

# Instituto de Crédito Oficial

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## Introduction

In June 2021, Instituto de Crédito Oficial (ICO) issued a green bond aimed at financing or refinancing existing and future projects that provide environmental benefits and promote sustainable development. Sustainalytics provided a Second Party Opinion on the ICO Green Bond Framework (the “Framework”).<sup>1</sup> In May 2022, ICO engaged Sustainalytics to review the projects funded through the issued green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the ICO Green Bond Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the ICO Green Bond Framework ; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the ICO Green Bond Framework .

Table 1 lists the Use of Proceeds, Eligibility Criteria, associated impact KPIs.

**Table 1: Use of Proceeds, and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>Renewable Energy</b>	<p>Loans to finance acquisition, maintenance, refurbishment and/or repowering of existing and future renewable energy production facilities from the following renewable sources:</p> <ul style="list-style-type: none"> <li>- solar</li> <li>- wind</li> <li>- bioenergy (as set out in section 4.8 of the Delegated Act Annex I)</li> <li>- hydropower when electricity generation complies with either of the following criteria:</li> </ul> <p>(a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;</p> <p>(b) the power density of the electricity generation facility is above 5 W/m<sup>2</sup>;</p> <p>(c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO<sub>2</sub>e/kWh.</p> <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"> <li>- the system is the interconnected European system</li> <li>- construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis to a substation or network;</li> <li>- construction or operation of new transmission and distribution networks dedicated to hydrogen</li> <li>- conversion/repurposing of existing natural gas networks to 100% hydrogen;</li> </ul>

<sup>1</sup> ICO, “Second-Party Opinion Instituto de Crédito Oficial Green Bond Framework”, (2021), at: <https://www.ico.es/documents/77230/77304/Green+Bond+Framework+second+party+opinion.pdf/8176fcdf-546d-c292-6741-17943670b10e?t=1623667262585>

	<ul style="list-style-type: none"> <li>- retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network.</li> </ul>
<b>Hydrogen production</b>	Development, construction, and upgrade of hydrogen electrolysis, with related lifecycle emissions that comply with European Taxonomy threshold of 3tCO <sub>2e</sub> /tH <sub>2</sub> .
<b>Energy Efficiency</b>	<p>Loans to finance the 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"> <li>- construction and operation of electricity storage including pumped hydropower storage;</li> <li>- construction of hydrogen storage facilities, and conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage;</li> <li>- district heating (using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat);</li> <li>- smart grids; such as smart meters, sensors or remote control devices contributing to energy efficiency;</li> <li>- efficient lighting (light sources rated in the highest two populated classes of energy efficiency).</li> </ul>
<b>Green Buildings</b>	<p>Loans to finance the acquisition, construction, development, renovation of buildings:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- built after 31 December 2020 with the Primary Energy Demand (PED) (total primary energy use in kWh/m<sup>2</sup> per year and based on the relevant national calculation methodology and as displayed on the EPC) at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB);</li> <li>- 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: <ul style="list-style-type: none"> <li>➢ LEED “Gold”,</li> <li>➢ BREEAM “Excellent”,</li> <li>➢ any other equivalent recognized regional certification with similar standards;</li> </ul> </li> <li>- for which renovation leads to an energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.</li> </ul>
<b>Clean Transportation</b>	<p>Loans to finance :</p> <ul style="list-style-type: none"> <li>- rolling stock and infrastructure for electrified transportation systems, for public mass transportation and for freight transportation, or</li> <li>- fleet of vehicles, (including passenger cars, light commercial vehicles and large vehicles) emitting less than 50gCO<sub>2</sub>/km until 2025 and 0gCO<sub>2</sub>/km by 2026 onwards;</li> <li>- construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport;</li> <li>- infrastructure for hydrogen refuelling installations for road and off-road transportation, such as passengers cars, public transportation, road freight, waterborne transport and aircrafts.</li> </ul>
<b>Pollution Prevention &amp; Control</b>	<p>Loans to finance the development, manufacturing, construction, operation and maintenance of waste management activities such as:</p> <ul style="list-style-type: none"> <li>- separated non-hazardous waste collection and transportation (segregated at source intended for preparation for reuse or recycling operations);</li> <li>- Bio-waste (as set out in sections 5.7 and 5.8 of the Delegated Act Annex I) anaerobic digestion or composting;</li> <li>- Material recovery from non-hazardous waste (the activity converts at least 50 %, in terms of weight, of the processed separately collected non-</li> </ul>

	hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes)
<b>Sustainable Management of Living Natural Resources and Land Use &amp; Terrestrial and Aquatic Biodiversity Conservation</b>	Loans to finance the development, manufacturing, construction, operation and maintenance of: <ul style="list-style-type: none"> <li>- sustainable agriculture and climate smart farm input (organic farming certified with the EU label);</li> <li>- environmentally sustainable fishery (MSC and ASC or equivalent certifications) and aquaculture (ASC or equivalent certification);</li> <li>- environmentally sustainable forestry (FSC, PEFC or equivalent certifications)</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	Loans to finance the development, construction and maintenance of: <ul style="list-style-type: none"> <li>- water collection, treatment and supply systems (as set out in sections 5.1 and 5.2 of the Delegated Act Annex I) where the net average energy consumption is equal or lower than 0.5 kWh per cubic meter produced water supply; energy consumption is reduced by at least 20%</li> <li>- 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)</li> </ul>

Table 2: Key Performance Indicators

Project Category	Key Performance Indicators	
	Output Metrics	Impact Metrics
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Expected renewable energy capacity installed (MW)</li> <li>• Expected renewable energy production distributed in MWh</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Hydrogen Production</b>	<ul style="list-style-type: none"> <li>• Annual Hydrogen production (tH<sub>2</sub> or m<sup>3</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh</li> <li>• Reduction in annual energy consumption after renovation (%)</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Modal shift: Number of passenger-Km and/or tons-Km</li> <li>• Size of the Group's fleet</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• Annual reduction in waste to landfill / Project specific targets and results</li> </ul>	<ul style="list-style-type: none"> <li>• Tons of waste managed (m<sup>3</sup>/year)</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>• Estimated land area with biodiversity management</li> <li>• Number of sustainable fishery loans granted</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced/avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Expected volume of water treated (m<sup>3</sup>/year) / Project specific targets and results</li> </ul>	<ul style="list-style-type: none"> <li>• Annual reduction in water consumption (m<sup>3</sup>/year)</li> </ul>

## Issuing Entity’s Responsibility

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

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of ICO’s Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from ICO employees and review of documentation to confirm the conformance with the ICO Green Bond Framework .

Sustainalytics has relied on the information and the facts presented by ICO with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>2</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of ICO’s Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the ICO Green Bond Framework. ICO has disclosed to Sustainalytics that the proceeds of the green bonds were fully allocated in January 2022.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the green bond in June 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the ICO Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the green bond in June 2021 to determine if impact of projects was reported in line with the KPIs outlined in the ICO Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

# Appendix

## Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Projects	Allocated amount (in million EUR)	Estimated avoided tCO <sub>2</sub> e/year
Renewable Energy	1 hydropower project	200	21,953
	5 wind projects	80.87	18,638
	2 combined wind and solar projects	153.66	64,929
Clean Transportation <sup>3</sup>	2,345 charging points	59.47	7,437
	6 green hydrogen charging points	6	1,155
<b>Total</b>	NA	500	114,112

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<sup>3</sup> ICO financed charging points for clean transportation.

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