

# Second-Party Opinion

## CaixaBank Sustainable Development Goals Framework



### Evaluation Summary

Sustainalytics is of the opinion that the CaixaBank Sustainable Development Goals (SDG) Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds are recognized by both the Green Bond Principles and Social Bond Principles as impactful. Sustainalytics considers the financing of projects and companies dedicated to providing (i) access to essential services, (ii) affordable basic infrastructure, (iii) employment generation, (iv) sustainable water and wastewater management, (v) renewable energy, (vi) energy efficiency, (vii) green buildings, (viii) clean transportation, (ix) pollution prevention and control and (x) terrestrial and aquatic biodiversity conservation to have positive environmental or social impacts and to advance the UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** CaixaBank's internal process of evaluating and selecting projects is aligned with market practice. The company has a dedicated SDGs Working Group to preselect projects. CaixaBank's SDGs Working Group is co-headed by representatives from the Treasury and Corporate Responsibility departments and further comprised of representatives from the Risk and Business departments. Final approval of shortlisted projects is conducted by the Environmental Risk Management Committee and the Corporate Responsibility and Reputation Committee.



**MANAGEMENT OF PROCEEDS** CaixaBank's processes for management of proceeds is aligned with market practices. CaixaBank has in place an internal register to track the use of proceeds. Unallocated proceeds will be held according to CaixaBank's Treasury's general liquidity guidelines for short term investments.



**REPORTING** CaixaBank intends to report on the allocation of proceeds on its website on an annual basis. In addition, CaixaBank is committed to reporting annually on impact indicators until full allocation, such as the location and type of green building certifications, CO<sub>2</sub> emissions avoided, number of jobs created and number of solar farms, wind farms or hydro power plants built amongst others. In Sustainalytics' view, reporting on these metrics is in line with market practice.

<b>Evaluation date</b>	August, 2019
<b>Issuer Location</b>	Valencia, Spain

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## Introduction

CaixaBank SA is a Spanish bank with global operations including retail banking, especially in Spain and Portugal, corporate banking, cash management and surplus management.

CaixaBank has developed the CaixaBank Sustainable Development Goal (SDG) Framework (the “Framework”) under which it intends to issue multiple green, social and sustainability bonds from which it will use the proceeds to finance and refinance, in whole or in part, existing and future projects that intend to mobilize capital for the transition to a low-carbon, resource-efficient, and inclusive economy, and particularly towards the achievement of the UN Sustainable Development Goals. The framework defines eligibility criteria in 10 areas:

1. Access to essential services,
2. Affordable basic infrastructure,
3. Employment generation,
4. Sustainable water and wastewater management,
5. Renewable energy,
6. Energy efficiency,
7. Green buildings,
8. Clean transportation,
9. Pollution prevention and control,
10. Terrestrial and aquatic biodiversity conservation.

CaixaBank engaged Sustainalytics to review the CaixaBank SDG Framework dated August 2019 and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines 2018 (SBG).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of the Issuer’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Issuer’s sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the CaixaBank SDG Framework and should be read in conjunction with that Framework.

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<sup>1</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The CaixaBank SDG Bond Framework is available at the company’s website: [https://www.caixabank.com/inversores-institucionales/inversores-renta-fija/bonos-ods\\_en.html](https://www.caixabank.com/inversores-institucionales/inversores-renta-fija/bonos-ods_en.html)

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the CaixaBank Sustainable Development Goals Framework

#### Summary

Sustainalytics is of the opinion that the CaixaBank SDG Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP) Sustainability Bond Guidelines 2018 (SBG) and Green Loan Principles 2018 (GLP). Sustainalytics highlights the following elements of CaixaBank's sustainability bond framework:

- Use of Proceeds:
  - CaixaBank intends to finance new and existing assets with a look-back period of three years. All use of proceeds categories – (i) access to essential services, (ii) affordable basic infrastructure, (iii) employment generation, (iv) sustainable water and wastewater management, (v) renewable energy, (vi) energy efficiency, (vii) green buildings, (viii) clean transportation, (ix) pollution prevention and control and (x) terrestrial and aquatic biodiversity conservation – are recognized as impactful by the GBP or SBP. In addition, Sustainalytics considers the eligible projects to contribute to the SDG. (Please refer to the table below: Alignment with/contribution to SDGs.)
  - CaixaBank's green building projects include: (i) commercial buildings which are in the top 15% of national energy performance and provide 35% improved energy performance compared to the local baseline and, (ii) new loans for residential buildings with energy performance in the top 15% of national energy performance and (iii) new buildings and renovation certified with recognized standards, i.e. LEED (gold or better), BREEAM (very good or better), HQE (excellent or better). Moreover, for renovation projects, CaixaBank has set a minimum threshold of 30% energy savings compared to a baseline before renovation. (Please see Appendix 1 & 2A for a detailed analysis of standards and Appendix 4 for a detailed description of the methodology for green buildings.)
  - Sustainalytics highlights that the eligibility criteria for clean transportation include investments for mass passenger transport systems and related infrastructure with direct emissions lower than 50gCO<sub>2</sub>e/p-km, which is aligned with a low-carbon trajectory.
  - In addition, CaixaBank uses recognized third-party standards for sustainable forest management (FSC and PEFC), including afforestation and reforestation, or equivalent certification levels, which aligns with IPCC recommendations and is considered impactful by Sustainalytics. (Please see Appendix 2 for a detailed analysis of standards and Section 3 for impact.)
  - CaixaBank also intends to finance waste projects, including waste collection and recycling, waste treatment biogas from agro farm and livestock waste. Sustainalytics positively highlights the use of bio waste and exclusion of incineration and landfill activities financed through the proceeds. Given the broad definition of waste treatment, potentially including activities that do not go beyond compliance of waste treatment, Sustainalytics welcomes CaixaBank's clarification that the bank will provide a description of the projects and impact reporting on a project-by-project basis, which ensures transparency on the impact of and type of projects financed under the category.
  - CaixaBank intends to finance innovative energy recovery technology. Sustainalytics notes that the category can potentially include various technologies but positively notes that CaixaBank set a threshold for technologies to be limited to those that emit less than 100g CO<sub>2</sub>/kWh.
  - CaixaBank intends to finance biogas production plants that align with the criteria that will be contained the final version of the EU Taxonomy. CaixaBank confirms that this will include alignment with the EU Taxonomy's "do no significant harm" criteria. While there remains some uncertainty regarding final version of the Taxonomy, Sustainalytics is of the opinion the criteria

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- for biogas production contained in the current draft of the EU Taxonomy<sup>3</sup> adequately address the potential environmental impacts associated with biogas production.
- CaixaBank intends to finance the rehabilitation of new greenfield woody perennial agricultural plantation such as orchards, fruit and nut trees aligned with EU standards on organic farming production, which Sustainalytics considers to reduce the use of pesticides and includes measures to increase carbon pools in soil. CaixaBank also clarifies that rehabilitation refers, for example, to the replanting of plants after fires, flooding and diseases.
  - Sustainalytics notes positively the following targeting of social projects and activities, limiting financing to:
    - Micro enterprise and SME financing in the most economically disadvantaged regions of Spain, defined as ranking either below the bottom 30<sup>th</sup> percentile in terms of GDP per capita or above top 30<sup>th</sup> percentile in terms of the unemployment rate;
    - Micro loans to low-income individuals defined as individuals or families located in Spain with a joint annual income of equal to or less than EUR 17,200;
    - Free and subsidized healthcare facilities, emergency medical care and disease control as well as public education for healthcare professionals;
    - Public schools and student housing;
    - Construction and maintenance of new water networks to improve access to water for residents.
  - Sustainalytics also notes positively that CaixaBank's financing of educational loans aim to increase access to education for students through flexible loan terms such as (i) repayment period of up to 10 years, (ii) low interest rate, and (iii) optional grace period.
  - Given the broad application of the framework, CaixaBank has committed to disclosing the specific eligibility categories to be funded through bond proceeds upon issuance of each bond.
  - CaixaBank has defined a three-year look-back period for refinancing activities. In addition, CaixaBank commits to reporting on the portion of financing vs refinancing in its annual allocation report.
- **Project Evaluation and Selection:**
    - CaixaBank has a dedicated working group, the SDGs Working Group, to preselect eligible projects. CaixaBank's project selection and evaluation process will be executed by its Risk and Business departments under the management of the Treasury and Corporate Responsibility departments. The final decision is made by the company's Environmental Risk Management Committee and Corporate Responsibility and Reputation Committee. This process is aligned with market practice.
  - **Management of Proceeds:**
    - CaixaBank's processes for management of proceeds is aligned with market practices. CaixaBank has in place an internal register to track the use of proceeds. Unallocated proceeds will be held according to CaixaBank Treasury's general liquidity guidelines for short term investments.
  - **Reporting:**
    - CaixaBank intends to report allocated proceeds on its website on an annual basis, including the total amount of allocated proceeds by SDG and eligibility criteria as well as unallocated proceeds.
    - In addition, CaixaBank confirmed to Sustainalytics that it is committed to reporting annually on impact indicators on its website until full allocation, such as the location and type of green building certifications, CO<sub>2</sub> avoided, number of jobs created and number of solar farms, wind farms or hydro power plants built, amongst others. In Sustainalytics' view, reporting on these metrics is in line with market practice.

### **Inclusion of non-project-based lending**

Sustainalytics recognizes that the GBP, SBP, SBG and GLP favour project-based lending and financing. The CaixaBank SDG Bond Framework includes project-based lending and considers the inclusion of the following non-project-based lending activities and expenditures:

<sup>3</sup> Available at [https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy\\_en](https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy_en).

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- general purpose loans for businesses with 90% or more of revenues from activities that align with the eligibility criteria.

Given the provisions set out above, Sustainalytics is of the opinion that the proceeds of the CaixaBank SDG bonds – whether they are used for capital and/or operational expenditures associated with financing/refinancing project-based or non-project-based lending/expenditure activities - will contribute to supporting businesses and activities which ensure the provision of products and services that are necessary to achieving sustainable development in the long term.

### **Inclusion of non-certified commercial green buildings**

For commercial buildings, Sustainalytics recognizes that market standard is to finance commercial buildings from the proceeds of green bonds if they are certified to credible green bond standards or if the buildings belong to the top 15% of energy performing buildings.

In its green building criterion, CaixaBank includes commercial buildings which exceed local building codes by 35% in terms of energy use. CaixaBank departs from the recognized 15% top performing buildings due to a lack of availability in public data and differences in the Spanish building code between regions. Please see the Appendix 4 for the full methodology.

Sustainalytics considers the inclusion of eligible non-certified energy efficient buildings as impactful given the significant improvement of eligible buildings compared to local standards (35%) and the importance of the non-residential building sector in terms of energy use. In 2012, 25% of the EU27 building stock in terms of square footage was non-residential<sup>4</sup> and accounted for 38% of the energy use in the sector (2010 data).<sup>5</sup> While green building certification often focusses on a broader set of indicators than energy performance, Sustainalytics considers the energy use of buildings an important factor to reduce the GHG footprint of the sector. In addition, Sustainalytics considers the threshold applied by CaixaBank to be credible given the alignment of this criterion with the BREEAM outstanding level of certification for energy use. While Sustainalytics recognizes that BREEAM includes a variety of indicators for its certification scheme and a 37% better energy improvement compared to local baselines, Sustainalytics considers the approach taken by CaixaBank to be credible and comparable to the highest level of BREEAM certification.

### **Alignment with Sustainability Bond Guidelines 2018 and Green Loan Principles 2018**

Sustainalytics has determined that CaixaBank's SDGs Bond Framework aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), Sustainability Bond Guidelines 2018 (SBG) and Green Loan Principles 2018 (GLP). For detailed information please refer to Appendix 5: Sustainability Bond/Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Performance of CaixaBank**

### **Contribution of framework to CaixaBank's sustainability strategy**

CaixaBank integrates sustainability in its business strategy, committing to support the transition to a sustainable economy while continuously working towards avoiding, mitigating and remedying those activities that could present a risk for the community and environment through the following efforts:

- CaixaBank has board-level responsibility for sustainability<sup>6</sup> and its commitment to sustainability is further supported through the bank's adherence to the Equator Principles since 2007,<sup>7</sup> its status as a signatory to the UN Global Compact, PRI, and the UNEP FI Responsible Banking Principles, as well as its inclusion in leading sustainability indexes (DJSI, CDP, MSCI, FTSE4Good).<sup>8</sup>

<sup>4</sup> Buildings Performance Institute Europe, International Expert Workshop "Energy Assessment of National Housing Stocks – Building Typologies" 2012: [https://www.energyagency.at/fileadmin/dam/pdf/veranstaltungen/TABULA/01\\_Oliver\\_Rapf.pdf](https://www.energyagency.at/fileadmin/dam/pdf/veranstaltungen/TABULA/01_Oliver_Rapf.pdf)

<sup>5</sup> International Energy Agency, Spain, Final energy consumption of the buildings sector (2010): <http://www.iea.org/beep/spain/>

<sup>6</sup> CaixaBank CSR Policy, revised February 2018, [https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/CaixaBank\\_CSR\\_Policy\\_2018.pdf](https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/CaixaBank_CSR_Policy_2018.pdf)

<sup>7</sup> CaixaBank Corporate website, ESG risk management, [https://www.caixabank.com/responsabilidadcorporativa/medioambiente\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/medioambiente_en.html)

<sup>8</sup> CaixaBank Integrated Corporate Report 2017, p. 9,

[https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad\\_corporativa/ICL\\_2017\\_ANG.pdf](https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad_corporativa/ICL_2017_ANG.pdf)

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- As promised in 2016,<sup>9</sup> CaixaBank integrated environmental and social considerations, including climate change, to its strategy through the revised versions of its (i) Principles of Environmental and Energy Management, (ii) Supplier Code of Conduct, the new (iii) Environmental Risk Management Policy, and (iv) Statement on Climate Change.<sup>10</sup> Furthermore, in 2017, CaixaBank launched the CSR Master Plan, centred around five main considerations including Environment, Financial Inclusion, and Social Action and Volunteering.<sup>11</sup> At the end of 2018, the 2019-2021 Strategic Plan was launched, including a strategic line that focuses on promoting financial inclusion and fostering sustainable lending.
- In accordance with CaixaBank's Environmental Management Plans, the company provides disclosure in its progress on minimizing its environmental impact. Following its past 2016-2018 Environmental Management Plan, the company reduced CO2 emissions by 10% and energy consumption by 5.5% in 2018 compared to 2015 baseline and it achieved carbon neutrality in its operations. Moreover, as part of its new 2019-2021 Environmental Management Plan, CaixaBank commits to obtain 100% of its energy consumption from renewable sources and to further reduce its CO2 emissions by 15.5% in 2021 compared to the 2015 baseline.<sup>12</sup> Accordingly, renewable energy projects accounts for 81% of CaixaBank's total energy financing portfolio.
- CaixaBank's offering includes ecoLoans and personal ecoMicrocredits to finance environmentally friendly vehicles and energy efficient home improvements,<sup>13</sup> as well as projects related to sustainability in the agricultural sector.<sup>14</sup> These initiatives further support the integration of sustainability into the company's business activities.

Given CaixaBank's board-level responsibility for sustainability as well as related commitments and actions, Sustainalytics believes that CaixaBank is well positioned to issue green, social or sustainability bonds, which will help CaixaBank to advance its sustainability strategy.

### Well positioned to address common environmental and social risks associated with the projects

While the use of proceeds categories are intended to have a positive environmental and social impact, Sustainalytics recognizes that the categories also imply certain environmental and social risks, mainly related to community and environmental impacts of large infrastructure and building projects as well as workers' health and safety. Moreover, social projects may create some risk of increasing inequality if not targeted at a particular population.

Sustainalytics is of the opinion that CaixaBank is well positioned to manage environmental and social risks related to the use of proceeds based on the following:

- CaixaBank has been a signatory to the Equator Principles since 2007, a globally recognized third-party risk management framework to manage social and environmental risks in project finance (see Appendix 3). CaixaBank applies the Equator Principles to project finance, project bonds and project-related corporate loans. Financing with the bonds' proceeds is limited to projects addressing and mitigating of social and environmental risks. Project-related loans and long-term transactions above EUR 5 million are further assessed according to ESG country, sector and customer data following internal policies.
- CaixaBank uses independent experts to assess customers' environmental and social management plans. Assets with potential environmental and social risks need to include a social and environmental appraisal and a specific plan of action on potential risks and impacts, which must be followed. Projects with high and irreversible risks and without a viable action plan are excluded from financing.<sup>15</sup> The company discloses a detailed plan of its decision guidelines on its website,<sup>16</sup> demonstrating transparent and strong risk management practices.

<sup>9</sup> CaixaBank 2016 2018 Environmental Plan:

[https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Info\\_corporativa/pla\\_ambiental\\_caixabank\\_en.pdf](https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Info_corporativa/pla_ambiental_caixabank_en.pdf)

<sup>10</sup> CaixaBank's Corporate Responsibility Policies available at: [https://www.caixabank.com/responsabilidad-corporativa/banca-socialmente-responsable/politicas-responsables\\_en.html](https://www.caixabank.com/responsabilidad-corporativa/banca-socialmente-responsable/politicas-responsables_en.html)

<sup>11</sup> CaixaBank's CSR Master Plan available at: [https://www.caixabank.com/responsabilidadcorporativa/modelofinanzasresponsables\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/modelofinanzasresponsables_en.html)

<sup>12</sup> Environmental Management Plan and Environmental Statements:

[https://www.caixabank.com/responsabilidadcorporativa/medioambiente/eficienciaambiental\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/medioambiente/eficienciaambiental_en.html)

<sup>13</sup> CaixaBank Corporate website, Sustainable finance,

[https://www.caixabank.com/responsabilidadcorporativa/medioambiente/financiacionsostenible\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/medioambiente/financiacionsostenible_en.html)

<sup>14</sup> CaixaBank Corporate website, Sustainable finance,

[https://www.caixabank.com/responsabilidadcorporativa/medioambiente/financiacionsostenible\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/medioambiente/financiacionsostenible_en.html)

<sup>15</sup> CaixaBank, corporate website, Environmental Sustainability: [https://www.caixabank.com/responsabilidadcorporativa/medioambiente\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/medioambiente_en.html)

<sup>16</sup> CaixaBank Equator Principles management:

[https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Info\\_corporativa/CaixaBank\\_Equator\\_Principles\\_management.pdf](https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Info_corporativa/CaixaBank_Equator_Principles_management.pdf)

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- iii. CaixaBank's SDG Framework includes an exclusionary list for certain sectors and activities, excluding animal maltreatment, asbestos, coal mining and power generation from coal (coal-fired power plants), conflict minerals, fossil fuel, gambling / adult entertainment, hazardous chemicals, large scale dams (above 25 MW), nuclear power generation, oil and gas, palm and soy oil, tobacco and weapons.
- iv. CaixaBank targets social investment that increases access to essential services, focussing on publicly financed education, free healthcare and SMEs in regions with a GDP in the bottom 30<sup>th</sup> percentile or an unemployment rate in the top 30<sup>th</sup> percentile, targeting or at least including vulnerable populations.
- v. As part of CaixaBank's Environmental Risk Management (ERM) Policy, the company sets limitations on its financing of companies that operate in specific sectors such as mining, energy, infrastructure, agriculture, fishing, livestock and forestry. Transactions are internally assessed to ensure that potential environmental and social risks are avoided and/or minimized, and high-risk activities are excluded. As a general exclusionary criterion, CaixaBank commits not to engage in the following lending activities:<sup>17</sup>
  - o Requested by companies that are associated with child labour and/or forced labour
  - o Include the resettlement of indigenous and/or vulnerable groups without its previous free and informed consent
  - o Imply a negative impact on areas included on the UNESCO World Heritage List, wetlands registered by the RAMSAR Convention, Alliance for Zero Extinction sites, protected areas under categories 1-4 of the IUCN, marine protected areas, primary tropical rainforests, primary or high conservation value forests or old-growth forests as defined by the World Resource Institute;
  - o Requested by companies that fail to provide enough information on its environmental risk mitigation policy during the due diligence process.

### Section 3: Impact of Use of Proceeds

All ten use of proceeds categories are recognized as impactful by the GBP or SBP. Sustainalytics has focused on five below where the impact is specifically relevant in the local context.

#### Importance of green buildings, renewable energy and low carbon transport

CaixaBank intends to use proceeds to finance green buildings, renewable energy and low carbon transportation, with projects located globally but mainly in Spain and the EU. Spain has set a target to reduce GHG emissions by 20% below 1990 levels by the year 2030, while the EU set targets for Spain to reduce its GHG emissions by 26% by 2030<sup>18</sup> compared to 2005 levels. According to 2014 data, Spain had increased GHG emissions by 15% compared to 1990,<sup>19</sup> indicating the necessity for the country to achieve stringent GHG reductions in order to achieve its targets.

Transport contributes 25.8% of GHG emissions in the EU, according to 2015 data, with road transport contributing 73% of GHG emissions from the sector.<sup>20</sup> In addition, in Spain, the energy sector accounts for the majority of GHG emissions, amounting to 79% according to 2012 data.<sup>21</sup> Increasing energy from renewable

<sup>17</sup> CaixaBank Environmental Risk Management Policy, [https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad\\_corporativa/EnvironmentalRiskManagementPolicy\\_eng.pdf](https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad_corporativa/EnvironmentalRiskManagementPolicy_eng.pdf)

<sup>18</sup> European Commission - Press release, Energy Union and climate action: driving Europe's transition towards a low carbon economy Brussels, July 20, 2016: [http://europa.eu/rapid/press-release\\_IP-16-2545\\_es.htm](http://europa.eu/rapid/press-release_IP-16-2545_es.htm)

<sup>19</sup> European Environmental Agency, Annual European Union greenhouse gas inventory 1990–2014 and inventory report 2016: <https://www.eea.europa.eu/publications/european-union-greenhouse-gas-inventory-2016>

<sup>20</sup> European Environmental Agency, Greenhouse gas emissions from transport: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases/transport-emissions-of-greenhouse-gases-10>

<sup>21</sup> United Nations Climate Change Secretariat, Summary of GHG emissions for Spain: [https://unfccc.int/files/ghg\\_emissions\\_data/application/pdf/esp\\_ghg\\_profile.pdf](https://unfccc.int/files/ghg_emissions_data/application/pdf/esp_ghg_profile.pdf); European Environmental Agency, Trends and projections in Spain 2017, Tracking progress towards Europe's climate and energy targets: <https://www.eea.europa.eu/themes/climate/trends-and-projections-in-europe/trends-and-projections-in-europe-2017/country-profiles-greenhouse-gases-and-energy/spain-ghg-and-energy-country-profile.pdf/view>

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sources can thus contribute to the decarbonization of the energy sector and contribute to the country's target to consume 20% of energy from renewable sources by 2020.<sup>22</sup>

Moreover, according to 2013 data, buildings accounted for 30.4% of total energy consumption and 64.6% of electricity consumption,<sup>23</sup> highlighting the importance of improving energy efficiency in buildings. Sustainalytics acknowledges CaixaBank's use of recognized third-party certification systems for green buildings as a credible approach to identifying top energy performing residential and commercial buildings. A detailed analysis of the methodologies and standards used is provided in the Appendix 1, 2 and 4.

Given the importance of the energy, buildings and transport sectors in Spain's GHG emission profile, Sustainalytics is of the opinion that fostering the development of renewable energy, green buildings, energy efficiency in buildings, public mass transport and electric vehicles will contribute to GHG emissions targets of the EU and Spain.

### Financing of MicroCredits through MicroBank

CaixaBank intends to invest part of the UoP into loans to individuals or families with a joint annual income of equal or less than EUR 17,200 and towards personal loans for self-employed workers or micro-enterprises through services provided by CaixaBank's MicroBank. MicroBank was set up in 2007 to support the bank's microcredit activities. The mission of MicroBank is to meet the financial needs of self-employed, entrepreneurs and families. Microcredits are offered for microenterprises, for personal and family development, financing of ecological projects and social enterprises. Sustainalytics regards the intended UoP as impactful given the importance of micro-enterprises in the Spanish economy and the need to provide access to financial services to prevent social exclusion of underserved populations.

Unemployment in Spain grew to 15.3% in 2018 from 8.2% in 2007 due to the financial crisis. While Spanish unemployment has recovered somewhat from 26.1% at the height of the crisis in 2013, it still remains relatively high at 15.3% (2018), representing the second highest in the EU.<sup>24</sup> The EU recognizes self-employment as a key opportunity for the unemployed, especially where traditional job opportunities have decreased significantly.<sup>25</sup> In addition, Spain has improved regulation to support the self-employed,<sup>26</sup> which make up 16.5% of the Spanish labour market,<sup>27</sup> indicating the importance of the sector. In addition, SMEs in the Spanish non-financial sector contributed 62.2% of value added and 72.4% of employment in 2018,<sup>28</sup> indicating the importance of the sector for the countries productivity and as employment provider. While the country has made related improvements, access to finance for small businesses was still below the EU average as of 2018.<sup>29</sup>

In addition, credible reports have highlighted the link between lack of access to financial services and exclusion from other essential services such as healthcare, education and employment as well as social exclusion.<sup>30</sup> The main reasons for financial exclusion were identified as low level of income, unemployment, single parenthood, unemployability, age, low level of education, immigration and living in a disadvantaged area.<sup>31</sup> Given that MicroBank's threshold for loans to families and individuals is clearly below the average

<sup>22</sup> European Commission, Europe 2020 targets: statistics and indicators for Spain: [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-your-country/spain/europe-2020-targets-statistics-and-indicators-spain\\_en#greenhouse-gas-emissions](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-your-country/spain/europe-2020-targets-statistics-and-indicators-spain_en#greenhouse-gas-emissions)

<sup>23</sup> Spanish Ministry of Industry, Energy and Tourism, Energy Efficiency Trends and Policies in Spain, September 2015: <http://www.odysseemure.eu/publications/national-reports/energy-efficiency-spain.pdf>

<sup>24</sup> OECD Data, Unemployment Rate available at: <https://data.oecd.org/unemp/unemployment-rate.htm>

<sup>25</sup> European Commission, Helping unemployed creating their own work in the new economy, May 2017: <http://ec.europa.eu/social/BlobServlet?docId=18257&langId=en>

<sup>26</sup> Cervantes Alarcon, The self-employed will see big changes in 2018, October 2017 <http://cervantesalarcon.com/en/2017/10/15/the-self-employed-will-see-big-changes-in-2018/>

<sup>27</sup> OECD, self-employment rate 2017: <https://data.oecd.org/emp/self-employment-rate.htm>

<sup>28</sup> European Commission, Internal market, Industry, Entrepreneurship and SMEs, 2017 SBA Fact Sheet, Spain: [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en)

<sup>29</sup> European Commission, Internal market, Industry, Entrepreneurship and SMEs, 2017 SBA Fact Sheet, Spain: [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en)

<sup>30</sup> Irving Fisher Committee on Central bank Statistics, Household financial exclusion in the Eurozone: the contribution of the Household Finance and Consumption survey, May 2017: <https://www.bis.org/ifc/publ/ifcb46o.pdf>; European Commission, Financial Services Provision and Prevention of Financial Exclusion, 2008: <http://ec.europa.eu/social/BlobServlet?docId=760>; European Microfinance Network, European Social Watch Report 2010, [http://www.socialwatch.eu/wcm/financial\\_exclusion.html](http://www.socialwatch.eu/wcm/financial_exclusion.html)

<sup>31</sup> Irving Fisher Committee on Central bank Statistics, Household financial exclusion in the Eurozone: the contribution of the Household Finance and Consumption survey, May 2017: <https://www.bis.org/ifc/publ/ifcb46o.pdf>



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annual income of EUR 23,106 (2018 data).<sup>32</sup> Sustainalytics is of the opinion that the UoP can contribute to providing access to financial services for underserved population and contribute to improving access to essential services.

### Sustainable Agriculture

CaixaBank is intending to use part of the proceeds to finance projects that improve water efficiency, increase renewable energy use and sustainable forestry and rehabilitation of greenfield woody perennial agricultural plantations in the agricultural sector. These projects are financed through AgroBank, the branch of CaixaBank that is focused on the agricultural sector.

Overall the agricultural sector contributes 9.58% of the total GHG emissions of the EU-28 (data from 2015)<sup>33</sup>, with the 3.67% of total GHG emissions coming from agricultural soils. In Spain, the sector contributed 28.9% of GHG emissions in 2010.<sup>34</sup> In addition, in 2012 the agricultural sector in Spain was responsible for 68% of total water consumption of the country. While water use for irrigation in Spain decreased by 11% from 1999 to 2012,<sup>35</sup> the total area of irrigated land increased by 7% from 2002 to 2014,<sup>36</sup> indicating the need for more efficient irrigation methods. Sustainalytics is of the opinion that AgroBank's financing of more water efficient irrigation methods will contribute to reduce the use of water in the sector.

In addition, CaixaBank will use part of the proceeds to finance afforestation and reforestation programmes for FSC and PEFC certified forests or equivalent certification. Given that Agriculture, Forestry and Other Land Use (AFOLU) sector accounts for 24% of total GHG emissions,<sup>37</sup> forest management activities are essential to mitigate climate change. According to IPCC, sustainable forest management practices may avoid significant amount of emissions, conserve water resources, control erosion, and preserve biodiversity.<sup>38</sup> FSC is considered to be the best certification system to ensure environmentally responsible, socially beneficial and economically viable management of forests and as such aligns with market best practice. Therefore, CaixaBank's focus on recognized certifications, which align with IPCC recommendations on sustainable forest management is considered impactful by Sustainalytics.

A more detailed analysis of the standards is provided in Appendix 2. Sustainalytics considers these afforestation and reforestation of FSC and PEFC certified forests to contribute to GHG emissions reduction and the protection of carbon terrestrial sinks.

### Public healthcare infrastructure

CaixaBank intends to use part of the bonds' proceeds to finance public healthcare infrastructure. The Spanish healthcare system ranks relatively high by international comparison,<sup>39</sup> with the highest life expectancy in the EU (83 years) in 2015, indicating the quality of the system. The Spanish health care system has a public and a private segment from which citizens can choose, with the public Spanish National Health System (NHS) covering 99.1% of residents in 2014. While the proportion of public funded health spending (71%) is below the EU average (79%), co-payments for pensioners is limited and otherwise structured according to income

<sup>32</sup> Expatica, Minimum wage and average salary in Spain, August 2018: <https://www.expatica.com/new/es/employment/employment-law/wages-104545/>

<sup>33</sup> EuroStat,

Agri-environmental indicator - greenhouse gas emissions: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Agri-environmental\\_indicator\\_-\\_greenhouse\\_gas\\_emissions](https://ec.europa.eu/eurostat/statistics-explained/index.php/Agri-environmental_indicator_-_greenhouse_gas_emissions)

<sup>34</sup> European Environmental Agency, GHG trends and projections in Spain: <https://www.eea.europa.eu/publications/ghg-trends-and-projections-2012/spain.pdf>

<sup>35</sup> Juan-Carlos Tójar-Hurtado, Esther Mena-Rodríguez and Miguel-Ángel Fernández-Jiménez, Spanish Agriculture and Water: Educational Implications of Water Culture and Consumption from the Farmers' Perspective, Water, published 11 December 2017; AquaStat:

[http://www.fao.org/nr/water/aquastat/data/query/results.html?regionQuery=true&yearGrouping=SURVEY&showCodes=false&yearRange.fromYear=1958&yearRange.toYear=2017&varGrpIds=4250%2C4251%2C4252%2C4253%2C4257&cntIds=&regIds=9805%2C9806%2C9807%2C9808%2C9809&edit=0&save=0&query\\_type=WUpage&lowBandwidth=1&newestOnly=true&\\_newestOnly=on&showValueYears=true&\\_showValueYears=on&categoryIds=-1&\\_categoryIds=1&XAxis=VARIABLE&showSymbols=true&\\_showSymbols=on&\\_hideEmptyRowsColumns=on&lang=en](http://www.fao.org/nr/water/aquastat/data/query/results.html?regionQuery=true&yearGrouping=SURVEY&showCodes=false&yearRange.fromYear=1958&yearRange.toYear=2017&varGrpIds=4250%2C4251%2C4252%2C4253%2C4257&cntIds=&regIds=9805%2C9806%2C9807%2C9808%2C9809&edit=0&save=0&query_type=WUpage&lowBandwidth=1&newestOnly=true&_newestOnly=on&showValueYears=true&_showValueYears=on&categoryIds=-1&_categoryIds=1&XAxis=VARIABLE&showSymbols=true&_showSymbols=on&_hideEmptyRowsColumns=on&lang=en)

<sup>36</sup> LIFE12 ENV/ES/000426, Water Use Decrease in Irrigated Farmland In Spain: <http://life-regadiox.es/en/water-use-decrease-in-irrigated-farmland-in-spain/>

<sup>37</sup> IPCC, Agriculture, Forestry and Other Land Use (AFOLU) available at: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter11.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf)

<sup>38</sup> IPCC, Forestry available at: <https://www.ipcc.ch/site/assets/uploads/2018/02/ar4-wg3-chapter9-1.pdf>

<sup>39</sup> The Lancet, Healthcare Access and Quality Index based on mortality from causes amenable to personal health care in 195 countries and territories, 1990–2015: a novel analysis from the Global Burden of Disease Study 2015: [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(17\)30818-8/fulltext#seccestitle160](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(17)30818-8/fulltext#seccestitle160)

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levels.<sup>40</sup> Given the quality and inclusiveness of the Spanish public healthcare system, Sustainalytics is of the opinion that financing healthcare infrastructure will contribute to further improve the country's system.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Employment Generation Access to Basic services	1. No Poverty  8. Decent Work and Economic Growth	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance  8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
Access to Basic services  Affordable Basic Infrastructure	3. Good Health and Well-being  4. Quality Education   11. Sustainable Cities and Communities	3.8: Achieve universal health coverage, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all  3.b: Research and development of vaccines and medicines, provide access to affordable essential medicines and vaccines  4.1: Ensure that all girls and boys complete free, equitable and quality primary and secondary education  4.2: Ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education  4.3: Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university  11.2 Provide access to safe, affordable, accessible and sustainable transport systems  11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 Improve Water Quality  6.4: Increase water-use efficiency and reduce the number of people suffering from water scarcity

<sup>40</sup> European Commission, State of Health in the EU, Spain Country Health Profile 2017: [https://ec.europa.eu/health/sites/health/files/state/docs/chp\\_es\\_english.pdf](https://ec.europa.eu/health/sites/health/files/state/docs/chp_es_english.pdf)

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Renewable Energy Energy efficiency Low Carbon Buildings Clean Transportation	7. Affordable and Clean Energy  9. Industry, Innovation and Infrastructure	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services  7.2. Increase substantially the share of renewable energy in the global energy mix  7.3 By 2030, double the global rate of improvement in energy efficiency  9.1 Develop quality, reliable, sustainable and resilient infrastructure  9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
Pollution prevention and control	12. Responsible Consumption and Production	12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse
Biodiversity conservation	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

## Conclusion

CaixaBank intends to issue multiple green, social, or sustainability bonds under the CaixaBank Sustainable Development Goal Framework that mobilize capital for the transition to a low-carbon, resource-efficient, and inclusive economy. The framework includes the financing of future and existing projects in the following eligibility categories: providing (i) access to essential services, (ii) affordable basic infrastructure, (iii) employment generation, (iv) sustainable water and wastewater management, (v) renewable energy, (vi) energy efficiency, (vii) green buildings, (viii) clean transportation, (ix) pollution prevention and control and (x) terrestrial and aquatic biodiversity conservation. CaixaBank intends to finance projects for renewable energy, energy efficiency and commercial buildings globally, whereas social projects financing is intended to primarily include projects in Spain. These use of proceeds categories are recognized by the GBP and SBP and SBG as impactful and Sustainalytics views the criteria applied as credible and well-positioned to reduce GHG emissions globally and address social challenges in Spain.

Besides project finance, CaixaBank also includes general purpose loans for businesses with 90% or more of revenues from activities that align to its eligibility criteria. While the GBP, SBP and GLP favour project-based lending and financing, Sustainalytics is of the opinion that the loans financed will contribute to supporting businesses and activities which ensure the provision of products and services that support sustainable development in the long term.

CaixaBank's project evaluation and selection processes as well as management of proceeds is aligned with market practice. In addition, CaixaBank intends to report annually on the use of proceeds and impact of the projects financed.

Overall, Sustainalytics is of the opinion that CaixaBank is well positioned to issue green and social bonds and that the eligibility criteria used in the CaixaBank Sustainable Development Goal Framework are transparent, credible, and aligned with the four core components of ICMA's Green and Social Bond Principles 2018.



## Appendices

### Appendix 1: Comparison of building certification schemes

	BREEAM	LEED	HQE
<b>Type</b>	<b>Certificate</b>	<b>Certificate</b>	<b>Certificate</b>
<b>Background</b>	British Certification System; Adapted to Swedish regulations (BREEAM SE) used in Sweden since 2013; Used for new, refurbished and extension of existing buildings	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.
<b>Certification levels</b>	Outstanding Excellent Very Good Good Passed	Platinum Gold Silver Certified	Pass Good Very good Excellent Exceptional
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Health and Wellbeing</li> <li>• Energy</li> <li>• Transport</li> <li>• Water</li> <li>• Materials</li> <li>• Waste</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Environment (Site, Components, Worksite, Water, Waste, Maintenance)</li> <li>• Comfort (Hydrothermal, Acoustic, Visual, Olfactory)</li> <li>• Health (Spaces quality, Air Quality, Water Quality)</li> <li>• Principles of Equivalence</li> </ul>
<b>Requirement</b>	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>41</sup> and gives a BREEAM level of certification, which is based on the overall score obtained	Prerequisites (independent of level of certification) + Credits with associated points  These points are then added together to obtain the LEED level of certification  There are several different rating systems within LEED. Each rating system is designed to apply to a	Prerequisites (independent of level of certification) + Pointsbased performance level: Performing and High Performing  The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High

<sup>41</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

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	<p>(expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Performing levels are obtained based on a percentage of points given per target, allowing for flexibility. Based on the total number of stars obtained per area, an overall HQE level is then given. Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.</p>
<p><b>Performance display</b></p>	<ul style="list-style-type: none"> <li>☆☆☆☆☆ Unclassified</li> <li>☆☆☆☆☆ Approved</li> <li>☆☆☆☆☆ Good</li> <li>☆☆☆☆☆ Very good</li> <li>☆☆☆☆☆ Outstanding</li> <li>☆☆☆☆☆ Excellent</li> </ul>		

## Appendix 2: Sustainalytics' Analysis of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labour Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) *Type of organization:* Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) *Indigenous People's Rights:* FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) *Sourcing wood from non-certified sources:* Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

### Appendix 3: Equator Principles

The credibility of the Equator Principles as a risk management tool stems from its ability to ensure:

- (i) A mandatory review of all projects with respect to their level of impact in a comprehensive range of environmental and social areas: Principle 1 of the EP mandates a review and categorisation of all projects as having significant (Category A), limited (Category B), or minimal (Category C) environmental and social impact. Impact is assessed on the eight IFC Performance Standards on Environmental and Social Sustainability. These cover a wide range of issues to address environmental and social risk, including management of environmental and social impacts, community health, resource efficiency and pollution prevention, and labour conditions.
- (ii) Strong mitigation process for projects with significant or limited adverse environmental and social impact: The EPs (specifically Principles 2-6) require all Category A and B projects to conduct environmental and social impact assessments, develop and maintain environmental management systems, demonstrate effective stakeholder engagement, and establish a grievance mechanism to address concerns around the project's environmental and social performance. Sustainalytics is of the opinion that the abovementioned components constitute a strong overall process for mitigating impacts throughout the life of project.
- (iii) Continuous independent assurance of a project's environmental and social impact: Principle 7 of the EP requires that Category A and, as appropriate, Category B projects are subject to an independent review to assess the strength of the mitigation processes outlined above and to assess compliance with the EP. Additionally, Principle 9 of the EP requires the appointment of an independent environmental and social consultant to verify ongoing monitoring and reporting of project impacts.

## Appendix 4: Methodology for green buildings

CaixaBank, through its eligibility criteria for low carbon buildings, includes residential buildings in Spain which belong to the top 15% in regard to energy performance and commercial buildings that perform 35% better than required by local regulation. In the following, both methodologies are further elaborated.

### 1) Green residential buildings

To identify the top 15% of energy performing buildings, the Spanish Energy Performance Certificate (EPC) is used. Spain began in 2002 to introduce the Energy Performance Certificate (EPC) for buildings, which indicates the energy use of a building. Since 2007, the EPC is mandatory for newly built buildings and since 2013, for the sale or rental of existing buildings (through Royal Decree 235/2013).<sup>42</sup> The Spanish government keeps a register of EPC for residential buildings from which the data below is derived.<sup>43</sup>

According to available EPCs in Spain, the EPC classes A, B and C would be eligible for the top 15% of energy and CO<sub>2</sub> emissions performance. However, given CaixaBank's strong commitment to environmental matters, CaixaBank proposes an approach that includes only residential buildings with EPC classes A and B. This is a very restrictive criterion since it only includes the top 1.08% of existing EPCs by CO<sub>2</sub> emissions

Table: EPC label distribution in Spain as of Dec 2017 measured in terms of CO<sub>2</sub> emissions and energy consumption

EPC	A	B	C	D	E	F	G
<b>Absolute number of EPC based on CO<sub>2</sub> emissions</b>	7287	25107	123254	385219	1513560	357964	574938
<b>Percentage of existing EPCs</b>	0.24%	0.84%	4.13%	12.90%	50.67%	11.98%	19.25%
<b>absolute number of EPC based on energy consumption</b>	3911	16542	88544	281200	1374791	287905	580368
<b>percentage of existing EPCs</b>	0.15%	0.63%	3.36%	10.68%	52.21%	10.93%	22.04%

### 2) Green commercial buildings

CaixaBank uses the following eligibility criteria for commercial buildings:

*Commercial buildings that perform 35% better on energy use than required by local regulation, i.e. commercial buildings with an EPC A or B.*

The eligible criterion was established through the following methodology:

#### Background:

##### Spanish building code

The Spanish building code, Código Técnico de la Edificación (CTE), established in 2009, regulates, amongst others, the energy saving measures to be included in new buildings. While the CTE does not specify energy performance values for newly constructed buildings in kWh/sqm, it specifies values for each climate region on energy consumption from non-renewable sources, energy demand, performance of thermal installation, lighting, solar contribution for hot water supply and minimum photovoltaic contribution to electricity.

##### EPC

In addition, Spain began in 2002 to introduce the Energy Performance Certificate (EPC) for buildings, which indicates the energy use of a building. Since 2007, the EPC is mandatory for newly built buildings and since 2013 for the sale or rental of existing buildings (through Royal Decree 235/2013).<sup>44</sup> The Spanish

<sup>42</sup> Domínguez Martín, Instituto para la Diversificación y Ahorro de la Energía (IDAE), Implementation of the EPBD in Spain. Status in December 2014, <http://www.buildup.eu/sites/default/files/content/ca3-2016-national-spain-web.pdf>

<sup>43</sup> Spanish Ministry of Industry, tourism and Energy, State of The Energy Certification of Buildings, 2017: <http://www.mincotur.gob.es/energia/desarrollo/EficienciaEnergetica/CertificacionEnergetica/Documentos/Documentos%20informativos/informe-seguimiento-certificacion-energetica.pdf>



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government keeps a register of EPC for residential buildings but there is a lack of data for non-residential buildings.

### Establishing a baseline for energy efficient non-residential buildings

Generally, a well-accepted standard in the green bond market is to use the top 15% of energy performing buildings as eligibility criterion. However, given the lack of data on the energy performance of non-residential buildings in Spain it is not feasible to establish a baseline for the top 15% of buildings regarding energy performance.

### Applying a criterion based on BREEAM

BREEAM is an internationally recognized certification scheme for green buildings. The BREEAM classification distinguishes between the levels pass, good, very good, excellent and outstanding, which is determined by several indicators including, among others, energy use. To achieve BREEAM outstanding in the energy use indicator, buildings need to perform 37% better than required by the recent building regulation of the region.<sup>45</sup>

Since the Spanish building code does not define an energy use threshold the EPC methodology is used. The EPC is a label assigning buildings into energy classes ranging from A to G, where A is the best energy performance. To assign a building with an EPC level, a reference building is used in the calculation for non-residential buildings. The reference building has several similar features to the target building, which align with requirements for buildings in the Spanish building code as explained in detail below.

The EPC is determined using the following values, whereas the energy rating index C

$$C = \frac{\text{Energy use of target building}}{\text{Energy use of reference building}}$$

<b>Clase A</b>	<b>si</b>	<b>C &lt; 0.40</b>
<b>Clase B</b>	<b>si</b>	<b>0.40 ≤ C &lt; 0.65</b>
<b>Clase C</b>	<b>si</b>	<b>0.65 ≤ C &lt; 1.00</b>
<b>Clase D</b>	<b>si</b>	<b>1.00 ≤ C &lt; 1.30</b>
<b>Clase E</b>	<b>si</b>	<b>1.30 ≤ C &lt; 1.60</b>
<b>Clase F</b>	<b>si</b>	<b>1.60 ≤ C &lt; 2.00</b>
<b>Clase G</b>	<b>si</b>	<b>2.00 ≤ C</b>

Source: Institute for Diversification and Energy Savings (IDAE) and the Ministry of Housing: Energy rating scale for new construction buildings 2009<sup>46</sup>

Using the 37% energy efficiency requirement for BREEAM Outstanding, C should equal at least 0.63 or lower. This would place eligible buildings in EPC Class B. Class B also includes buildings which have a 35% better energy performance than the reference building. The 2% gap does not represent a significant deviation, as it overlaps with BREEAM Excellent, which is also a very high standard, and it allows for a more reliable identification. Therefore, CaixaBank proposes an approach which includes EPC Class A and B.

In addition, buildings with an EPC A and B meet the requirements of the 2013 update of the Basic Document<sup>47</sup> which supports the Spanish Technical Building Code. This update requires non-residential buildings to have an energy efficiency level of minimum EPC Class B for non-renewable energy use.

<sup>45</sup> Using BREEAM Europe Commercial 2009 Assessor Manual:

[https://tools.breeam.com/filelibrary/Technical%20Manuals/BREEAM\\_Europe\\_Commercial\\_2009.pdf](https://tools.breeam.com/filelibrary/Technical%20Manuals/BREEAM_Europe_Commercial_2009.pdf)

<sup>46</sup> Spanish Ministry of Industry, tourism and Energy, Energy rating scale for new construction buildings 2009:

[http://www.mincotur.gob.es/energia/desarrollo/EficienciaEnergetica/CertificacionEnergica/DocumentosReconocidos/OtrosDocumentos/Calificaci%C3%B3n%20energ%C3%A9tica.%20Viviendas/Escala\\_%20calif\\_energetica.pdf](http://www.mincotur.gob.es/energia/desarrollo/EficienciaEnergetica/CertificacionEnergica/DocumentosReconocidos/OtrosDocumentos/Calificaci%C3%B3n%20energ%C3%A9tica.%20Viviendas/Escala_%20calif_energetica.pdf)

<sup>47</sup> Basic Document: <https://www.codigotecnico.org/images/stories/pdf/ahorroEnergia/DBHE.pdf>

### Requirements for reference buildings for non-residential building<sup>48</sup>

For the energy certificate classification, non-residential buildings are compared with a reference building that has:

- a) The same shape, size and orientation as the object building.
- b) The same interior zoning and the same use of each area as the target building.
- c) The same remote obstacles as the object building.
- d) Constructive qualities of facade, floor and roof components, by one side, and some shadow elements, on the other, that guarantee compliance with the minimum energy efficiency requirements contained in the simplified option of section HE1-Limitation of energy demand of the CTE.
- e) The same demand for domestic hot water as the object building.
- f) The minimum solar hot water contribution included in the section HE4-Minimum solar contribution of hot water from the CTE.
- g) The same level of lighting required for the object building and a system of lighting that meets the minimum energy efficiency requirements listed in section HE2-Energy efficiency of lighting installations of the CTE.
- h) A standard value of the average installed thermal capacity
- i) In cases where this is required by the basic energy saving document of the Code Building Technician, a minimum solar photovoltaic contribution of electric power, according to section HE5 - Minimum photovoltaic contribution of electrical energy of the CTE.

<sup>48</sup> Spanish Ministry of Industry, tourism and Energy, Energy rating scale for new construction buildings 2009: [http://www.mincotur.gob.es/energia/desarrollo/EficienciaEnergetica/CertificacionEnergetica/DocumentosReconocidos/OtrosDocumentos/Calificaci%C3%B3n%20energ%C3%A9tica.%20Viviendas/Escala\\_%20calif\\_energetica.pdf](http://www.mincotur.gob.es/energia/desarrollo/EficienciaEnergetica/CertificacionEnergetica/DocumentosReconocidos/OtrosDocumentos/Calificaci%C3%B3n%20energ%C3%A9tica.%20Viviendas/Escala_%20calif_energetica.pdf)

## Appendix 5: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	CaixaBank
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b> <i>[specify as appropriate]</i>	CaixaBank Sustainable Development Goals (SDG) Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August 22, 2019
<b>Publication date of review publication:</b> <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

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## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds are recognized by both the Green Bond Principles and Social Bond Principles as impactful. Sustainalytics considers the financing of projects and companies dedicated to providing (i) access to essential services, (ii) affordable basic infrastructure, (iii) employment generation, (iv) sustainable water and wastewater management, (v) renewable energy, (vi) energy efficiency, (vii) green buildings, (viii) clean transportation, (ix) pollution prevention and control and (x) terrestrial and aquatic biodiversity conservation to have positive environmental or social impacts and to advance the UN Sustainable Development Goals.

CaixaBank intends to finance new and existing assets with a lookback period of three years.

CaixaBank uses recognized third-party standards for low carbon buildings, such as LEED, BREEAM and HQE, as well as FSC and PEFC for afforestation and reforestation investments.

Sustainalytics highlights that the eligibility criteria for clean transportation include investments for mass passenger transport systems and related infrastructure with direct emissions lower than 50gCO<sub>2e</sub>/p-km, CaixaBank set a threshold for energy recovery technologies to be limited to those that emit less than 100g CO<sub>2</sub>/kWh.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> :   |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
|---|--|

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- |  |  |
|--|--|
| <input type="checkbox"/> Affordable housing  | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security   | <input type="checkbox"/> Socioeconomic advancement and empowerment                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBPs:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CaixaBank has a dedicated working group, the SDGs Working Group, to preselect eligible projects. CaixaBank's project selection and evaluation process will be executed by its Risk and Business departments under the management of the Treasury and Corporate Responsibility departments. The final decision is made by the company's Environmental Risk Management Committee and Corporate Responsibility and Reputation Committee. This process is aligned with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

#### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |   |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

CaixaBank's processes for management of proceeds is aligned with market practices. CaixaBank has in place an internal register to track the use of proceeds. Unallocated proceeds will be held according to CaixaBank Treasury's general liquidity guidelines for short term investments.

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### Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

## 4. REPORTING

Overall comment on section (if applicable):

CaixaBank intends to report allocated proceeds on its website on an annual basis, including the total amount of allocated proceeds by Sustainable Development Goal and eligibility criteria, and, where feasible, a list of the underlying eligible projects, as well as unallocated proceeds. In addition, CaixaBank confirmed to Sustainalytics that it is committed to reporting annually on impact indicators on its website until full allocation, such as the location and type of green building certifications, CO2 avoided, number of jobs created and number of solar farms, wind farms or hydro power plants built, amongst others. In Sustainalytics' view, reporting on these metrics is in line with market practice.

### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

### *Information reported:*

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

### *Frequency:*

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

## CaixaBank Sustainable Development Goals Bond

### Impact reporting:

- |  |   |
|--|---|
| <input type="checkbox"/> Project-by-project            | <input type="checkbox"/> On a project portfolio basis               |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (please specify): by SDGs |

### Frequency:

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

### Information reported (expected or ex-post):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries  |
| <input checked="" type="checkbox"/> Target populations      | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Number of public hospital and other healthcare facilities built/upgraded, Number of solar farms, wind farms or hydro power plants (< 25Mw), Number of jobs created, Location and type of certified Green Buildings, Length of tracks built for mass public transport, Continued maintenance of FSC, PEFC or equivalent certification levels, Total area (in hectares) or output from agro-farms |

### Means of Disclosure

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report   | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents   | <input type="checkbox"/> Other (please specify):                        |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): The allocation of the net proceeds will be subject to External Review by an external auditor or an independent qualified provider and will be accessible on the CaixaBank's website. CaixaBank will also engage a qualified sustainability expert to review the impact of the projects to which proceeds have been allocated. |   |

Where appropriate, please specify name and date of publication in the useful links section.

### USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

CaixaBank website:  
[https://www.caixabank.com/inversores-institucionales/inversores-renta-fija/bonos-ods\\_en.html](https://www.caixabank.com/inversores-institucionales/inversores-renta-fija/bonos-ods_en.html)

CaixaBank Sustainable Finance corporate website:  
[https://www.caixabank.com/responsabilidadcorporativa/medioambiente/financiacionsostenible\\_en.html](https://www.caixabank.com/responsabilidadcorporativa/medioambiente/financiacionsostenible_en.html)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.



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## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

