

# Sustainalytics Second Party Opinion

## ICO Social Bond Framework

16 October 2025

Framework owner and location:  
Instituto de Crédito Oficial  
Madrid, Spain

Sector:  
Diversified Financials

### Overall Assessment

Sustainability Contribution



Principles Alignment

✓ **Aligned**

Social Bond Principles 2025

### Contribution to SDGs



### Assessment Summary

Instituto de Crédito Oficial has developed the ICO Social Bond Framework, dated October 2025, under which it intends to issue social bonds to fund projects globally, with a focus on Spain, Africa, Latin America and the Caribbean in six social categories.

We have assessed the overall Sustainability Contribution of the Framework as **Significant**, based on the average Sustainability Contribution of the Framework's six use of proceeds categories. As per our methodology, we have applied equal weighting across categories.

Financing under Affordable Basic Infrastructure and Access to Essential Services are expected to significantly improve access to essential social services, particularly in Latin American and Caribbean countries where such systems are less developed than in Spain. However, there are several issues that may reduce the overall contribution of these expenditures: unclear targeting criteria for inadequate infrastructure; the inherent uncertainty of R&D for medicines and treatments aimed at future health emergencies; and inadequate affordability mechanisms for childcare and financial support during natural or health disasters. The financing of Affordable Housing under the Spanish national housing plan targets socioeconomically vulnerable groups prioritizing low-income applicants, ensuring priority for those with the lowest incomes and highest unmet needs. The scheme also offers clear financial advantages, strongly enhancing access to affordable housing for the target populations.

Financing for small, medium or microenterprises (SMEs) in less developed regions of Spain is expected to significantly improve access to credit for SMEs in these areas. However, the extent to which these loans will reduce overall borrowing costs remains unclear, given the lack of well-defined affordability mechanisms for these loans.

Financing towards Food Security and Food Systems, as well as Socioeconomic Advancement and Empowerment, is expected to provide only moderate social benefits, mainly due to the absence of affordability measures offered by loans aimed at improving food security. In addition, it remains uncertain whether investments in social funds and enterprises will be directed to projects with clear social impact.

We have assessed the Framework as **Aligned** with the Social Bond Principles 2025.

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## Breakdown per Use of Proceeds Category

We have assessed the overall Sustainability Contribution of the Framework as **Significant**, based on the average Sustainability Contribution of the Framework's use of proceeds categories. As per our methodology, we have distributed weight equally across categories, as shown below.

Category	Sustainability Contribution Level	Weight
Affordable Basic Infrastructure	 Neutral   Moderate <b>Significant</b> Strong	16.67%
Access to Essential Services	 Neutral   Moderate <b>Significant</b> Strong	16.67%
Affordable Housing	 Neutral   Moderate   Significant <b>Strong</b>	16.67%
Employment Generation and Preservation through SME Funding	 Neutral   Moderate <b>Significant</b> Strong	16.67%
Food Security and Sustainable Food Systems	 Neutral <b>Moderate</b> Significant   Strong	16.67%
Socioeconomic Advancement and Empowerment	 Neutral <b>Moderate</b> Significant   Strong	16.67%

## Issuer Overview and Sustainability Strategy

Instituto de Crédito Oficial (ICO or the Bank) is a Spanish state-owned bank that provides loans to Spanish and foreign enterprises, mainly in Spain and in countries with a significant Spanish business presence, such as Latin America and the Caribbean. Headquartered in Madrid, ICO has a staff of 394, and total assets of EUR 42.1 billion as of June 2025.<sup>1</sup>

The Bank integrates sustainability into its operations across three dimensions: i) environmental; ii) social; and iii) governance, as reflected in its credit, financing and internal activities.<sup>2</sup> The Bank demonstrates its environmental commitment through the financing of projects that advance objectives such as renewable energy, sustainable mobility and the circular economy.

On the social side, the Bank supports initiatives that improve access to education, healthcare and affordable housing. Enhancing access to credit for SMEs in Spain remains a key focus. In 2024, the Bank partly facilitated EUR 11.1 billion in financing for SMEs and self-employed individuals. In the same year, 54% of total approved loans were allocated to projects with an environmental and social impact.<sup>3</sup> In relation to governance, the Bank's Sustainability Policy outlines a framework for integrating sustainability practices into its operations, including in the areas of corporate and sustainability governance.<sup>4</sup>

The General Board oversees sustainability at the Bank, while the Strategy Directorate develops policies and methodologies on sustainable finance. The Risk Department integrates ESG risk assessments into credit risk analysis to support the Bank's lending activities.

Since 2016, ICO has published an annual integrated sustainability report, adhering to GRI standards since 2018. The report is audited by an independent third-party verifier.<sup>5</sup>

<sup>1</sup> ICO, "Investor Presentation, September 2025", at: [https://www.ico.es/documents/20124/987066/4.b+20250917+ICO\\_Investor+Presentation\\_sin+macro.pdf/3f419fc2-f18e-e214-e44e-1853eab22aec?t=1758275930757](https://www.ico.es/documents/20124/987066/4.b+20250917+ICO_Investor+Presentation_sin+macro.pdf/3f419fc2-f18e-e214-e44e-1853eab22aec?t=1758275930757)

<sup>2</sup> ICO, "Sustainability", at: [https://www.ico.es/web/ico\\_en/ico/investor\\_relations/ico-27s\\_overview/sustainability](https://www.ico.es/web/ico_en/ico/investor_relations/ico-27s_overview/sustainability)

<sup>3</sup> ICO, "Key Figures and Activity Indicators", at: [https://www.ico.es/web/ico\\_en/key-figures-and-activity-indicators](https://www.ico.es/web/ico_en/key-figures-and-activity-indicators)

<sup>4</sup> ICO, "POL-35 Sustainability", at: [https://www.ico.es/documents/20124/939053/Pol%C3%ADtica+de+sostenibilidad+2024+en+ingl%C3%A9s\\_Cambios+Formato.pdf/64a9e47e-705e-e439-c65b-76e2c9a41113?t=1733415079912](https://www.ico.es/documents/20124/939053/Pol%C3%ADtica+de+sostenibilidad+2024+en+ingl%C3%A9s_Cambios+Formato.pdf/64a9e47e-705e-e439-c65b-76e2c9a41113?t=1733415079912)

<sup>5</sup> ICO, "Sustainability as an Internal Governance principle", at: [https://www.ico.es/es/web/ico\\_en/ico/about\\_ico/sustainability/sustainability\\_as\\_an\\_internal\\_governance\\_principle](https://www.ico.es/es/web/ico_en/ico/about_ico/sustainability/sustainability_as_an_internal_governance_principle)

## Principles Alignment

We have assessed the ICO Social Bond Framework as follows:

Social Bond Principles 2025 – **Aligned**

ICO intends to issue social bonds under the Framework.

### Principles Alignment Detailed Evaluation

#### Use of Proceeds

**Aligned**

##### *Alignment with core requirements*

- ▶ The Framework describes eligibility criteria appropriately.
- ▶ The Framework identifies relevant target populations for social projects.
- ▶ All expenditures are expected to provide clear social benefits.

##### *Additional considerations*

- ▶ The issuer does not adhere to a key recommendation of the Principles:
  - ▶ The issuer does not define a look-back period for its refinancing of operational expenditures.

#### Project Evaluation and Selection

**Aligned**

##### *Alignment with core requirements*

- ▶ The Framework describes a governance process for the evaluation and selection of eligible projects.
- ▶ The Framework communicates the social sustainability objectives of eligible projects.
- ▶ The Framework describes a process to identify and manage perceived environmental and social risks associated with eligible projects.

##### *Additional considerations*

- ▶ ICO has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank commits to apply credible E&S risk management processes that are compliant with the Equator Principles for the projects financed under the Framework.
  - ▶ The Framework explains how the financed projects are aligned with its sustainability strategies and policies.
  - ▶ The Bank indicates the SDGs to which it expects to contribute through eligible projects.
  - ▶ The Framework excludes investments related to activities associated with gambling, tobacco, alcohol, weapons, mining, nuclear energy, fossil fuel energy, carbon-related activities, and oil and gas.

#### Management of Proceeds

**Aligned**

##### *Alignment with core requirements*

- ▶ The Framework describes a governance structure for the management of proceeds.

- ▶ The Framework describes the processes and systems that will be used to track the proceeds.
- ▶ The Framework describes the intended temporary placement for the balance of unallocated proceeds.

*Additional considerations*

- ▶ ICO has committed to the following practices, which go beyond the core requirements
  - ▶ The Bank intends to allocate all proceeds to eligible projects within 12 months of issuance, on a best effort basis.
  - ▶ Pending full allocation, the Bank will place temporary proceeds in its treasury and hold them in cash, cash equivalents or money market products.

Reporting

**Aligned**

*Alignment with core requirements*

- ▶ The Bank will provide an annual allocation report until the full allocation of proceeds and renew it in case of material changes until maturity.

*Additional considerations*

- ▶ ICO has committed to the following practices, which go beyond the core requirements:
  - ▶ The Bank will publish category-level allocation information on its website.
  - ▶ The Bank will report on the qualitative and quantitative impact of projects using relevant metrics.
  - ▶ The Framework indicates at least one impact metric for each category.
  - ▶ The Bank will publicly share the impact report alongside allocation reporting.

## Sustainability Contribution

ICO intends to use the proceeds from instruments issued under the Framework to finance and refinance projects or activities expected to generate social benefits globally, particularly in Spain, Latin America and the Caribbean.

We have assessed the overall Sustainability Contribution of the Framework as **Significant** based on the average Sustainability Contribution of the Framework's use of proceeds categories. As per our methodology, we have distributed weight equally across categories.

Sustainability Contribution



### Sustainability Contribution per Use of Proceeds Category

Affordable Basic Infrastructure



We have assessed the Sustainability Contribution of the Affordable Basic Infrastructure category as **Significant**.

The Bank intends to finance infrastructure such as water and sanitation, Information and Communications Technology (ICT) solutions and energy for vulnerable areas or communities. While expenditures on water, sanitation, as well as telecommunication-related infrastructure and associated subsidized services, are expected to focus on regions and populations with inadequate or no access, the Framework does not exclusively limit financing to those with the highest unmet needs. Additionally, the services will be provided through public infrastructure or will be subsidized, which gives some assurance of affordability. Energy infrastructure expenditures will target regions that typically have inadequate access. Overall, these expenditures are expected to significantly contribute to enhancing access to such services in the target countries.

#### Category Expenditures

Expenditure	Description
Water and sanitation	<ul style="list-style-type: none"> <li>Development and maintenance of clean drinking water and sanitation infrastructure in underserved regions and excluded or marginalized populations and communities.</li> <li>The Bank defines underserved regions and excluded or marginalized populations and communities as those that have no or inadequate access.</li> </ul>
Connectivity and digital access	<ul style="list-style-type: none"> <li>Improvement of connectivity and digital access in rural areas through the deployment of ICT solutions such as 5G infrastructure, fibre optic and satellite networks.</li> <li>Provision of digital services and platforms to the target population through public infrastructure or provided at subsidized rates.</li> <li>The Bank defines underserved regions and excluded or marginalized populations and communities as rural or remote areas with limited or</li> </ul>

	no internet access, inadequate public services or insufficient digital infrastructure.
Energy	<ul style="list-style-type: none"> <li>▶ Construction, expansion, repair and maintenance of energy infrastructure in underserved regions and excluded or marginalized populations and communities.</li> <li>▶ This includes renewable electricity generation, transmission and distribution-related infrastructure, pre-feasibility studies as well as projects that support energy efficiency and the modernization of transmission systems.</li> <li>▶ The Bank defines underserved regions as areas lacking reliable or affordable electricity, with insufficient or absent infrastructure and historically limited investment. Excluded or marginalized populations and communities are defined as those facing systemic barriers to energy access due to poverty, isolation or social exclusion, including rural households, indigenous groups and communities not adequately served by a national grid or those facing affordability challenges.</li> </ul>

#### Additional details

- ▶ Expenditures will primarily be in Spain as well as Latin American and Caribbean countries.

#### Analytical Commentary

Despite global progress, large gaps persist in access to essential services. Around 2.2 billion people still lack safe drinking water, and more than half of the world's population lacks adequate sanitation.<sup>6</sup> Approximately 759 million people do not have electricity,<sup>7</sup> and 2.7 billion remain without Internet access, including large rural populations in low-income countries, where 15% have no mobile coverage and 10% rely on 2G networks.<sup>8</sup> These figures demonstrate the urgent need to finance affordable basic infrastructure, including water, sanitation, electricity and digital connectivity, to directly improve access for underserved and excluded communities.

ICO intends to finance clean drinking water and sanitation infrastructure in areas or communities where a significant percentage of the population has limited or no access to these services, both in Spain and in countries across Latin America and the Caribbean. While access to these infrastructures in Spain is comparatively better, communities in Latin America and the Caribbean continue to face acute water- and sanitation-related challenges, including reliance on surface water for drinking and limited sanitation coverage. However, the definition for regions and communities with limited access remains broad, creating uncertainty as to whether financing will be directed exclusively to those with unmet needs. Nonetheless, these expenditures are expected to notably improve access to water and sanitation in the targeted regions and communities.

Expenditures also include improving connectivity and digital access through the deployment of ICT infrastructure in rural areas and digital community centres in underserved or excluded areas both in Spain, and in countries across Latin America and the Caribbean. This may also include the provision of telecommunication services such as digital literacy programmes for older adults or those with low educational attainment, and mobile platforms for public services for marginalized populations. Although the Bank has not stated the specific countries or defined clear thresholds to identify regions, communities and populations with inadequate access, most countries across these regions have varying levels of unmet needs, apart from Spain, where access is generally considered adequate. Additionally, the provision of digital services through public infrastructure

<sup>6</sup> UNICEF, "Universal Access to Water, Sanitation and Hygiene", (2021), at: <https://www.unicef.org/media/97591/file/Universal-Access-to-Water-Sanitation-and-Hygiene.pdf>

<sup>7</sup> UN, "Theme Report on Energy Access", at: [https://www.un.org/sites/un2.un.org/files/2021/09/2021-twg\\_1-091021.pdf](https://www.un.org/sites/un2.un.org/files/2021/09/2021-twg_1-091021.pdf)

<sup>8</sup> International Telecommunication Union, "Global Connectivity Report", (2022), at: [https://www.itu.int/dms\\_pub/itu-d/opb/ind/d-ind-global.01-2022-pdf-e.pdf](https://www.itu.int/dms_pub/itu-d/opb/ind/d-ind-global.01-2022-pdf-e.pdf)

or subsidized rates gives some assurance of affordability for the target population. Nonetheless, such investments are expected to offer meaningful improvements in connectivity within these regions.

Additionally, ICO intends to finance electricity infrastructure in underserved or excluded communities in Latin America and the Caribbean. Although the Bank's specific criteria to identify underserved areas or excluded communities with inadequate access to electricity remains unclear, the expenditures focus on regions that typically have unmet needs. As a result, these expenditures are expected to make a substantial contribution to the improvement of energy access in these regions.

Collectively, expenditures under this category are expected to make a significant contribution to improving access to water and sanitation, telecommunication and electricity infrastructure and services for those with unmet needs.

## Access to Essential Services



We have assessed the Sustainability Contribution of the Access to Essential Services category as **Significant**.

ICO intends to finance expenditures that enhance access to education, healthcare, professional training and financial support during natural and health disasters. Expenditures cover both developed and developing countries, with those in developing countries addressing more basic needs such as the general availability of services. The expenditures are not specifically targeted to prioritize populations with the highest unmet needs. Countries with universal and subsidized systems provide reasonable assurance of affordability. However, the Framework does not specify concrete mechanisms to improve affordability for expenditures related to childcare and financial support for natural and health disasters. As a result, these services may not be as accessible to low income and vulnerable populations.

## Category Expenditures

Expenditure	Description
Provision of healthcare facilities and services	<ul style="list-style-type: none"> <li>► Construction, renovation or extension of healthcare centres, as well as provision of equipment to medical and healthcare establishments, including deployment of e-medicine.</li> <li>► Purchase of healthcare materials and provision of healthcare professionals, including training of doctors, midwives, pharmacists, dentists and healthcare executives.</li> <li>► Research and development to improve care and develop new treatments, including vaccines and treatments for infectious diseases, therapies addressing public health priorities, and medicines developed under public health emergency protocols.</li> <li>► Infrastructure and equipment for the provision of emergency medical care and of disease control services, including for emergency medical response, disease surveillance and containment systems, public health campaigns and vaccination logistics, and staffing and training for emergency healthcare teams.</li> </ul>



	<ul style="list-style-type: none"> <li>▶ Provision of eldercare services and facilities, including homes and centres designed for elderly populations as defined by government criteria.<sup>9</sup></li> <li>▶ Expenditures will be dedicated to services and facilities within the public healthcare system as well as not-for-profit organizations.</li> </ul>
Provision of educational facilities and services	<ul style="list-style-type: none"> <li>▶ Development and provision of educational services, including preschool facilities, primary and secondary education, and universities.</li> <li>▶ Expenditures will be dedicated to services and facilities within the public education system as well as not-for-profit organizations.</li> </ul>
Provision of professional training	<ul style="list-style-type: none"> <li>▶ Delivery of professional and technical training, including to support the integration of the unemployed population into the workforce; and training for sectors experiencing workforce shortages, in line with the exclusionary criteria specified in the Framework.</li> <li>▶ Target populations include: i) people with socio-professional integration difficulties (all ages); ii) long-term unemployed; iii) young people with educational difficulties (deschooling, learning difficulties); and iv) people in sensitive or priority areas or in a vulnerable situation (peri-urban and rural areas, migrants).</li> <li>▶ Affordability mechanisms will be in place for the target populations.</li> </ul>
Financing to individuals, SMEs and corporates affected by natural or health disasters	<ul style="list-style-type: none"> <li>▶ Loans to individuals, self-employed persons, SMEs, and companies located in regions affected by natural or health disasters, such as pandemics, earthquakes, floods and droughts.</li> <li>▶ SMEs are defined according to the EU criteria, based on staff headcount and turnover or balance sheet size, with the following thresholds: i) staff headcount: &lt; 250; and ii) annual turnover: ≤ EUR 50 million; or iii) annual balance sheet size: ≤ EUR 43 million.<sup>10</sup></li> <li>▶ Affordability measures may include financial advantages such as subsidies and guarantees in collaboration with local, regional or central government agencies.</li> </ul>

#### Additional details

- ▶ Expenditures will primarily be in Spain as well as Latin American and Caribbean countries.

#### Analytical Commentary

Spain has a relatively robust social services system, with universal healthcare and an education system that meets European standards.<sup>11,12</sup> In contrast, many countries in Latin America and the Caribbean face severe challenges due to the underfunding of healthcare systems, unequal access to services, and outdated educational systems with inadequate infrastructure.<sup>13,14</sup> As a result, the nature of challenges differs significantly across these countries. In Spain, the focus is on

<sup>9</sup> In Spain, an elderly person is defined as an individual of retirement age, typically 65 years or older, in line with eligibility for non-contributory pensions and services under the country's Dependency Law, at: <https://www.boe.es/buscar/act.php?id=BOE-A-2006-21990>

<sup>10</sup> European Commission, "User Guide to the SME Definition" (2020), at: <https://ec.europa.eu/docsroom/documents/42921>

<sup>11</sup> Health Systems in Transition, "Spain: health system review 2024", at: <https://eurohealthobservatory.who.int/publications/i/spain-health-system-review-2024>

<sup>12</sup> European Commission, "Eurydice: Spain", at: <https://eurydice.eacea.ec.europa.eu/eurypedia/spain/overview>

<sup>13</sup> Pan American Health Organization, "The urgency of investing in health systems in Latin America and the Caribbean to reduce inequality and achieve the Sustainable Development Goals", at: <https://www.paho.org/sites/default/files/2024-10/2400869esespecialhealthreport-web.pdf>

<sup>14</sup> World Bank Group, "Transforming Challenges into Action: Advancing Universal Health Coverage in Latin America and the Caribbean", at: <https://www.worldbank.org/en/news/feature/2024/12/06/transformar-el-desaf-o-en-acci-n-la-cobertura-universal-de-salud-en-am-rica-latina-y-el-caribe>

optimizing existing essential services systems and addressing regional disparities. In contrast, countries in Latin America and the Caribbean face more fundamental issues, such as limited service availability, with many countries lacking adequate childcare infrastructure, eldercare for rapidly aging populations, and equitable access to quality education and healthcare.

Expenditures in healthcare will be directed toward Spain, which has an advanced healthcare system, and to countries across Latin America and the Caribbean, where most of the population continues to face substantial unmet needs. Although targeting is relatively broad, there is reasonable assurance of affordability. Spain has a universal healthcare system, and many countries in Latin America and the Caribbean also have largely universal public systems that are either free or subsidized for residents. Additionally, expenditures on R&D for medicines and treatments are aimed at future health emergencies, which are inherently uncertain, and do not guarantee that the highest unmet needs will be addressed. Nonetheless, these expenditures are collectively expected to significantly contribute to enhancing access to healthcare in these countries.

Similarly, expenditures in education are directed toward public systems in both developed countries, such as Spain, and less developed ones in Latin America and the Caribbean. However, the eligibility criteria do not further target the most vulnerable with the highest unmet needs. In most of these countries, educational services are provided for free or at subsidized rates, including university education, thereby enhancing affordability for the target populations. Although expenditures on childcare services are expected to broadly improve access across all countries, the Framework does not address the potentially high costs, which can be considerable even in countries with more established systems such as Spain. Nonetheless, taken together, these expenditures are expected to significantly improve access to both education and childcare.

Regarding expenditures related to natural and health disasters, the Framework allows for financial support in the form of loans to corporations, in addition to individuals and SMEs, which typically face greater challenges in accessing finance compared with large corporations. Additionally, for loans to individuals, the eligibility criteria do not prioritize the low-income population that are the most vulnerable. Beyond guarantees and subsidies that might be provided through collaboration with government entities, the Framework does not include specific mechanisms to enhance the affordability of financial support for the intended beneficiaries. As a result, these expenditures are expected to make a modest contribution in providing support in times of natural and health disasters.

Overall, expenditures under this category are expected to significantly contribute to the accessibility of essential services in the target regions.

## Affordable Housing



We have assessed the Sustainability Contribution of the Affordable housing category as **Strong**.

ICO intends to provide loans for the construction, maintenance and renovation of social and affordable housing in Spain under the national social housing schemes, as per the Plan Estatal de Vivienda 2022–2025 (PEV). The programmes under the PEV prioritize low-income and socially vulnerable groups and offer clear financial advantages for applicants. Collectively, expenditures under this category are expected to strongly improve access to affordable housing in Spain for those whose needs remain unmet in the existing market.

## Category Expenditures

Expenditure	Description
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Construction, maintenance and improvements of social housing under PEV<sup>15</sup>

- Financing to companies for the construction, maintenance and renovation of social housing under the PEV, the national plan for housing in Spain.
- The PEV includes 13 separate programmes targeting individuals and families based on a variety of socioeconomic criteria, while prioritizing low-income households. Under most of the programmes, the annual household income must not exceed three times the Public Indicator of Multiple Effects Income (IPREM)<sup>16</sup> - EUR 21,600 in 2025.
- Affordability mechanisms under the PEV programmes include a cap of EUR 400 on monthly rent.<sup>17</sup>

### *Analytical Commentary*

As of 2024, nearly 40% of Spanish families spent more than 40% of their income on accommodation.<sup>18</sup> In 2023, only about 1% of all homes in Spain were classified as social housing, which is among the lowest rates in Europe.<sup>19</sup> The number of new social housing units has decreased from 55,000 annually between 1990 and 2009 to 8,000 units in 2015-2023.<sup>20</sup> The lack of affordable housing disproportionately affects youth and their families, with approximately 46% of Spaniards aged 25-34 living with their parents.<sup>21</sup> The Housing Ministry estimates that Spain needs around 1 million new houses to meet housing demand.<sup>22</sup>

The programmes under the PEV target individuals and families based on a variety of socioeconomic indicators of vulnerability and need, with an emphasis on low-income households. Programmes may also include households with income up to five times the IPREM (EUR 36,000 in 2025)<sup>23</sup> - which is above the average annual income of EUR 28,049 in 2023<sup>24</sup> - that face additional social vulnerability factors limiting their access to housing. The PEV prioritizes socially vulnerable groups, including survivors of gender-based violence or terrorism, the homeless, disabled individuals and the elderly.<sup>25</sup> Affordability mechanisms under the scheme focus on rent reduction, ensuring clear financial advantages for applicants. Therefore, the PEV scheme is expected to substantially support those who have the greatest unmet housing needs in accessing affordable housing.

Taken together, financing affordable housing under the PEV scheme will make a strong contribution to improving access to affordable housing in Spain for those whose needs are unmet by the existing market.

<sup>15</sup> Ministerio de Vivienda y Agenda Urbana, "Programas de Ayuda", at: <https://www.mivau.gob.es/vivienda/plan-estatal-de-vivienda/plan-2022-2025/programas-de-ayuda#pagina-menu-interior>

<sup>16</sup> Indicador Público de Renta de Efectos Múltiples, "¿Qué es el IPREM?", at: <https://www.iprem.com.es/>

<sup>17</sup> Gobierno de España, "Real Decreto 42/2022, de 18 de enero, por el que se regula el Bono Alquiler Joven y el Plan Estatal para el acceso a la vivienda 2022-2025.", at: <https://www.boe.es/buscar/act.php?id=BOE-A-2022-802>

<sup>18</sup> Banco de España, "El mercado del alquiler de vivienda residencial en España: evolución reciente, determinantes e indicadores de esfuerzo", (2024), at: <https://www.bde.es/wbe/es/publicaciones/analisis-economico-investigacion/documentos-ocasionales/el-mercado-del-alquiler-de-vivienda-residencial-en-espana-evolucion-reciente-determinantes-e-indicadores-de-esfuerzo.html>

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> FUNCAS, "El acceso de los jóvenes a la vivienda", (2023), at: <https://www.funcas.es/articulos/el-acceso-de-los-jovenes-a-la-vivienda/>

<sup>22</sup> Observatorio Español del Seguro de Alquiler, "La necesidad de vivienda en España se cifra en un millón de inmuebles, según la VI edición del Observatorio Español del Seguro de Alquiler (OESA), que se celebra en Madrid", (2024), at: <https://observatorioseguroalquiler.com/la-necesidad-de-vivienda-en-espana-se-cifra-en-un-millon-de-inmuebles-segun-la-vi-edicion-del-observatorio-espanol-del-seguro-de-alquiler-oesa-que-se-celebra-en-madrid/>

<sup>23</sup> Indicador Público de Renta de Efectos Múltiples, "¿Qué es el IPREM?", at: <https://www.iprem.com.es/>

<sup>24</sup> Instituto Nacional de Estadística, "Annual Salary Structure Survey (EAS). Year 2023. Final Data", (2025), at: [https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica\\_C&cid=1254736177025&menu=ultiDatos&idp=1254735976596](https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica_C&cid=1254736177025&menu=ultiDatos&idp=1254735976596)

<sup>25</sup> Ministerio de Vivienda y Agenda Urbana, "Programas de Ayuda", at: <https://www.mivau.gob.es/vivienda/plan-estatal-de-vivienda/plan-2022-2025/programas-de-ayuda#pagina-menu-interior>

## Employment Generation and Preservation through SME Funding



We have assessed the Sustainability Contribution of the Employment Generation and Preservation through SME Funding category as **Significant**.

ICO intends to provide loans to SMEs in underserved regions in Spain, effectively targeting SMEs that face significant barriers in accessing financial services. While ICO has committed to offering more favourable loan terms than conventional financing, it remains unclear whether these loans will meaningfully reduce overall borrowing costs for SMEs. Nonetheless, these expenditures are expected to significantly enhance SME access to credit in underserved regions in Spain.

### Category Expenditures

Expenditure	Description
Loans to SMEs in underperforming regions in Spain	<ul style="list-style-type: none"> <li>Loans to SMEs located in economically underperforming regions of Spain or SMEs located in municipalities that: i) experience population decrease; or ii) are below the national average population growth rate, over the last 10 years as reported by the National Statistics Institution census data.<sup>26</sup></li> <li>Targeted regions include Melilla, Ceuta, Andalucía, Extremadura, Canarias, Castilla-Mancha, Murcia, Comunitat Valenciana, Asturias, Cantabria, Galicia and Castilla y León.</li> <li>These regions are classified as underperforming by the Spanish Regional Accounts, with GDP per capita below the national GDP per capita and unemployment rates above 8% in 2024.<sup>27</sup></li> <li>SMEs are defined according to the EU criteria, based on staff headcount and turnover or balance sheet size, with the following thresholds: i) staff headcount: &lt; 250; and ii) annual turnover: ≤ EUR 50 million; or iii) annual balance sheet size: ≤ EUR 43 million.<sup>28,29</sup></li> <li>ICO has committed to offering better loan conditions compared to conventional loans for the SMEs.</li> <li>Excludes SMEs in accordance with the Framework's exclusion criteria.</li> </ul>

### Analytical Commentary

Approximately 99.8% of companies in Spain have fewer than 250 employees, with more than half of those being single entrepreneurs.<sup>30</sup> SMEs account for approximately 62% of the national Gross Value Added (GVA) and provide 66% of total employment.<sup>31</sup> Despite their important role in Spain's national economy, SMEs have been disproportionately affected by external shocks such as pandemics and economic downturns. To address this, the Government of Spain has implemented a strategy to facilitate SME access to finance by diversifying funding sources for these enterprises

<sup>26</sup> Instituto Nacional de Estadística, "Demografía y población", at: [https://www.ine.es/dyngs/INEbase/categoria.htm?c=Estadistica\\_P&cid=1254734710984](https://www.ine.es/dyngs/INEbase/categoria.htm?c=Estadistica_P&cid=1254734710984)

<sup>27</sup> Instituto Nacional de Estadística, "Spanish Regional Accounts. Regional Gross Domestic Product. 2000-2023 Series", at: [https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica\\_C&cid=1254736167628&menu=ultiDatos&idp=1254735576581](https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica_C&cid=1254736167628&menu=ultiDatos&idp=1254735576581)

<sup>28</sup> European Commission, "SME Definition", at: [https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition\\_en](https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en)

<sup>29</sup> European Commission, "User Guide to the SME Definition" (2020), at: <https://ec.europa.eu/docsroom/documents/42921>

<sup>30</sup> Gobierno de España, "Estructura y Dinámica Empresarial en España", (2024), at: [https://industria.gob.es/es-es/estadisticas/Estadisticas\\_Territoriales/Estructura-Dinamica-Empresarial-2023.pdf](https://industria.gob.es/es-es/estadisticas/Estadisticas_Territoriales/Estructura-Dinamica-Empresarial-2023.pdf)

<sup>31</sup> Ibid.

outside the traditional banking system and reducing credit risks through public guarantees.<sup>32</sup>

ICO intends to provide loans to SMEs located in Spain's underserved regions, which are characterized by below-average GDP per capita, high unemployment and depopulation. Economic performance varies significantly across Spain's autonomous communities, with the highest-performing regions reporting GDP per capita levels twice as high as those in the lowest-performing regions.<sup>33</sup> The targeted regions also meet the EU definition of underserved regions,<sup>34</sup> as they: i) are classified as NUTS 2 or 3;<sup>35</sup> ii) nearly all have GDP per capita below or equal to 75% of the EU-27 average of EUR 36,796;<sup>36</sup> and iii) nearly all exhibit unemployment rates up to 115% of the national rate of 10.3%.<sup>37</sup> By focusing on these regions, ICO ensures that loans effectively reach SMEs that face barriers in accessing finance. ICO has committed to offering more advantageous loan conditions compared with conventional loans but has not shared specific details on the affordability mechanisms to lower the overall borrowing costs. Nonetheless, these expenditures are expected to significantly enhance access to credit in underserved regions in Spain.

## Food Security and Sustainable Food Systems



We have assessed the Sustainability Contribution of the Food Security and Sustainable Food Systems category as **Moderate**.

ICO will finance training for smallholder farmers, as well as the provision of farming equipment, maintenance services and food assistance programmes to underserved areas and populations in Spain, and countries with developing economies. There is a lack of clarity on the potential impact due to the broad geographical scope, the absence of a clearly defined target population as well as the Bank's lack of control over the affordability of these initiatives for the end user. Nonetheless, due to ICO's focus on financing projects directed towards smallholder farmers and regions that consist largely of developing economies, these investments are expected to offer modest improvements to food security and sustainable agricultural initiatives.

### Category Expenditures

Expenditure	Description
Food Security and Sustainable Agriculture	<ul style="list-style-type: none"> <li>► Investment in national food security projects targeting underserved areas or marginalized populations. These projects will include:</li> <li>► Training smallholder farmers who cultivate crops or raise livestock on two hectares or less.</li> <li>► Agricultural inputs such as equipment or upgraded technology including tractors, cultivators, harvesters, seeders, irrigation systems, machinery maintenance workshop and storage facilities to preserve perishable agricultural products.</li> <li>► Food banks or free meal programmes for vulnerable populations.</li> </ul>

### Additional details

<sup>32</sup> Ibid.

<sup>33</sup> Instituto Nacional de Estadística, "Spanish Regional Accounts. Regional Gross Domestic Product. 2000-2023 Series", at: [https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica\\_C&cid=1254736167628&menu=ultiDatos&idp=1254735576581](https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica_C&cid=1254736167628&menu=ultiDatos&idp=1254735576581)

<sup>34</sup> EUR-Lex, "Communication from the Commission Guidelines on regional State aid 2021/C 153/01", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52021XC0429%2801%29>

<sup>35</sup> Eurostat, "NUTS - Nomenclature for Territorial Units for Statistics", at: <https://ec.europa.eu/eurostat/web/nuts>

<sup>36</sup> World Bank Group, "GDP per capita (current US\$) - European Union", at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=EU>

<sup>37</sup> INE, "Economically Active Population Survey (EAPS). Second Quarter 2025", at: [https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica\\_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595](https://www.ine.es/dyngs/INEbase/en/operacion.htm?c=Estadistica_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595)

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- Expenditures will be in Spain as well as in African, Latin American and Caribbean countries.
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#### *Analytical Commentary*

In 2024, more than 295 million people globally faced acute hunger. In recent years, armed conflict and extreme climate events have exacerbated global food insecurity by destroying harvests and disrupting supply chains.<sup>38</sup> Meanwhile, the cost of food has increased dramatically, with food inflation rising to 30% in low-income countries in 2023, compared to a global median of 13.6%.<sup>39</sup> These trends highlight the need for targeted investments in agriculture and food-related infrastructure to mitigate the adverse effects of climate change, armed conflict and food inflation on populations vulnerable to food insecurity.

ICO intends to finance training programmes for smallholder farmers, the provision of farming equipment, machinery and associated maintenance services, as well as food banks or free meal programmes in Spain, and in countries across Africa, Latin America and the Caribbean. Due to the broad geographical scope, as well as the lack of specific definitions for “underserved areas” or “excluded or marginalized populations and communities”, the targeting under this category is considered unclear. Nevertheless, these expenditures will, in part, target smallholder farmers defined in alignment with the definition established by the Food and Agriculture Organization (FAO),<sup>40</sup> and will largely be directed towards countries with developing economies. We therefore consider the targeting to be meaningfully focused on populations and regions that are known to have higher degrees of unmet need in terms of food security<sup>41</sup> and access to agricultural inputs and training.<sup>42</sup> Meanwhile, although ICO expects affordability to be ensured through public sector coordination, the Bank does not have direct control over the final cost of such services and programmes. As such, the degree of affordability offered for the target population remains unclear.

Overall, these investments are expected to offer modest improvements to food security and sustainable food systems.

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#### Socioeconomic Advancement and Empowerment



We have assessed the Sustainability Contribution of the Socioeconomic Advancement and Empowerment category as **Moderate**.

Expenditures under this category include financing social enterprises directly and through social funds, which may provide loans, equity or donations to such enterprises. As financing is not exclusively limited to pure play social enterprises, investments may go to entities not fully dedicated to social goals, potentially limiting their overall contribution to social objectives. ICO's financing will include flexible loan terms, equity investments, which remains an underutilized capital source in Europe, and donations. Overall, such expenditures are expected to make a modest contribution to socioeconomic advancement.

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#### Category Expenditures

Expenditure	Description
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<sup>38</sup> GNAFC, “2025 Global Report on Food Crises,” (2025), at: <https://www.fsinplatform.org/report/global-report-food-crises-2025/>

<sup>39</sup> UN FAO, “The State of Food Security and Nutrition in the World”, (2025), at: <https://openknowledge.fao.org/server/api/core/bitstreams/4eed749b-81f8-49c9-ba32-f09c66988d54/content/state-food-security-and-nutrition-2025/tackling-food-price-inflation.html#gsc.tab=0.%20dont%20add%20geenric%20things>

<sup>40</sup> UN FAO, “Family Farming Knowledge Platform”, at: <https://www.fao.org/family-farming/detail/en/c/273864>

<sup>41</sup> OECD, “The expanding threat to food security in least developed countries,” (2022), at: <https://oecd-development-matters.org/2022/07/05/the-expanding-threat-to-food-security-in-least-developed-countries/>

<sup>42</sup> FAO, “Small-scale producers in sustainable agrifood systems transformation” (2022), at: <https://openknowledge.fao.org/server/api/core/bitstreams/5ccb61ef-c051-4602-871f-3ba864f83d5c/content>

Provision of loans to social enterprises	<ul style="list-style-type: none"> <li>Provision of loans to social enterprises to support access to basic services for vulnerable populations, and for projects that promote job security, address basic needs and create equal opportunities among the target population.</li> <li>For the provision of loans, the Bank will offer flexible loan terms.</li> </ul>
Investments in social funds	<ul style="list-style-type: none"> <li>Provision of loans, private equity and donations to private social enterprises through Social Entrepreneurship Funds (SEFs) managed by a subsidiary of ICO, foundations, philanthropic entities or public institutions. <ul style="list-style-type: none"> <li>These funds are aligned with the European Union Regulation on Social Entrepreneurship Funds (EuSEF),<sup>43</sup> which stipulates that at least 70% of their total capital be invested in social enterprises.</li> <li>These funds are considered to comply with the EU's definition of social enterprises,<sup>44</sup> ensuring that most of the fund's resources are directed toward generating social impact.</li> <li>ICO will avoid double counting of impact by limiting reporting to the share of investments directly attributable to its financing. Accordingly, its allocation and impact reporting cover only the portion of projects or enterprises financed through the proceeds of ICO's social bond.</li> </ul> </li> <li>For the provision of loans, the Bank will offer flexible loan terms.</li> </ul>

#### Additional details

- ICO will identify and mitigate potential reputational risks associated with the enterprises it finances, including those supporting religious or political causes, through its internal screening process.
- ICO adheres to responsible lending policies as established by the National Bank of Spain.<sup>45</sup>

#### Analytical Commentary

Social enterprises globally are pivotal in addressing pressing challenges such as poverty and inequality.<sup>46</sup> It is estimated that there are approximately 10 million social enterprises worldwide, generating around USD 2 trillion in annual revenue and employing nearly 200 million people.<sup>47</sup> Despite their significant impact, they face a substantial funding gap. The Schwab Foundation's 2024 report estimates that social enterprises require approximately USD 1.13 trillion in financing to scale their operations and enhance their impact.<sup>48</sup> This underscores the need for increased investment and support to empower these organizations in driving sustainable development and social change.

ICO intends to offer loans to social enterprises and provide financing to SEFs, which may further provide loans, donations and equity investments to social enterprises. Although ICO may finance

<sup>43</sup> EU, "European social entrepreneurship fund", at: <https://eur-lex.europa.eu/EN/legal-content/summary/european-social-entrepreneurship-funds.html>

<sup>44</sup> EU Commission, "Internal Market, Industry, Entrepreneurship and SMEs: Social enterprises", at: [https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/social-enterprises\\_en](https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/social-enterprises_en)

<sup>45</sup> National Bank of Spain, "Responsible lending", at: [https://clientebancario.bde.es/pcb/en/menu-horizontal/podemosayudarte/criterios/Prestamo\\_responsable.html](https://clientebancario.bde.es/pcb/en/menu-horizontal/podemosayudarte/criterios/Prestamo_responsable.html)



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pure play social enterprises, the Framework does not specify whether financing will be limited to these entities, either through ICO's own lending or through its financing of SEF. Additionally, the EuSEF regulation allows up to 30% of a SEFs' capital to be directed to activities that may not qualify as eligible social undertakings. Accordingly, while targeting social enterprises is likely to generate positive social change, the absence of a clearly defined connection between the financing and organizations wholly dedicated to social goals limits the potential contribution of this expenditure.

The financed investments are expected to offer a range of affordability features. For its own lending, ICO will provide flexible loan terms, and loans provided by financed Social Funds are also expected to include flexible terms due to lower funding costs for the Bank. However, in both instances, borrowers are not guaranteed a reduction in total borrowing costs. Meanwhile, equity investments and donations offer more robust financial access. Equity investments represent an important source of capital that is relatively underused in Europe,<sup>49</sup> while donations are valuable because they provide capital without the need for repayment. Taken together, these features offer meaningful assurances that the financing will be accessible to participating social enterprises.

Overall, investments under this category are expected to make a moderate contribution to socioeconomic advancement by enabling social enterprises to access capital and generate social impact.

<sup>49</sup> EIF, "The European Small Business Outlook" (2024), at: [https://www.eif.org/news\\_centre/publications/eif-working-paper-2024-101.pdf](https://www.eif.org/news_centre/publications/eif-working-paper-2024-101.pdf)



## Environmental and Social Risk Management

We have identified the following areas of environmental and social risk associated with the expenditures eligible under the Framework: appropriate population targeting and predatory lending, community and stakeholder relations and business ethics. ICO has the following policies and processes in place to identify and mitigate such risks.

E&S risk identified	Applicable policies, procedures and measures
Due diligence and risk management measures	<ul style="list-style-type: none"> <li>ICO integrates an assessment of environmental and social impacts into its Risk Appetite Framework considering the supervisory expectations of the Bank of Spain related to climate change and environmental degradation.<sup>50</sup></li> <li>Additionally, ICO has incorporated compliance with Equator Principles into its internal processes to identify, evaluate and manage potential social and environmental risks in project financing. ICO appoints an independent advisor, when required, to conduct environmental and social due diligence and assess compliance with applicable principles.<sup>51</sup></li> </ul>
Appropriate population targeting and predatory lending	<ul style="list-style-type: none"> <li>ICO ensures that social loans reach the target populations by verifying the criteria for each category and works with financial intermediaries and public entities that apply their own screening mechanisms to confirm that final recipients meet the Framework's definition of target groups. The Bank also provides ex-post reporting, which includes granular data on beneficiaries for transparency, accountability and evidence of impact.<sup>52</sup></li> <li>ICO commits to providing accurate information on all product characteristics and conditions to its customers.<sup>53</sup> ICO also follows the national regulations on responsible lending,<sup>54,55</sup> which require an assessment of the borrower's financial situation, including the borrower's total income, assets, net worth and existing loans, and their understanding of the loan terms.</li> <li>ICO has processes in place to assess customers' credit profiles to determine their ability to repay debt and prevent overleveraging.</li> </ul>
Community and stakeholder relations	<ul style="list-style-type: none"> <li>ICO commits to promoting the transfer of knowledge between its key stakeholders and to ensuring there is a responsible relationship with its clients and suppliers.<sup>56</sup> In addition, Directive 2014/52/EU requires effective and timely consultation and public participation as part of the EIA process.<sup>57</sup> According to this directive, information about the impact of projects on surrounding populations, human health and cultural heritage must be made electronically accessible to the public, with a minimum 30-day consultation period on the EIA report.<sup>58</sup></li> </ul>
Business ethics	<ul style="list-style-type: none"> <li>ICO is a signatory of the UN Global Compact<sup>59</sup> and follows the OECD guidelines on public integrity.<sup>60,61</sup> ICO's code of ethics and conduct outlines the processes related to ethical business</li> </ul>

<sup>50</sup> ICO, "Sustainability Policy", at: [https://www.ico.es/es/web/ico\\_en/ico/about\\_ico/sustainability/sustainability\\_policy](https://www.ico.es/es/web/ico_en/ico/about_ico/sustainability/sustainability_policy)

<sup>51</sup> ICO, "Equator Principles Implementation Report", (2024) at:

[https://www.ico.es/documents/77230/77289/REPORTING+ON+EP+2024\\_Ingl%C3%A9s+%282024%29.pdf/cee72eb7-2efb-cfdc-545f-571378d26d2a?t=1750844238823](https://www.ico.es/documents/77230/77289/REPORTING+ON+EP+2024_Ingl%C3%A9s+%282024%29.pdf/cee72eb7-2efb-cfdc-545f-571378d26d2a?t=1750844238823)

<sup>52</sup> The information is shared by ICO.

<sup>53</sup> ICO, "Corporate Social Responsibility", at: [https://www.ico.es/es/web/ico\\_en/ico/about\\_ico/good\\_governance/corporate\\_social\\_responsibility](https://www.ico.es/es/web/ico_en/ico/about_ico/good_governance/corporate_social_responsibility)

<sup>54</sup> Agencia Estatal Boletín Oficial de Estado, "Orden EHA/2899/2011, de 28 de octubre, de transparencia y protección del cliente de servicios bancarios", at: <https://www.boe.es/buscar/act.php?id=BOE-A-2011-17015>

<sup>55</sup> Agencia Estatal Boletín Oficial de Estado, "Circular 5/2012, de 27 de junio, del Banco de España, a entidades de crédito y proveedores de servicios de pago, sobre transparencia de los servicios bancarios y responsabilidad en la concesión de préstamos", at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2012-9058>

<sup>56</sup> ICO, "Sustainability Policy", at: [https://www.ico.es/es/web/ico\\_en/ico/about\\_ico/sustainability/sustainability\\_policy](https://www.ico.es/es/web/ico_en/ico/about_ico/sustainability/sustainability_policy)

<sup>57</sup> European Parliament, "Directive 2014/52/EU", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

<sup>58</sup> European Commission, "Focus on Environmental Impact Assessment" at: [https://www.era-comm.eu/EU\\_Legislation\\_on\\_Environmental\\_Assessments/](https://www.era-comm.eu/EU_Legislation_on_Environmental_Assessments/)

<sup>59</sup> United Nations, "Instituto de Crédito Oficial", at: <https://unglobalcompact.org/what-is-gc/participants/5300-Instituto-de-Credito-Oficial>

<sup>60</sup> OECD, "OECD Public Integrity Handbook", at: [https://www.oecd.org/en/publications/2020/05/oecd-public-integrity-handbook\\_598692a5.html](https://www.oecd.org/en/publications/2020/05/oecd-public-integrity-handbook_598692a5.html)

<sup>61</sup> ICO, "Sustainability Policy", at: [https://www.ico.es/es/web/ico\\_en/ico/about\\_ico/sustainability/sustainability\\_policy](https://www.ico.es/es/web/ico_en/ico/about_ico/sustainability/sustainability_policy)

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conduct, including transparent lobbying, privacy and conflicts of interests.<sup>62</sup> Additionally, ICO's anti-fraud plan establishes the processes to prevent, detect, manage and report any unethical business practices including money laundering and corruption.<sup>63</sup>

<sup>62</sup> ICO, "Instituto de Crédito Oficial Code of Ethics and Conduct", (2015), at: [https://www.ico.es/documents/77230/77289/en\\_III+04+-Codigo+de+conducta+16+diciembre.pdf/6ad7dba4-02c8-00d5-dd9b-3323f4e485f9?t=1621591072551](https://www.ico.es/documents/77230/77289/en_III+04+-Codigo+de+conducta+16+diciembre.pdf/6ad7dba4-02c8-00d5-dd9b-3323f4e485f9?t=1621591072551)

<sup>63</sup> ICO Group, "Anti-fraud Plan", (2023), at: <https://www.ico.es/documents/77230/514722/Plan-de-Antifraude-2023-ingles+def.pdf/1291ea76-6741-7058-3b08-be4a80986a5b?t=1685963785518>

## Annex 1: Assessment Framework Overview

The following is a brief overview of the [Assessment Framework](#) that we use to assess debt instruments and the frameworks that support them. Using this Assessment Framework, we provide two key signals in our Second Party Opinions: **Principles Alignment** and **Sustainability Contribution**.




**Principles Alignment** indicates a framework's alignment with the requirements of applicable sustainable debt market Principles.<sup>64</sup> This assessment is structured according to the four components of the Principles: Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting. Principles Alignment is expressed at one of following levels:

- ▶ **Aligned:** Meets all requirements across the four components.
- ▶ **Partially Aligned:** Meets requirements on two or three of the four components.
- ▶ **Not Aligned:** Does not meet requirements on most or all of the four components.

In addition, we provide commentary on any shortcomings as well as best practices.

Sustainability Contribution provides a clear and comparable signal of the expected contribution of the use of proceeds to one or more environmental or social objectives. We assess each expenditure defined in a framework by looking at the activities, assets and projects that they finance. This assessment is carried out using a set of factors that we have identified as driving the expenditure's contribution to a primary objective as well as its avoidance of harm to other objectives. The assessment results in one of the four levels of Sustainability Contribution described in the table below.

We determine the average contribution of the expenditures within each use of proceeds category (as defined by the issuer) to produce an expected Sustainability Contribution for each category. We then aggregate across categories to determine the Sustainability Contribution of a framework overall. In most cases, weight is distributed equally across use of proceeds categories. However, we adjust the weighting if information regarding percentage allocation is provided by the issuer.

Level of Sustainability Contribution	Description
	<p>The expenditure finances an activity that makes a strong contribution to an environmental or social objective. The activity is well aligned with credible standards; there are no significant lock-in risks; and the risk of negative impact to other sustainability objectives is low.</p>
	<p>The expenditure finances an activity that makes a significant positive contribution to an environmental or social objective while having minor shortcomings compared to a strong contribution. This is either because the activity falls somewhat short of credible standards; there is some risk of lock-in (in the case of some environmental activities); there is a risk of negative impact to other sustainability objectives; or there is some ambiguity in the criteria for the expenditure.</p>
	<p>The expenditure finances an activity that represents a step towards an environmental or social objective but has substantial shortcomings compared to expenditures that make a strong contribution. Although the activity will result in benefit over a relevant baseline, either it falls substantially short of credible standards; there is significant</p>

<sup>64</sup> These primarily include the Green Bond Principles and the Social Bond Principles, published by the International Capital Market Association (ICMA); and the Green Loan Principles and the Social Loan Principles, published by the Loan Syndications and Trading Association, the Loan Market Association, the Asia Pacific Loan Market Association (LSTA-LMA-APLMA), and the Association of Southeast Asian Nations (ASEAN).

risk of lock-in; there is significant ambiguity in the criteria; or there is a risk of significant negative impact to other sustainability objectives.



The expenditure finances an activity that entails no net positive contribution to environmental or social objectives. Even in cases where there is some positive contribution to an objective, this is offset by shortcomings in other areas. Alternatively, the eligibility criteria may be unclear to the extent that contribution cannot be determined.

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## Scope of Work and Limitations

This Second Party Opinion provides a point-in-time independent opinion of the Framework as of the Evaluation Date. Our opinion may consider additional documentation and information that the Framework owner may have provided during the engagement, in addition to public and non-public information. The owner refers to the entity featuring as an issuer, borrower, special-purpose vehicle or any other entity as described in the Framework.

As part of this engagement, we communicated with representatives of the Framework owner, who acknowledge that: i) it is the sole responsibility of the Framework owner to ensure that the information provided is complete, accurate and up to date; ii) they have provided us with all of the relevant information; and iii) that all of the information has been provided in a timely manner.

This Second Party Opinion provides our opinion of the Framework and should be read in conjunction with that Framework. Any update of this Second Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Framework owner.

Our Second Party Opinion provides our opinion on the alignment of the Framework with current market standards and practice but provides no guarantee of alignment nor warrants alignment with future versions of any such standards. In addition, it does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided in this Second Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Framework owner may have made available to Sustainalytics for the purpose of this Second Party Opinion.

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