [https://stats.oecd.org/Index.aspx?DataSetCode=GREEN\\_GROWTH](https://stats.oecd.org/Index.aspx?DataSetCode=GREEN_GROWTH)

<sup>70</sup> Population, total, World Bank <https://data.worldbank.org/indicator/SP.POP.TOTL>

<sup>71</sup> Source: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

<sup>72</sup> Source: <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>

<sup>73</sup> Source: <https://publicadministration.un.org/egovkb/Data-Center>

<sup>74</sup> Source: Nurses & midwives per 1,000 people <https://data.worldbank.org/indicator/SH.MED.NUMW.P3>; Physicians per 1,000 people <https://data.worldbank.org/indicator/SH.MED.PHYS.ZS>

<sup>75</sup> Source: <https://databank.worldbank.org/source/world-development-indicators>

<sup>76</sup> Labor force participation rate, female <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>; Proportion of seats held by women in national parliaments (%) <https://data.worldbank.org/indicator/SG.GEN.PARL.ZS>

<sup>77</sup> Source: ITUC Global Rights Index 2020 <https://www.ituc-csi.org/ituc-global-rights-index-2020>

PILLAR	COMMENTS	OPINION
	<p>Unemployment is also high, in particular youth unemployment, which amounted to 32.6% in 2019, the second highest in the OECD group.<sup>78</sup> Poverty levels have remained stable over the past decade to a rate of 0.14 (2007 &amp; 2018),<sup>79</sup> the eleventh highest in the OECD group.</p> <p>Moderate to weak scores are recorded in areas linked to the promotion of healthy lives and access to a balanced nutrition for the areas where there is reported data available to assess performance. Rates related to obesity and harmful use of alcohol are higher than the OECD average, but have recorded stable levels over the last ten years.<sup>80</sup> There is inadequate data available for Spain to determine the country's efforts to prevent child malnutrition.</p>	Weak
Governance Responsibility	<p>Spain's performance in the Governance Responsibility pillar is assessed as advanced with a score of 92/100. The country ranks in the top quartile in V.E's rated sovereign universe (3<sup>rd</sup> out of 178) and the 2<sup>nd</sup> in the OECD group.</p> <p>This performance is driven by Spain's high rate of ratification of international treaties and robust scores in the institutional and governance areas.</p>	Advanced
	<p>Spain has ratified all the key conventions related to the promotion of fundamental human rights, non-discrimination and labour rights, the prevention of corruption and organised crime, and the prevention of weapons proliferation. The country abolished the death penalty for all crimes.<sup>81</sup></p> <p>Spain scores well in all the areas related to the promotion of rule of law, political stability, government effectiveness, control of corruption and democratic accountability that are measured by the Worldwide Governance Indicators. However, all areas, except political stability, have recorded downward trends over the last ten years.<sup>82</sup></p>	Robust
	<p>Despite the heavy reliance on pandemic-sensitive industries such as tourism and automotive which tried the business climate in 2020, Coface finds that Spain's political and economic outlook poses a moderate risk for corporate credit defaults. The economy is expected to slowly rebound in 2021 helped by a robust comparative advantage in renewable energy and increasing financial support from the European institutions. The Catalan independence movement is identified as potential risk to the political and territorial stability.<sup>83</sup></p> <p>Spain ranked as the 38<sup>th</sup> most peaceful country in 2020 in the Global Peace Index (GPI) – according to the Institute for Economic and Peace, civil unrest continued in 2020 following the arrest and conviction of Catalan independence leaders over sedition charges.<sup>84</sup></p>	Limited
	<p>Spain's adjusted net savings, including damage from particulate emission pollution (% of GNI) have steadily decreased over the last ten years and are the seventeenth lowest in the OECD group, indicating a stable run down in the country's overall resources and wealth.<sup>85</sup></p>	Weak

<sup>78</sup> Source: <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>

<sup>79</sup> Source: <https://data.oecd.org/inequality/poverty-rate.htm#indicator-chart>

<sup>80</sup> Source: Prevalence of under-five malnutrition <https://unstats.un.org/sdgs/indicators/database/?indicator=2.2.2>; Overweight or obese population <https://data.oecd.org/healthrisk/overweight-or-obese-population.htm>

<sup>81</sup> Source: <https://www.amnesty.org/en/countries/europe-and-central-asia/spain/>

<sup>82</sup> Source: Worldwide Governance Indicators (WGI) <https://info.worldbank.org/governance/wgi/>. Vigeo Eiris (VE) calculates performance trends where underlying historical data is available at the source.

<sup>83</sup> V.E (Vigeo Eiris) uses country risk analysis published by Coface to assess the country's business resilience to market risks. Source: <https://www.coface.com/Economic-Studies-and-Country-Risks/Spain>

<sup>84</sup> The Global Peace Index (GPI) scores 169 countries on a scale of 1-5, where 1 is most peaceful and 5 is least peaceful. Source: [https://www.visionofhumanity.org/wp-content/uploads/2020/10/GPI\\_2020\\_web.pdf](https://www.visionofhumanity.org/wp-content/uploads/2020/10/GPI_2020_web.pdf)

<sup>85</sup> Adjusted Net Saving (ANS) was developed as an indicator to approximate the change in wealth—based on simple economic theory in which savings equals investment, and investment equals the change in wealth. ANS measures gross national savings, adjusted for gains (spending on education) and losses (consumption of fixed capital, depletion of subsoil assets and forests, pollution damages). Source: <https://data.worldbank.org/indicator/NY.ADJ.SVNG.GN.ZS>

# METHODOLOGY

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In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

## COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

## ISSUANCE

### Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

### Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

### Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

### Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

### Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

## Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental objectives, as well the management of the associated potential negative impacts and externalities.

### Expected positive impact of the activities on environmental objectives

The expected positive impact of activities on environmental objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity;<sup>86</sup>
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders);
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) the extent to which the activity is adopting the best available option.

### ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

## ISSUER

### Level of the Issuer's Sustainability Performance

Scale of assessment of Sustainability Performance: Weak, Limited, Robust, Advanced

The analysis of the issuer's sustainability performance is derived from V.E's Sovereign Sustainability Rating, a proprietary rating framework which provides scores, data and information about the Environmental, Social and Governance (ESG) performance of countries. The rating framework is anchored in globally recognised standards and country statistics, and is organised within three equally weighted pillars, 17 factors (sub-domains), 56 criteria and 172 indicators, which are divided between:

- a) Engagement indicators that measure the level of commitment of a country towards sustainability norms and standards endorsed by globally recognised treaties and conventions (e.g. UN treaties, ILO conventions, OECD standards), and
- b) Results indicators that measure the actions undertaken, or the results achieved, by a country across a wide range of ESG factors.

The 172 indicators have been chosen due to their universal applicability and relevance in reflecting the country's level of sustainability in the areas they measure. For each indicator, we source country data and information from authoritative sources available in the public domain, which offer comparable data and statistics for a wide coverage of countries and have regular data updates (e.g. United Nations agencies, the World Bank, the OECD, the World Resources Institute, Coface, the Freedom House, Amnesty International and Transparency International).

The indicators included in our rating framework are also mapped against the Sustainable Development Goals (SDGs), the global blueprint set up in 2015 by the United Nations (UN) and agreed upon by the UN member states as part of the Agenda 2030 for a fairer, greener and more sustainable future.

<sup>86</sup> The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

## V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

### Statement on V.E's independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for the Spanish Government. No established relation (financial or commercial) exists between V.E and the Spanish Government. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E's website and on V.E's internal and external communication supporting documents.





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