

ICO GROUP CLIMATE TRANSITION PLAN



1. Introduction

The Instituto de Crédito Oficial (ICO), in line with its role as a public financial institution and with the climate targets set at European and national level, is a key player in the transition towards a climate-neutral economy. As a credit institution, it is also subject to supervision by the financial authorities, which in recent years have highlighted the need to measure and manage climate and environmental risks. In this context, the measurement of emissions and development of reduction plans are key tools for the effective management of transition risks.

The ICO calculated its carbon footprint for the first time in the 2023 financial year. On this basis, on 30 October 2025, the General Council, the Institute's highest decision-making body, approved the Climate Transition Plan relating to financed emissions, focusing on Scope 3 emissions, category 15 of the GHG Protocol (which covers emissions arising from financing and investment activities).

The Plan aims to establish a pathway for the progressive reduction of greenhouse gas (GHG) emissions, in line with the climate commitments made by the European Union and Spain, in particular the 2050 climate neutrality target set out in the European Climate Law and in Law 7/2021 on climate change and the energy transition. The Plan has been drawn up using widely accepted methodologies as a reference and adopts a sectoral approach, focusing on those sectors of direct financing that are most significant in terms of emissions.

2. Regulatory framework and benchmark standards

Climate action and the integration of climate change risks into economic activity stem from international commitments made by the international community, which have subsequently been translated into a comprehensive regulatory framework at European and national level. This framework forms the basis for current obligations and future expectations regarding emissions measurement and transition plans for financial institutions.

The key milestone in this process is the Paris Agreement, adopted in 2015 and ratified by the European Union and Spain. This agreement sets the objective of keeping the global average temperature rise well below 2°C above pre-industrial levels and of pursuing efforts to limit it to 1.5°C. Alongside this climate objective, the Paris Agreement incorporates a key principle for the financial sector: the need to align financial flows with low-carbon and climate-resilient development pathways. This principle has acted as a catalyst for subsequent regulatory developments at European level.

Within the European Union, these commitments have been formalized through the European Green Deal, which sets out a comprehensive roadmap for transforming the European economy and achieving climate neutrality by 2050. This objective is enshrined in legally binding terms in the European Climate Law (Regulation (EU) 2021/1119), which also sets out interim emission reduction targets and a framework for monitoring progress. At national level, these objectives are implemented through Law 7/2021 on climate change and energy transition, which establishes the general framework for the decarbonisation of the Spanish economy and the alignment of public policies with European climate commitments.



At the same time, the European Union has developed a specific regulatory framework on the disclosure of sustainability information. Directive (EU) 2022/2464 on corporate sustainability reporting (CSRD) expands and strengthens non-financial reporting obligations, as recently amended by Directive (EU) 2026/470 (Omnibus I Package). These obligations are set out in the European Sustainability Reporting Standards (ESRS), and in particular in ESRS E1 – Climate Change, which sets out the minimum information that must be disclosed in relation to transition plans for climate change mitigation.

Furthermore, at national level, Royal Decree 214/2025, which establishes the register of carbon footprints, offsetting and carbon dioxide absorption projects, sets out the obligation to calculate and record carbon footprints and to draw up and publish greenhouse gas emission reduction plans for public sector bodies and for companies subject to non-financial reporting regulations. This Royal Decree sets out a phased timetable for the development of reduction plans, distinguishing between organisational emissions (Scopes 1 and 2) and the subsequent inclusion of Scope 3.

Alongside climate and disclosure regulations, the regulatory framework applicable to financial institutions is complemented by prudential regulations and supervisory expectations. Both the European Central Bank and the Bank of Spain have gradually incorporated climate and environmental risks into the financial risks that must be identified, measured and managed by credit institutions. In this context, European prudential regulations—in particular the Capital Requirements Directive and Regulation (CRD and CRR)—require institutions to integrate transition risks into their strategy, governance and risk management processes, taking into account short-, medium- and long-term time horizons.

These requirements have been reinforced by Implementing Regulation (EU) 2024/3172 on the disclosure of information on environmental, social and governance risks under Pillar 3, which introduces a sectoral approach and pays particular attention to exposure to carbon-intensive sectors and financed emissions. Within this framework, transition plans are considered a key tool for managing transition risk and for enabling supervisors to assess the consistency between institutions' strategies and European climate objectives.

3. Methodology

The development and implementation of the ICO Transition Plan have comprised the following phases:

- **Measuring the institution's carbon footprint** in accordance with the PCAF standard.
- **Establishing the baseline** to enable consistent monitoring of emissions performance in the future. ICO has taken the 2024 financial year as its base year, which has been reviewed by an external consultant.
- **Portfolio analysis** to determine the **scope of the Plan** and **identify the sectors** representative of ICO's activities and the emissions financed.

*When defining a decarbonisation strategy, the **sectoral approach** is considered the most appropriate for a financial institution, given that its activities typically span a wide range of economic sectors and each sector has distinct characteristics in terms of climate impact and emissions reduction potential, which requires a differentiated approach. The sectoral approach is consistent both with European regulatory requirements (Implementing Regulation (EU) 2024/3172) and with the financial sector's main voluntary initiatives, such as the Net Zero Banking Alliance.*

- **Selection of metrics for each chosen sector.** The most common is emissions intensity per unit of production, which, depending on the sector, analyses the volume of GHG emissions financed relative to a unit of production specific to that sector.
- **Analysis and selection of decarbonisation scenarios,** developed by both international organisations and national authorities to meet the targets of the Paris Agreement. The scenarios selected in this Plan are as follows:
 - The International Energy Agency's (IEA) Net Zero Emissions 2050 Scenario
 - Spain's National Energy and Climate Plan (PNIEC)
 - Carbon Risk Real Estate Monitor (CRREM) Scenario
- Setting decarbonisation targets and establishing deadlines.
- **Definition of the measures** required to achieve the targets within the specified timeframe.

Scope

To determine the sectors included in the Transition Plan, a **sectoral analysis of the direct financing portfolio** was carried out, selecting those most relevant to ICO from among those defined by Implementing Regulation (EU) 2024/3172 as being most exposed to transition risks linked to climate change¹. Consequently, the Plan has focused on the two sectors with the highest levels of financed emissions among those covered by Regulation 2024/3172 (**fossil fuels** and **electricity**), to which the **housing** sector has been added, due to its strategic importance for the ICO, which implies an increase

¹ Implementing Regulation (EU) 2024/3172, in its template 3, sets out these sectors and specifies the NACE codes at level 4 that may be included within them (maritime transport, electricity, cement production, clinker and lime production, iron and steel production, coke and metal ores, automotive, fossil fuel combustion and aviation).

in planned activity for the coming financial years.

The Institute does not include the mediation schemes or the ICO Crecimiento SME financing scheme in the Plan, due to difficulties in obtaining direct data.

4. Sectoral objectives and proposed measures

The sectoral targets for each of the sectors under consideration have been set in line with the reference decarbonisation scenarios for each sector, with 2030 serving as the first milestone towards achieving the Paris Agreement's 2050 targets.

Fossil fuels

Reference scenario	Net Zero Emissions by 2050 (International Energy Agency)
Emissions metrics	Tonnes of CO ₂ equivalent (tCO ₂ eq) (absolute value) – Scopes 1, 2 and 3.
2030 target:	-28%
Situation in base year (2024)	n/a
Change for the period 2024–2030	-28%

Measures to achieve the targets:

- For project financing: exclusion of new financing in the sector.
- For corporate financing: exclusion of new transactions with companies where more than 50% of turnover is derived from activities within the sector, with the exception of those companies that have publicly committed to net-zero emissions by 2050 or to a reduction pathway consistent with that target.

In exceptional cases, transactions relating to fossil fuels may be financed, whether through project or corporate financing, provided they are linked to an emergency plan or their exceptional nature can be justified. Given their exceptional nature, these transactions will not be taken into account for the purposes of the Transition Plan's calculations or the monitoring of its sectoral targets.



Electricity generation

Reference scenario	National Energy and Climate Plan (Spanish Government) – Net Zero Emissions by 2050 (International Energy Agency)
Emissions metrics	kgCO ₂ eq/MWh (intensity) – Scopes 1 and 2.
2030 target:	12
Situation in base year (2024)	24
Change for the period 2024–2030	-50%

Measures to achieve the targets:

- At present, the ICO's portfolio is already largely aligned with the objectives of the chosen scenario, and its financing activity in this sector focuses primarily on zero-emission renewable energy projects (Scopes 1 and 2). Action in this area therefore involves continuing with the current investment strategy in the sector.

Housing

Reference scenario	Global Decarbonisation Pathway (Carbon Risk Real Estate Monitor)
Emissions metrics	kgCO ₂ eq/m ² (intensity) – Scopes 1 and 2.
2030 target:	3
Situation in base year (2024)	6
Change for the period 2024–2030	-50%

Measures to achieve the targets:

- The ICO's current risk policies include energy efficiency requirements for the housing it finances, which are considered sufficient to ensure the gradual achievement of the targets set out in the Plan.

The Transition Plan was approved by the ICO's highest decision-making body, the General Council, at its meeting on 30 October 2025, and is monitored on a regular basis in the Group's Non-Financial Report.