

Instituto de Crédito Oficial

Type of Engagement: Annual Review

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Introduction

In May 2022, Instituto de Crédito Oficial (“ICO”) issued a green bond to finance and refinance projects aimed at providing positive environmental impact with regard to renewable energy, hydrogen production and clean transportation (the “2022 Green Bond”). In May 2023, ICO engaged Sustainalytics to review the projects funded with proceeds from the 2022 Green Bond (the “Nominated Projects”) and to provide an assessment as to whether the projects met the use of proceeds criteria and reporting commitments outlined in the ICO Green Bond Framework (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether the projects met the use of proceeds and eligibility criteria and reported on at least one key performance indicator outlined in the ICO Green Bond Framework:

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

Use of Proceeds	Eligibility Criteria	KPIs
Renewable Energy	<p>Acquisition, maintenance, refurbishment and repowering of existing and future renewable energy production facilities:</p> <ul style="list-style-type: none"> Solar power Wind power Bioenergy Hydropower in line with one of the following criteria: i) run-of-river plant without artificial reservoir; ii) power density above 5 W/m²; or iii) life-cycle GHG emissions lower than 100 gCO₂e/kWh <p>Development, construction, equipment, operation and maintenance of new or additional energy transmission and distribution networks aligned with the following criteria:</p> <ul style="list-style-type: none"> Interconnected to the European system Construction and operation of direct connection, or expansion of existing direct connection, of low-carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network Construction or operation of new transmission and distribution networks dedicated to hydrogen Conversion of existing natural gas networks to 100% hydrogen 	<ul style="list-style-type: none"> Estimated annual GHG emissions reduced/avoided (in tCO₂e per year)

¹ ICO, ICO Green Bond Framework, (2021), at: <https://www.ico.es/documents/77230/77304/Green+Bond+Framework+%281%29.pdf/889df082-b12a-819a-8214-aca7bb8049d5?t=1623667264535>

	<ul style="list-style-type: none"> Retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network 	
Hydrogen Production	Development, construction and upgrade of hydrogen electrolysis with related lifecycle emissions that comply with the European Taxonomy threshold of 3 tCO ₂ e/tH ₂ .	<ul style="list-style-type: none"> Estimated annual GHG emissions reduced/avoided (in tCO₂e per year)
Energy Efficiency	<p>Development, operation, distribution and maintenance of equipment or technology helping reduce energy consumption and increase energy savings including:</p> <ul style="list-style-type: none"> Construction and operation of electricity storage including pumped hydropower storage Construction of hydrogen storage facilities, and conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen storage District heating using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat Smart grids, such as smart meters, sensors or control devices Light sources rated in the highest two populated classes of energy efficiency 	<ul style="list-style-type: none"> Estimated annual GHG emissions reduced/avoided (in tCO₂e per year)
Green Buildings	<p>Acquisition, construction, development, renovation of buildings:</p> <ul style="list-style-type: none"> Built before 31 December 2020 with an Energy Performance Certificate (EPC) as least equal to class A or rank in the top 15% on energy efficiency measures within the local market equivalent Built after 31 December 2020 with the primary energy demand (PED)² at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) Required to have, or are designed and intended to receive: i) a design stage certification; ii) a post-construction certification; or iii) an in-use certification in any of the following building certification schemes: LEED Gold; BREEAM Excellent; or any other equivalent recognized regional certification with similar standards Renovation leading to energy savings of at least 30% in comparison to the baseline performance of the building before the renovation 	<ul style="list-style-type: none"> Estimated annual GHG emissions reduced/avoided (in tCO₂e per year)
Clean Transportation	<p>Low-carbon vehicles and infrastructure:</p> <ul style="list-style-type: none"> Rolling stock and infrastructure for electrified public and freight transportation systems Vehicle fleets including passenger cars, light commercial vehicles and large vehicles emitting less than 50 gCO₂/km until 2025 and 0 gCO₂/km from 2026 onwards 	<ul style="list-style-type: none"> Estimated annual GHG emissions reduced/avoided (in tCO₂e per year)

² Total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

	<ul style="list-style-type: none"> • Construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure • Infrastructure for hydrogen refueling installations for road and off-road transportation, such as passengers cars, public transportation, road freight, waterborne transport and aircrafts 	
Pollution Prevention and Control	<p>Development, manufacturing, construction, operation and maintenance of the following waste management activities:</p> <ul style="list-style-type: none"> • Separated non-hazardous waste collection and transportation with the waste being segregated at source intended for preparation for reuse or recycling operations • Bio-waste anaerobic digestion or composting • Material recovery from non-hazardous waste with at least 50% of the processed separately collected non-hazardous waste being converted into secondary raw materials that are suitable for the substitution of virgin materials in production processes 	<ul style="list-style-type: none"> • Tonnes of waste managed (m³ per year)
Environmentally sustainable management of living natural resources and land use	<p>Development, manufacturing, construction, operation and maintenance of:</p> <ul style="list-style-type: none"> • Sustainable agriculture and climate smart farm input (organic farming certified with the EU label) • Environmentally sustainable fishery (MSC and ASC or equivalent certifications) and aquaculture (ASC or equivalent certification) • Environmentally sustainable forestry (FSC, PEFC or equivalent certifications) 	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced/avoided (in tCO_{2e} per year)
Sustainable Water and Wastewater Management	<p>Development, construction and maintenance of:</p> <ul style="list-style-type: none"> • Water collection, treatment and supply systems where the net average energy consumption is equal or lower than 0.5 kWh per cubic meter produced water supply and the energy consumption is reduced by at least 20% • Centralized wastewater treatment provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment system (projects selected under this category will provide demonstrable water savings or other quantifiable benefits) 	<ul style="list-style-type: none"> • Annual reduction in water consumption (m³ per year)

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2022 Green Bond. The work undertaken as part of this engagement included collection of documentation from ICO and review of said documentation to assess conformance with the ICO Green Bond Framework.

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

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

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects are not in conformance with the use of proceeds criteria and reporting criteria outlined in the ICO Green Bond Framework. ICO has disclosed to Sustainalytics that the proceeds of the 2022 Green Bond were fully allocated from a total of EUR 500 million, as of March 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2022 Green Bond to determine if projects aligned with the use of proceeds criteria outlined in the ICO Green Bond Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2022 Green Bond to determine if impact of projects was reported in line with the KPIs outlined in the ICO Green Bond Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Reported Allocation as of May 2023

Use of Proceeds Category	2022 Green Bond Proceeds Allocated		Number of projects financed
	EUR million	%	
Renewable Energy ⁴	402,389	80.48%	9
Hydrogen Production ⁵	35	7%	1
Clean Transportation ⁶	62,611	12.52%	4
Total	500	100%	14

Appendix 2: Reported Impact

Use of Proceeds Category	Sub-Category	Estimated Environmental Impact (KPIs)
Renewable Energy	Solar	<ul style="list-style-type: none"> Installed capacity: 440 MW Annual energy production distributed: 953,418 MWh Annual GHG emissions avoided: 27,825 tCO₂e
	Wind	<ul style="list-style-type: none"> Installed capacity: 1,567 MW Annual energy production distributed: 5,642,105 MWh Annual GHG emissions avoided: 130,614 tCO₂e
	Hydropower	<ul style="list-style-type: none"> Installed capacity: 1,158 MW Annual energy production distributed: 300,000 MWh Annual GHG emissions avoided: 21,953 tCO₂e
Hydrogen Production	Manufacture of hydrogen	<ul style="list-style-type: none"> Installed capacity: 20 MW Hydrogen produced: 11,200 tonnes per year Annual GHG emissions avoided: 33 tCO₂e
Clean Transportation	Low carbon vehicles and infrastructure	<ul style="list-style-type: none"> Number of EV charging points: 770 New underground transmission lines as part of electric infrastructure: 6 km Annual GHG emissions avoided: 4,286 tCO₂e

⁴ The renewable energy projects funded with proceeds from the 2022 Green Bond are geographically distributed in Spain, Portugal, Dominican Republic, Colombia, Chile, Australia and the US.

⁵ The hydrogen production project funded with proceeds from the 2022 Green Bond is located in Spain.

⁶ The clean transportation projects funded with proceeds from the 2022 Green Bond are geographically distributed in Spain, Portugal and Canada.

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