



# GREEN BOND FRAMEWORK

June 2021

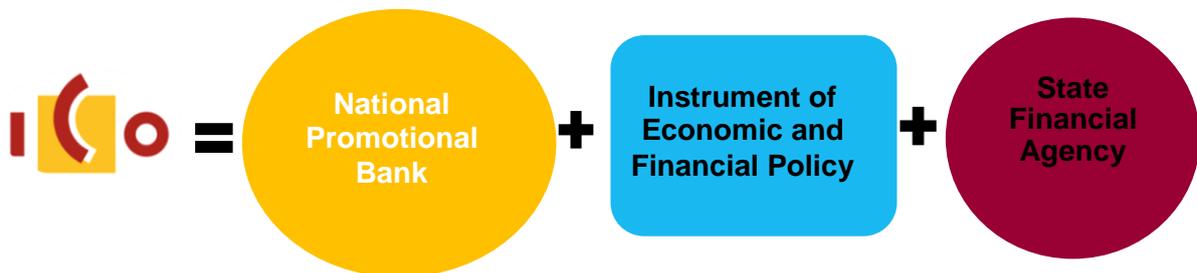


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## 1. Introduction

ICO is a Madrid-based Spanish state-owned bank attached to the Ministry of Economy Affairs and Digital Transformation, via the State Secretariat for Economy and Enterprise Support. ICO's main purpose is to promote economic activities that contribute to the growth and development of the country while improving the distribution of wealth, especially activities of a social, cultural, environmental or innovative significance, which are deemed to be a priority. The active promotion of sustainable development that preserves and respects the environment is particularly important for the institution.



As a **state-owned bank**, ICO provides loans to Spanish companies to fund investments and liquidity needs for their domestic and international operations through ICO's direct funding and second floor facilities.



As **Instrument of Economic and Financial Policy** ICO has a long history of collaboration with all levels of the Kingdom of Spain government and its ministerial departments, as well as with European institutions. Those collaborations include:

- Joint implementation of initiatives launched by Ministries.
- Collaboration with European institutions: EIB, EIF, EFSI, etc.
- Accredited European Commission's Implementing Partner to manage European funds under the Invest EU Programme and other EU Programmes.
- Public Private Association in projects and initiatives by public and private institutions.

As a **State Financial Agency** (off-balance-sheet) of the Spanish State, ICO manages the official financing instruments for the promotion of exports and development.

- Internationalization – Fondo para la Internacionalización de la Empresa (FIEM, Corporate Internationalisation Fund) & Contrato de Ajuste Recíproco de Intereses (CARI, Reciprocal Interest Adjustment Contract) on behalf of MINCOTUR (Ministry of Industry, Trade and Tourism).
- Corporate financing for Fondo de Promoción del Desarrollo (FONPRODE, Development Promotion Fund) and the Water Fund on behalf of the Spanish Agency for International Development Cooperation (AECID).
- Territorial Funds for regions and local authorities on behalf of MINHAP (Ministry of Finance)

In its triple function as a national promotional bank, instrument of economic and financial policy and financial agency of the State, in 2020 Instituto de Crédito Oficial (ICO) focused all its efforts on mobilising financing for the business network to mitigate the economic impact created by COVID-19.

ICO has performed an important role during the Covid-19 pandemic crisis. During this exceptional period, ICO has managed the measures approved by the Government, primarily the Guarantee Lines, in an unprecedented public-private collaboration scheme. It has simultaneously maintained and increased its usual activity to make all its financing instruments available to the self-employed, SMEs and companies, and has also worked to develop new programmes and equip itself with new capacities.

This support has been provided through the following instruments:

- COVID-19 Liquidity Guarantee Line
- Tourism Sector specific second-floor facility
- COVID-19 Investment Guarantee Line
- COVID-19 Direct Loans
- Corporate Short-Term Debt Purchase and Guarantee Programme for Mid-Caps
- COVID-19 Leasing Guarantee Line

## 2. ICO's Sustainability approach

For ICO Group, sustainability is a basic guiding pillar of its actions and involves all areas of the organization and its activity, acting as a foundation that allows the company to fulfil its mission as a public and promotional bank.

Sustainability is also the core of ICO's strategic reorientation<sup>1</sup>, and constitutes a multidimensional challenge, summarized through the Sustainable Development Goals, the Agenda for Change and the European Green Deal.

As a concrete step of its strategy, ICO, with the structural assistance of the European Commission, defined a Sustainable Finance Action plan in July 2020. This plan concluded the need to provide the institution with a Sustainability Task Force with representation from all the General Directorates of ICO and all the entities of ICO Group (Axis and Fundación ICO) to promote, coordinate and contribute to the development of the different actions of the group in terms of sustainability. Additionally, a Sustainability Area has been created to evaluate and promote the different actions carried out in terms of sustainability and in charge of the coordination of the Task Force.

### 2.1. Sustainability Policy

In early 2020, ICO's General Council approved a new Sustainability Policy<sup>2</sup> in order to enhance ICO commitments in Sustainability. These commitments range from a general overarching sustainability ambition to specific commitments related to responsible lending, sustainable development of financial markets, employee policy or good governance and transparency.

This policy establishes a general framework for action that ICO's activity must comply with. The policy involves all areas of the organization and its activities, acting as a management foundation that allows it to fulfil its mission as a public and promotional bank.

This Sustainability Policy is complemented by the rest of the internal policies that govern ICO's activity, with a focus on:

- Environmental Policy
- Direct Financing Policy<sup>3</sup>

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<sup>1</sup> <https://www.ico.es/documents/15125/1926935/ICO+Strategic+Realignment+2019-2021/5c6f5e34-5b66-48c8-9202-aad4aff71d94>

<sup>2</sup> <https://www.ico.es/documents/19/0/ICO+SUSTAINABILITY+POLICY.pdf/af535e65-d30c-4ff7-847c-7bf833efc12b>

<sup>3</sup> ICO in its direct financing activity includes the commitment to sustainable development at a national and international level and is committed to its adaptation to market standards in terms of sustainability and environmental objectives. ICO financing promotes business activities that contribute to sustainable development, economic growth, job creation, social welfare and positive environmental impact, aligned with the SDGs of the United Nations 2030 Agenda, Paris Agreement, United Nations Guiding Principles on Business and Human Rights (UNGPs). The institution will require the financed projects to calibrate environmental and social risks, and will demand the necessary conditions to mitigate the identified risks. Regarding fight against climate change, ICO contributes with its activities to the decarbonisation of the economy as prescribed in Spanish and European Energy and Climate policies.

- CSR Policy<sup>4</sup>
- Equality Plan
- Code of Ethics and Conduct
- Internal Code of Conduct in the Stock Market

## 2.2. ICO Environmental policy

ICO seeks to constantly advance and improve the efficient management of its processes in order to actively encourage conservation and respect for the environment.

Amongst the commitments undertaken in this policy, the following can be highlighted:

- Identify, apply and assess compliance with the applicable environmental legislation in its business activities; in the management of relations with its suppliers; and in the management of the Institute's own assets.
- Identify and assess environmental aspects arising from its activities with the aim of preventing direct negative impacts on the environment and demand proof from those responsible for compliance that such activities comply.
- Develop and implement a plan for energy efficiency and savings and for the rational use of natural resources.
- Integrate environmental variables into the research and development of financial products, encouraging activities and projects that improve environmental behaviour. ICO will also ensure that all of its activities such as direct financing, financial intermediation, raising funds and venture capital activities comply with applicable environmental policies and practices and that the company seeks to exclude activities that have a negative impact on the environment.
- Assess environmental aspects when granting loans and pass on the principles and values of respect for the physical and natural environment to businesses that are financed by products marketed by ICO. ICO shall strengthen its relations with financial institutions, as intermediaries of its loan facilities, in order to install and promote these values among the organization and management of SMEs and the self-employed.
- Define and measure a set of indicators to manage and monitor direct and indirect environmental impacts.
- Develop and implement an environmental management system based on the principle of continuous improvement and periodic reviews of environmental aspects arising from ICO's activities and the environmental performance of employees and other stakeholders.

## 2.3. Equator Principles

Taking into account the values and mission which underpin ICO, in October 2016, it voluntarily adhered to the Equator Principles with the aim of improving its social and environmental risk management system on large financing projects and identifying and mitigating any potential negative impacts which these projects could cause on the environment, on people, and on the climate.

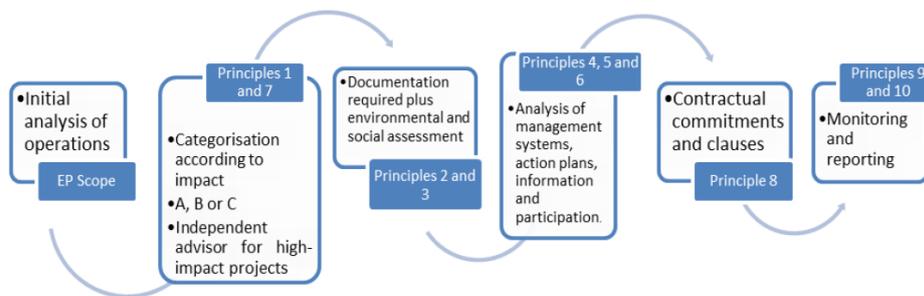
ICO's public nature and mission require it to promote and encourage best management practices which contribute to a sustainable business fabric and the fight against climate change. By adhering to these

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<sup>4</sup> The aim of this Corporate Social Responsibility policy is for ICO to be an institution that operates embodying ethical, social and environmental values, transparency and social commitment, applying principles of good governance and for its different stakeholder groups to view it as such. ICO draws up its CSR Report every year following the GRI guidelines. It also prepares the United Nations Global Compact Progress Report.

Principles, ICO positions itself amongst the leading banks in the drive towards sustainable and responsible financing.

Since Equator Principles were implemented in ICO in 2017, including new obligations in our regular operations approval and management processes, social and environmental risks of operations falling under the "scope" of the Equator Principles are being rigorously analysed, and the Principles are applied to new financing projects in all countries and economic sectors.



In this regard, ICO undertakes to publicly disclose all the projects financed which fall under the "scope" of the Equator Principles annually, following the reporting guidelines indicated in the Principles themselves.

## **2.4. Proactive role for sustainability**

ICO analyses, promotes and integrates main market trends in sustainability and CSR fields, including global agreements and development guidelines for which the international community is committed to, as illustrated below:

### **Fundación ICO**

ICO Foundation together with UNED carried out a study on Circular Economy and SMEs with the aim of being a practical tool capable of providing solutions to real problems faced by Spanish SMEs when launching initiatives and practices of this nature. The result of this study has been the document "The transition to the Circular Economy. Guide for SMEs".

### **Joint Initiative on Circular Economy (JICE)**

Initiative from the five largest national promotional banks (KfW - Germany, CDP - Italy, CDC - France, BGK - Poland and ICO) along with the EIB to support the development and implementation of projects and programmes of the circular economy in the European Union worth 10,000 million euros until 2023.

### **Clean Ocean Initiative**

ICO's commitment to this initiative, worth 2,000 million euros, aims to help to mitigate the effects of climate change and to contribute to the fight against pollution in the oceans through the provision of funding for projects for the efficient management of production processes and for the recycling of plastic waste in order to preserve our oceans, along with sustainable fishing and shipping.

Within the framework of COP25 in Madrid, along with the Asociación Española de Banca (AEB), CECA and a group of Spanish financial institutions, ICO signed the **Spanish Collective Commitment to Climate Action**<sup>5</sup>, under which the signatories commit to:

- Reduce the carbon footprint of their portfolios by prioritizing the necessary actions with special attention to the sectors with the greatest impact.
- Engage their customers in the transition to a low-carbon economy.
- Join efforts and work together to develop the capacities and methodologies needed to measure climate impact and align with global and national climate objectives.
- Develop, together with governments, scenario experts and stakeholders, specific roadmaps by sector and geography that are clear, feasible, and contribute to the objective of keeping the temperature increase well below 2°C with respect to pre-industrial levels, aiming for 1.5°C.
- Establish and publish portfolio alignment goals and objectives, specific to each sector and scenario-based, before December 2022.
- Publish and implement from December 2020, together with its customers, measures to support and accelerate the transition of society and business models towards low carbon economy and technology adapted to climate change.

### Invest EU's Sustainability Proofing Expert Group

ICO participates in the expert working group at the European level for defining the methodology and criteria that will be used to ensure sustainability in projects financed through Invest EU linked to the 2021-2027 EU Multiannual Financial Framework.

### Forética

Forética is the leading association of companies and professionals in corporate social responsibility and sustainability in Spain and Latin America with more than 200 partners. With the aim of being a key player in promoting the integration of social, environmental and good governance in the strategy and management of companies and organizations ICO participates in the following working groups:

- Cluster of climate change
- Social Impact Cluster
- Cluster of transparency, good governance and integrity

### Spainsif

Spainsif is the reference platform on sustainable and responsible investment in Spain, encouraging the integration of environmental, social and good governance criteria in investment policies.

Spainsif is a member of the pan-European Forum of sustainable and responsible investment.

### Social responsibility action group in public companies

In March 2018, ICO leaded and promoted this alliance that aims to contribute to the achievement of the 2030 Agenda for Sustainable Development and the promotion of best business practices in ESG matters.

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<sup>5</sup> <https://s1.aebanca.es/wp-content/uploads/2019/12/spanish-collective-commitment-to-climate-action.pdf>

### FINRESP (Spanish Centre for Responsible and Sustainable Finance)

ICO maintains a close collaboration with this Finresp, composed by various associations of the financial sector. It aims to address the difficulties and needs of the business fabric, particularly in relation to Spanish SMEs, to positively contribute to the commitments of the 2030 Agenda.

### Spanish Network of the Global Compact

ICO is a member of the Red Española del Pacto Mundial (REPM) and a signatory of its 10 Principles since 2005, and has been part of its executive committee since 2010.

The mission of the Spanish Network of the Global Compact is to:

- Promote business sustainability through the establishment of 10 universal principles of conduct and action in the field of Human Rights and Business, labour standards, the environment and the fight against corruption
- Strategize and promote daily actions of all types of entities and thus favour the achievement of Sustainable Development Goals (SDGs). Currently, the United Nations Global Compact (UN Global Compact) is the largest voluntary initiative of corporate social responsibility and sustainable development in the world, aimed at the generation of shared value.

### 2.5. Axis' Sustainability approach

Sustainability criteria have been implemented throughout ICO Group, including Axis, the ICO's Venture Capital Manager, through these three financial instruments:

**Fond-ICO Global:** investments in funds that invest in companies of all sectors that incorporate a component of innovation. Sustainability and digitalisation have been included as evaluation criteria in this 4.5 billion euros fund of funds.

**Fond-ICO Infraestructuras II:** endowed with 400 million euros and managed by Axis, this fund will invest in sustainable infrastructures (transport, social infrastructure and energy and environment) directly or as fund of funds, in Spain and abroad when there is any Spanish interest involved.

**Fond-ICO Pyme:** This fund, worth 250 million euros, has five activities: 1-Business Angels, 2-COVID-19 Entrepreneur Ecosystem, 3-Sustainable and Social Impact Initiative, 4-Diversified Debt Funds and 5-Direct Investment and Fund of Funds (until 2013). This fund is focused on promoting innovative sources of funding for SMEs and a new ecosystem activity. In 2019, Axis launched a new initiative for sustainability and social impact through Fond-ICO PYME worth 50 million euros. This initiative promoted the creation of funds devoted to invest in companies developing projects with a significant social and/or environmental and circular economy impact. The remuneration of the fund manager (carry interest) is linked to the performance of impact indicators for each company in its portfolio.

Since this initiative was launched, Fond-ICO Pyme has invested in CREAS IMPACTO (5 million euros), Q-IMPACT (5 million euros) and B-SOCIAL (5 million euros) with an expected mobilization of 125 million euros for Spanish impact SMEs focused on health and well-being, environmental sustainability, education and social innovation, whose activity has a measurable social impact.

In addition, AXIS collaborates with Spain NAB, National Advisory Board on Impact Investment, related to the Global Steering Group for Impact Investment – GSG. The GSG was established in August 2015 to

continue the work of the Social Impact Investment Taskforce established under the UK's presidency of the G8. It currently covers 33 countries and brings together impact leaders from finance, business, government and philanthropy. AXIS also belongs to the Impact Committee of the Spanish Association for Private Equity and Venture Capital (ASCRI).

### 3. Rationale for ICO Green Bond Framework

ICO's public nature and mission require it to promote and encourage best management practices, which contribute to a sustainable business fabric in line with the SDGs. By adhering to these standards, ICO positions itself amongst the leading banks in the drive towards sustainable and responsible financing.

ICO is fully committed with Sustainability Finance and has played a key role in the Social Bond Market by issuing a series of Social Bonds in different currencies thus far, and has the intention to go further on the contribution to the development of a sustainable financial market.

ICO has updated its Green Bond Framework ("the Framework") to be aligned with what is expected to become EU Green Standard (based on available documentation). In addition, the Framework is aligned with ICMA's Green Bond Principles 2018 and its four core components.

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

ICO also intends to progressively examine all projects in line with EU Taxonomy for sustainable economic activities as it becomes available, final and relevant for the projects comprised in ICO Eligible Green Loan Portfolio. Such analysis will be included in the reporting as the case may be.

### 4. Use of Proceeds

ICO's Green Bonds proceeds will be allocated to a portfolio of Green Eligible Loans (the "Green Eligible Loan Portfolio") meeting the following Project Categories and Eligibility Criteria:

Project Category	Project Sub-Category	Eligibility Criteria	Environmental Objectives	Environmental benefits
Renewable energy	Electricity generation from renewable energies	<p>Acquisition, maintenance, refurbishment and/or repowering of existing and future renewable energy production facilities from the following renewable sources:</p> <ul style="list-style-type: none"> <li>- solar</li> <li>- wind</li> <li>- bioenergy<sup>6</sup></li> <li>- hydropower when electricity generation complies with either of the following criteria:</li> </ul> <p>(a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;</p> <p>(b) the power density of the electricity generation facility is above 5 W/m<sup>2</sup>;</p> <p>(c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO<sub>2</sub>e/kWh.</p>	<p>Increase renewable energy production</p> <p>GHG emissions reduction</p>	Climate change mitigation
	Energy transmission and distribution networks	<p>Development, construction, equipment, operation and maintenance of new or additional Energy Transmission and Distribution networks aligned with the following criteria:</p> <ul style="list-style-type: none"> <li>- the system is the interconnected European system</li> <li>- construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis to a substation or network;</li> <li>- construction or operation of new transmission and distribution networks dedicated to hydrogen</li> <li>- conversion/repurposing of existing natural gas networks to 100% hydrogen;</li> </ul>	<p>Increase renewable energy production</p> <p>GHG emissions reduction</p>	Climate change mitigation

		<ul style="list-style-type: none"> <li>- retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network.</li> </ul>		
Hydrogen production	Manufacture of hydrogen	Development, construction, and upgrade of hydrogen electrolysis, with related lifecycle emissions that comply with European Taxonomy threshold of 3tCO <sub>2</sub> e/tH <sub>2</sub> .	GHG emissions reduction	Climate change mitigation
Energy efficiency	Energy savings	<p>Development, operation, distribution and maintenance of equipment or technology helping reduce energy consumption and increase energy savings including:</p> <ul style="list-style-type: none"> <li>- construction and operation of electricity storage including pumped hydropower storage;</li> <li>- construction of hydrogen storage facilities, and conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage;</li> <li>- district heating<sup>7</sup>;</li> <li>- smart grids, such as smart meters, sensors or remote control devices contributing to energy efficiency;</li> <li>- efficient lighting<sup>8</sup>.</li> </ul>	<p>Energy savings</p> <p>GHG emissions reduction</p>	Climate change mitigation

<sup>6</sup> As set out in sections 4.8 of the Delegated Act Annex I.

<sup>7</sup> Using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat.

<sup>8</sup> Light sources rated in the highest two populated classes of energy efficiency.

Green buildings	Green Buildings	<p>Acquisition, construction, development, renovation of buildings:</p> <ul style="list-style-type: none"> <li>- built before 31 December 2020 with an Energy Performance Certificate (EPC) as least equal to class A or rank in the top 15% on energy efficiency measures within the local market equivalent;</li> <li>- built after 31 December 2020 with the Primary Energy Demand (PED)<sup>9</sup> at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB);</li> <li>- required to have, or are designed and intended to receive, (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification in any of the following building certification schemes: <ul style="list-style-type: none"> <li>➤ LEED “Gold”,</li> <li>➤ BREEAM “Excellent”,</li> <li>➤ any other equivalent recognized regional certification with similar standards;</li> </ul> </li> <li>- for which renovation leads to an energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.</li> </ul>	Energy savings GHG emissions reduction	Climate change mitigation
Clean transportation	Low carbon vehicles and infrastructure	<ul style="list-style-type: none"> <li>- Rolling stock and infrastructure for electrified transportation systems, for public mass transportation and for freight transportation, or</li> <li>- fleet of vehicles, (including passenger cars, light commercial vehicles and large vehicles) emitting less than 50gCO<sub>2</sub>/km until 2025 and 0gCO<sub>2</sub>/km by 2026 onwards;</li> <li>- construction and operation of electronic vehicle (EV) charging</li> </ul>	GHG emissions reduction	Climate change mitigation

<sup>9</sup> Total primary energy use in kWh/m<sup>2</sup> per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

		<p>stations and supporting electric infrastructure for the electrification of transport;</p> <ul style="list-style-type: none"> <li>- infrastructure for hydrogen refuelling installations for road and off-road transportation, such as passengers cars, public transportation, road freight, waterborne transport and aircrafts.</li> </ul>		
Pollution prevention and control	Sustainable management of waste	<p>Development, manufacturing, construction, operation and maintenance of waste management activities such as:</p> <ul style="list-style-type: none"> <li>- separated non-hazardous waste collection and transportation<sup>10</sup>;</li> <li>- Bio-waste<sup>11</sup> anaerobic digestion or composting;</li> <li>- material recovery from non-hazardous waste<sup>12</sup>.</li> </ul>	<p>Pollution reduction</p> <p>GHG emissions reduction</p>	Climate change mitigation
Environmentally sustainable management of living natural resources and land use	Sustainable agriculture and forestry	<p>Development, manufacturing, construction, operation and maintenance of:</p> <ul style="list-style-type: none"> <li>- sustainable agriculture and climate smart farm input (organic farming certified with the EU label);</li> <li>- environmentally sustainable fishery (MSC and ASC or equivalent certifications) and aquaculture (ASC or equivalent certification);</li> <li>- environmentally sustainable forestry (FSC, PEFC or equivalent certifications).</li> </ul>	<p>GHG emissions reduction</p> <p>Natural resources preservation</p>	<p>Climate change mitigation</p> <p>Biodiversity preservation</p>
Sustainable water and wastewater management	Water and wastewater management	<p>Development, construction and maintenance of:</p> <ul style="list-style-type: none"> <li>- water collection, treatment and supply systems<sup>13</sup> where the net average energy consumption is</li> </ul>	<p>Secure water supply</p> <p>Pollution reduction</p>	Climate change mitigation

<sup>10</sup> Segregated at source intended for preparation for reuse or recycling operations.

<sup>11</sup> As set out in sections 5.7 and 5.8 of the Delegated Act Annex I.

<sup>12</sup> The activity converts at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes.

<sup>13</sup> As set out in sections 5.1 and 5.2 of the Delegated Act Annex I.

		<p>equal or lower than 0.5 kWh per cubic meter produced water supply; energy consumption is reduced by at least 20%</p> <ul style="list-style-type: none"> <li>- centralized wastewater treatment provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment system (projects selected under this category will provide demonstrable water savings or other quantifiable benefits).</li> </ul>		
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Certain activities will be excluded as eligible due to their environmental non-friendly nature, such as:

- Nuclear power generation
- Fossil fuel based energy
- Carbon related activities
- Oil and gas
- Armament sector
- Tobacco
- Any other activities that are not considered environmental friendly

## 5. Alignment of the Use of Proceeds with the UN SDGs

All of ICO's Eligible Green projects contribute to the environmental objective of climate change mitigation and the achievement of UN Sustainable Development Goals, specifically the following ones:

### Renewable Energy



- 7.1. By 2030, ensure universal access to affordable, reliable and modern energy services
- 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.a. By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy
- 7.b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support
- 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

### Hydrogen production



- 7.1. By 2030, ensure universal access to affordable, reliable and modern energy services
- 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.a. By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology
- 7.b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support
- 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

**Energy efficiency**



- 7.3. By 2030, double the global rate of improvement in energy efficiency
- 8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
- 9.4. By 2030, 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, with all countries taking action in

**Green Buildings**



- 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
- 9.4. By 2030, 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, with all countries taking action in

**Clean Transportation**



- 11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
- 11.a. Support positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning
- 3.9. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

**Environmentally sustainable management of living natural resources and land use**



- 11.4. Strengthen efforts to protect and safeguard the world’s cultural and natural heritage
- 11.5. By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
- 12.2. By 2030, achieve the sustainable management and efficient use of natural resources
- 14.4. By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics
- 15.1. By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
- 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
- 15.3. By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world
- 15.4. By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development
- 15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

**Sustainable water and wastewater management**



- 6.3. By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- 6.4. By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
  - 6.a. countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies
  - 6.b. Support and strengthen the participation of local communities in improving water and sanitation management
- 12.2. By 2030, achieve the sustainable management and efficient use of natural resources

## 6. Process for Project Evaluation and Selection

ICO commits to ensure that all eligible projects comply with the sustainability policies ICO has adopted, including the Sustainability Policy, Corporate Social Responsibility (CSR) Policy, the Environmental Policy, as well as other standards ICO adheres to (i.e. Equator Principles, UN Global compact), and that are not subject to any major controversy.

The process for Project Evaluation and Selection will be elaborated by ICO's Sustainability Department on a regular basis, and implies the participation of the different units involved in the Projects, considering the sustainable commitment across the organization, according to this procedure:

- The Loan Portfolio Management Area will make a list including the Projects susceptible of being classified as Green.
- Further information about each specific Project is collected from the Sustainability Department as well as from other areas directly involved in the financing of the particular Project.
- Finally, the Sustainability Department will select the Eligible Projects that meet the eligibility criteria and fit with the Green Project Categories identified in the framework.

In the event that a loan does not meet the eligibility criteria, in the case that there are any early loan repayments, or when a loan matures, ICO will replace such loans in the Green Eligible Loan Portfolio with new loans selected according to the Eligibility Criteria as defined in this Framework.

ICO commits to updating the Green Bond Framework with the goal of adhering to the most recent best market practices.

## 7. Management of Proceeds

Net proceeds from ICO's Green Bonds will be placed in ICO's treasury and managed by the treasury department using existing internal tracking systems. ICO commits to invest the net proceeds yet to be invested in cash, cash equivalent or money market products.

The team in charge of Sustainable Finance will periodically review loans funded through its administrative loan program to identify those that meet the eligibility criteria and allocate them to the Green Eligible Loan Portfolio.

ICO, on a best- efforts basis, will allocate all of the green bonds proceeds to eligible projects and loans within a year of issuing a bond.

## 8. Reporting

ICO commits to providing the following reporting information with regard to green bonds on a dedicated report publically available on ICO's website.

### 8.1 Allocation reporting

ICO will provide to investors information on the allocation of the Green Bonds proceeds annually until all proceeds have been allocated. The allocation reporting will include:

- Total amount allocated with a breakdown per project category, and per geographies
- Share of new financings and of refinancing through the Green Bonds
- Total amount of the unallocated proceeds

### 8.2 Impact reporting

Until full allocation, ICO will also provide an annual impact reporting on the environmental benefits of the projects resulting from the Green Bond issuance. This reporting may include:

Project category	Output metrics	Impact metrics
Renewable energy	Expected renewable energy capacity installed (MW) Expected renewable energy production distributed in MWh	Estimated annual GHG emissions reduced/avoided (in tCO <sub>2</sub> e/year)
Energy efficiency	Annual energy savings in MWh	Estimated annual GHG emissions reduced/avoided (in tCO <sub>2</sub> e/year)
Hydrogen production	Annual Hydrogen production (tH <sub>2</sub> or m <sup>3</sup> )	Estimated annual GHG emissions reduced/avoided (in tCO <sub>2</sub> e/year)
Green Buildings	Annual energy savings in MWh Reduction in annual energy consumption after renovation (%)	Estimated annual GHG emissions reduced/avoided (in tCO <sub>2</sub> e/year)
Clean transportation	Modal shift: Number of passenger-Km. and/or tons-Km Size of the Group's fleet	Estimated annual GHG emissions reduced/avoided (in tCO <sub>2</sub> e/year)
Pollution prevention and control	Annual reduction in waste to landfill / Project specific targets and results	Tons of waste managed (m <sup>3</sup> /year)
Environmentally sustainable management of living natural resources and land use	Estimated land area with biodiversity management Number of sustainable fishery loans granted	Estimated annual GHG emissions reduced/avoided (in tCO <sub>2</sub> e/year)
Sustainable water and wastewater management	Expected volume of water treated (m <sup>3</sup> /year) / Project specific targets and results	Annual reduction in water consumption (m <sup>3</sup> /year)

## 9. External review

ICO will engage Sustainalytics to provide an External Review in the form of a Second Party Review on the ICO Green Bond Framework, and confirm alignment with GBP 2018. The external review will be made available on ICO website.