



CAJA RURAL
DE NAVARRA

Sustainability Bond Framework

December 2021



This framework is intended for any type of liabilities (mainly, but not limited to bonds) that can (re)finance, in part or in full, sustainable use of proceeds as defined in the present document.

Table of contents

1. CAJA RURAL DE NAVARRA PROFILE.....	3
2. ESG IN CAJA RURAL DE NAVARRA	3
3. SUSTAINABILITY BOND FRAMEWORK OVERVIEW.....	4
3.1. Use of Proceeds	5
3.2. Project Evaluation and Selection Process.....	17
3.3. Management of Proceeds.....	17
3.4. Reporting	18
4. EXTERNAL REVIEWS.....	18
Appendix I – List of KPIs.....	19
Appendix II – ESG Framework Treasury Portfolio.....	20

1. CAJA RURAL DE NAVARRA PROFILE

Caja Rural de Navarra (CRN) is a co-operative, regional and retail-focused bank, that provides banking and financial services in the regions of Navarre, Basque Country and La Rioja in northern Spain. It was established in 1910 as the central institution for local co-operative banks of the region. Since 1946, it has evolved to become a regional co-operative bank, with its customers now based both in rural and in urban areas. Its customer segments include individuals, retailers, small and medium enterprises (SMEs), large corporates, and institutions. It offers a range of products and services such as mortgage and consumer loans, financing for businesses, demand and time savings products, investment services, guarantees, debit and credit cards, and also engages in insurance brokerage activities.

Furthermore, the legal structure of Caja Rural de Navarra is that of a “Credit co-operative,” i.e. borrowers are also shareholders (“co-operative members”) of the bank. The borrowers can take part in the corporate governance of CRN through a democratic, co-operative process managed through its governing bodies (General Assembly and Board of Directors). The borrowers’ inputs are used to determine the strategy of the bank, grounding it in an approach that engages stakeholders.

Additionally, Caja Rural de Navarra is part of the Caja Rural Group, a financial group for Spanish co-operative banking institutions, whose model is based on the European co-operative credit movement. CRN, as a member of the Group is under the Spanish and European laws and the Caja Rural Group’s articles of association. In accordance with these, Caja Rural de Navarra maintains a Social Welfare Fund, to which it donates 10% of its annual profits. The objective of this Social Welfare Fund is to promote the co-operative model, foster relationships between co-operative entities and to develop social and environmental initiatives that are beneficial to the community it serves.

2. ESG IN CAJA RURAL DE NAVARRA

CRN is an integral part of the society it serves and, by virtue of its origins and deep roots in its regions of operation, is an important and energising contributor to social development. It is fully committed to its environment, on which the Bank is completely dependent for its own development, while always taking a long-term strategic view.

CRN’s social vocation is grounded in its legal form as a co-operative and its corporate mission. It carries out its business in all economic sectors through its local footprint, thus creating a form of symbiosis that is essential for its development. The regions of operation generate initiatives for development and we support these initiatives financially and socially. This helps encourage sustainability and embodies its commitment to local economic development which, in turn, helps shape the present and future environment in which we operate.

Caja Rural de Navarra’s ESG commitment is part of our engagement with society and our main stakeholders (customers, employees, investors and suppliers), and strengthens our relationships with them and our community. To demonstrate this, CRN publishes annually its Corporate Social Responsibility Report (CSR) based on the Global Reporting Initiative (GRI). The CSR report is a transparency exercise to improve our commitment with our stakeholders and the whole society by managing environmental, social and governance issues in a conscious way.

The Bank’s Sustainability Committee, which includes representatives of all relevant departments (Capital Markets, Human Resources, Regulatory Compliance, Social Action, Marketing and Risk Management), ensures the integration of the most relevant ESG issues for our stakeholders and the alignment with the sustainability eligibility criteria.

3. SUSTAINABILITY BOND FRAMEWORK OVERVIEW

Caja Rural de Navarra develops this framework with the aim to issue Green, Social and/or Sustainability bonds. This framework is aligned with CRN's strategy as a European co-operative regional bank, and also in accordance with the priorities of its Social Welfare Fund.

As a co-operative, regional and retail focused bank, CRN is committed to generating a positive Social and Environmental impact through its lending activities. Moreover, the strategy for loan origination sets up priorities that are coherent and complementary with those of the Social Welfare Fund. These priorities include (among others) social housing, energy efficiency, entrepreneurship, sustainable agriculture, renewable energy, SME and micro finance, and social inclusion.

CRN issues bonds which can be included in a Green, Social or Sustainability Bond Framework. CRN assumes the commitment to apply an amount equivalent to the net proceeds of those bonds included in the Bond Framework to (re)finance, in whole or in part, new and/or existing loans, investments or projects within the eligibility categories of the framework, as well as reporting on them according to the procedures established in the following sections.

Under this framework, every lending project or activity (re)financed by the bond will be eligible for a green, social or sustainability objective taking into account the nature of the particular financing. A list of the main sustainable lines can be found below:

GREEN OR SUSTAINABILITY FRAMEWORK

- A. Sustainable agriculture
- B. Renewable energy
- C. Energy efficiency
- D. Sustainable forest management
- E. Waste management

SOCIAL OR SUSTAINABILITY FRAMEWORK

- A. Social housing
- B. Social inclusion
- C. Education
- D. Economic inclusion

Caja Rural de Navarra regularly tracks its loans to ensure adherence to the framework. The tracking is based on internal guidelines and/or officially defined external criteria (as is the case with social housing and SME financing). CRN also strives to align its definitions to market practices, in particular to ICMA's criteria, United Nations' Sustainable Development Goals (SDGs) and the EU taxonomy.

Every bond issued under Caja Rural de Navarra's Green, Social or Sustainability Framework will be aligned with the four core components of ICMA's Green Bond Principles 2021 (2021 GBP), Social Bond Principles 2021 (2021 SBP) and Sustainability Bond Guidelines 2021 (2021 SBG):

1. Use of Proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

The following section summarises CRN's Green, Social or Sustainability bond framework, focusing on ICMA's four core components.

3.1 USE OF PROCEEDS

An amount equivalent to the net proceeds of the bonds will be allocated to (re)finance, in whole or in part, new and/or existing loans, investments or projects within the eligibility categories of the framework (as specified below in point 3.1.1.), that are also recognised in the 2021 GBP, 2021 SBP and 2021 SBG.

Where a business or project derives 90% or more of its revenues from activities that align with the eligibility criteria below, financing can be considered as eligible for a Green, Social or Sustainability bond. In these instances, the Use of Proceeds can be used by the business for general purposes, so long as this financing does not fund activities listed in the Exclusionary section below.

3.1.1 Eligibility Criteria

Eligible loans within this framework should (re)finance projects or activities taking place in Spain and meeting one or more of the following eligibility criteria:

SUSTAINABLE AGRICULTURE

The criteria to select projects in this category will include practices in which a range of stakeholders are involved, ensuring greater efficiency in the use of resources and more sustainable management of natural and human-created processes, increasing biodiversity and agriculture productivity and resilience to climate change. EU Organic certification is also an eligibility criterion. FAO's Climate smart agriculture ^[1] approach and practices will be taken into consideration for this Framework. Other references will be the management categories and practices defined by the European Union in its final Taxonomy ^[2].

1. Reduce methane or green house gas (GHG) emissions resulting from agriculture.
2. Adopt management practices that increase the efficiency in the use of resources and/or decrease the GHG emissions of core agricultural inputs and processes, such as irrigation, warehousing, transportation, crop protection and reduction of fertilisers' use, collecting and re-using agricultural waste, and rehabilitating degraded lands, as defined by the EU Taxonomy and/or FAO's "Climate smart agriculture" criteria.

RENEWABLE ENERGY

1. Generate electricity from the following technologies: solar, wind, hydro, geothermal, hydrogen and bioenergy. It is included the acquisition, construction, operation, maintenance or repowering of facilities. Technical screening criteria:
 - A. Facilities operating with life cycle emissions below 100gCO₂e/kWh are eligible.
 - B. Hydroelectric power shall always comply with most recent CBI's criteria^[3]. As of today, it includes installations with a power density greater than 5 W/m², and where:
 - i. Environmental and social risk is conducted by a credible third party and no significant risks identified.
 - ii. No significant controversies associated with the financed projects.
 - C. Manufacture of hydrogen with life cycle GHG emissions lower than 3tCO₂e/tH₂, through:
 - i. Water electrolysis powered by renewables.
 - ii. Biogas/renewable natural gas

^[1] Food and Agricultural Organization of the United Nations <http://www.fao.org/climate-smart-agriculture/knowledge/practices/en/>

^[2] The criteria for agricultural activities are not yet included in the text of the current taxonomy regulation delegated act (2021) https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_1&format=PDF

^[3] <https://www.climatebonds.net/standard/hydropower>

- D. Biomass cogeneration facilities operating above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator set out in RED II^[4] increasing to 100% by 2050. Bioenergy can include high-efficiency biomass co-generation, for which feedstock is limited to i) certified sources that do not deplete existing terrestrial carbon stocks and/or ii) those that do not compete with food production. Bioenergy feedstock will be primarily waste biomass from agricultural waste.
2. Develop, construct, equip, operate and maintain new or additional Energy Transmission and Distribution networks (electricity only) from renewable sources, with average emissions intensity of the network under 100 gCO₂e/kWh or more than 67% of newly enabled generation capacity in the system that is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.
 3. Manufacture of renewable energy technologies according to sub-category 3.1 “Manufacture of renewable energy technologies” of the Annexes of the Commission Delegated Regulation 04.06.2021 supplementing Regulation (EU) 2020/852.

ENERGY EFFICIENCY

1. Develop, manufacture or acquire products, technologies or equipment that reduce the energy consumption of the underlying asset/system, such as electrification of machinery and vehicles, new processes with less energy and/or inputs consumption, or less waste generation, where those investments are not related to technologies powered by fossil fuels.
2. Buildings Energy Efficiency. Acquire, develop and construct buildings and renovate existing buildings according to sub-categories 7.1, 7.2 and 7.7 of the Annexes of the Commission Delegated Regulation 04.06.2021 supplementing Regulation (EU) 2020/852:

Acquisition and ownership (7.7)

- For properties built before 31st December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31st December 2020 and at least distinguishes between residential and non-residential buildings.
- For buildings built after 31st December 2020, the building meets the criteria specified in Section 7.1 (“Construction of new buildings”) that are relevant at the time of the acquisition.
- Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment

Construction of new buildings (7.1)

- Constructions of new buildings for which:
 1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.
 2. The energy performance is certified using an as built Energy Performance Certificate (EPC).

^[4] <https://ec.europa.eu/jrc/en/jec/renewable-energy-recast-2030-red-ii>

Renovation of existing buildings (7.2)

- The building leads to a reduction of primary energy demand (PED) of at least 30%.

SUSTAINABLE FOREST MANAGEMENT

Companies whose projects may qualify for this category should present the endorsement of an official forest certification (such as PEFC *Programme for the Endorsement of Forest Certification*) to be eligible. Their activities should be in accordance with sub-category 1.3 (Annexes of the Commission Delegated Regulation 04.06.2021 supplementing Regulation (EU) 2020/852). Forestry operations that are FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) certified are likely to meet the Sustainable Forest Management and Do No Significant Harm criteria of the forest Taxonomy.

1. Undertake certified forest operations for working forest (timber producing activities), either FSC or PEFC certified.
2. Undertake conservation projects whose aim is to increase or improve the forested land (without involving timber extraction)

WASTE MANAGEMENT

1. Build, develop or use technology/equipment and processes that increase resource use efficiency or reduce waste production, such as waste-reducing technology in the industrial sector or reducing harvest waste in agriculture. An example is the repurposing of wasted human food as animal feed. Landfilling or incineration will be excluded, as well as fossil fuel operations or carbon intensive industries.
2. Undertake projects that generate inputs from used materials, such as recycling and circular economy processes^[5]. Where these projects include the manufacture of new products, plastic production will be excluded.

AFFORDABLE HOUSING

1. Provide social housing to disadvantaged populations, as defined by the requirements set by regional governments^[6]. These requirements can include criteria such as income level, number of family members, number of aged/disabled people within the family, relevant immigrant background of the family, violence experienced by women in households, and single parent households.

SOCIAL INCLUSION

1. Construct cultural facilities such as community centres for socially/economically marginalised groups such as physically or mentally disabled populations.
2. Provide job training programmes or facilities to young, unemployed, physically or mentally disabled populations, or any other socially/economically marginalised groups.
3. Improve the teaching and use of languages, including minority regional languages, immigrant languages, and Spanish language learning activities for immigrants.
4. Provide affordable housing / care to the elderly either in the form of old age residences or day-care centres or similar facilities or services.
5. All above-mentioned activities will allow for a public access and will be available either free of cost or at subsidized rates for targeted vulnerable populations.

[5] Please refer to category 5 "Water supply, sewerage, waste management and remediation activities" on the Annexes of the Commission Delegated Regulation 04.06.2021 supplementing Regulation (EU) 2020/852.

https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_2&format=PDF

https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_3&format=PDF

[6] http://www.navarra.es/home_es/Temas/Vivienda/Ciudadanos/Censo+de+vivienda/Que+es+el+censo/

<https://www.larioja.org/vivienda/es>

https://www.etxebide.euskadi.eus/x39-contgen/es/contenidos/informacion/presentacion_etxebide/es_etxebidecont/presentacion.html

EDUCATION

1. Construct buildings or lab facilities in schools. Examples of school buildings include (but are not limited to) gyms, computer labs, libraries, vocational school buildings.
2. Construct university campus buildings or facilities at any public and non-profit university campus.

All educational projects under this section will allow for a public access and will be available either free of cost or at subsidized rates for vulnerable populations.

ECONOMIC INCLUSION

Following ICMA's Social Bond Principles (SBP), social projects are those promoting positive social outcomes especially for target populations, including *"Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance"*. As socioeconomic crisis such as the Great financial crisis and Covid-19 pandemic have shown, SMEs are critical for the maintenance of employment and social cohesion, especially in the Spanish and regional context. Caja Rural de Navarra will remain committed to support SMEs according to the below-mentioned criteria:

1. Provide microfinance loans or loans to increase financial inclusion that (a) are smaller than EUR 25,000 in size, or (b) are granted to individuals through branches of Caja Rural de Navarra located in villages with a population below 3,000 and with average annual income below that of the regional average.
2. Provide micro enterprise financing and lending to micro-entrepreneurs, as per the definition specified by the European Union (EU). The EU defines a micro-enterprise as an organisation that meets two of the following three criteria- (a) has fewer than 10 employees; (b) has a balance sheet below EUR 2 million; (c) has a turnover below EUR 2 million.
3. Provide financing and lending to small and medium enterprises (SMEs), as per the definition specified by the EU. The EU defines a SME as an organisation that meets two of the following three criteria- (a) have fewer than 250 employees; (b) have a balance sheet below EUR 43 million; (c) have a turnover below EUR 50 million. CRN will strive to prioritise within its SME financing those loans specifically devoted to (i) providing finance to SME and sectors suffering from economic and/or pandemic related shocks; (ii) financing SMEs located in rural, remote areas (meaning those outside the EU definition for "urban centers" (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Urban_centre) with a reduced access to finance and physical infrastructure.

3.1.2 Exclusionary Criteria

Caja Rural de Navarra developed a list of exclusionary criteria for the proceeds of this sustainability bond. CRN commits itself to not knowingly be involved in (re)financing any of the following projects/activities through the proceeds of this sustainability bond:

- Large scale hydro projects (i.e. projects that have an installed capacity greater than 20 MW of electricity).
- Technology and equipment for large scale hydro projects.
- Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated.
- Fossil-fuel power generating facilities.
- Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas.
- Landfilling or incineration as waste management practices.
- Payday loans and predatory lending activities.
- Lending to micro-enterprises or SMEs that (a) manufacture alcohol, or (b) are wholesalers of alcoholic beverages.

- Lending to micro-enterprises or SMEs that (a) manufacture tobacco products, or (b) are wholesalers of tobacco products.
- Lending to micro-enterprises or SMEs that own or operate gambling establishments/activities.
- Lending to micro-enterprises or SMEs that are involved in the manufacture or sale of weapons
- Lending to micro-enterprises or SMEs that are involved in the extraction, refining, or transportation of fossil fuels.
- Lending to micro-enterprises or SMEs that are involved in the production or refining of palm oil.

3.1.3 Framework alignment

ALIGNMENT WITH ICMA'S, 2021 GBP, 2021 SBP AND 2021 SBGe

The Sustainability Bond framework is aligned with the GBP 2021, SBP 2018 and SBG 2018 in order to achieve transparency and public commitment with the green social and sustainability bond markets. CRN's framework includes not only the use of proceeds, disclosure and reporting practices recommended by ICMA but also the definitions of the nine criteria within the categories detailed as eligible by the GBP and SBP as showed below.

ALIGNMENT WITH THE EU TAXONOMY AND EU GREEN BOND STANDARDS (EU GBS)

In June 2020, the European Parliament and the Council adopted regulation 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment.

On June 4th 2021, the European Commission published the delegated regulation supplementing the aforementioned Taxonomy regulation, establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.




Caja Rural de Navarra will strive to follow the final EU criteria so that the green criteria of CRN's framework will follow the specific eligibility thresholds and selection methodology guidance.




Moreover, CRN is aware of the "Do No Significant Harm" (DNSH) criteria included in the taxonomy. The criteria specify the minimum requirements to be met to avoid significant harm to other environmental objectives relevant to each economic activity. Caja Rural de Navarra will make its best efforts to comply with these criteria.

ALIGNMENT WITH THE UN-SDG (SUSTAINABLE DEVELOPMENT GOALS)





The 17 SDGs were adopted in 2015 by the United Nations to meet challenging goals by 2030 in social, economic and environmental areas and CRN's sustainability framework is aligned with these Sustainable Development Goals.

The mapping of the alignment with the principles, standards and objectives stated above is detailed in the following table:


STANDARD	SUSTAINABLE AGRICULTURE	
	<p>2. NO HUNGER</p> 	<ul style="list-style-type: none"> • End hunger, achieve food security and improved nutrition and promote sustainable agriculture. <p>2.4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</p>
	<p>6. CLEAN WATER AND SANITATION</p> 	<ul style="list-style-type: none"> • Ensure availability and sustainable management of water and sanitation for all. <p>6.5. By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</p>
	<p>12. RESPONSIBLE CONSUMPTION</p> 	
GDP	<ul style="list-style-type: none"> • Environmentally sustainable management of living natural resources and land use. • Sustainable water and wastewater management. 	
SBP	<ul style="list-style-type: none"> • Food security. 	
EU TAXONOMY [7]	<ul style="list-style-type: none"> • Sustainable use and protection of water and marine resources. • Climate change mitigation and adaptation <p>[7] Pending final criteria</p>	

STANDARD	RENEWABLE ENERGY	
SDG	7. RENEWABLE ENERGY 	<ul style="list-style-type: none"> • Ensure access to affordable, reliable, sustainable and modern energy for all. <p>7.1. By 2030, ensure universal access to affordable, reliable and modern energy services.</p> <p>7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.</p>
	13.CLIMATE ACTION 	<ul style="list-style-type: none"> • Take urgent action to combat climate change and its impact. <p>13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>
GDP	<ul style="list-style-type: none"> • Renewable energy. • Pollution prevention and control. 	
EU TAXONOMY [8]	<ul style="list-style-type: none"> • Climate change mitigation and adaptation. <p>[8] Pending final criteria</p>	
STANDARD	ENERGY EFFICIENCY	
SDG	7. RENEWABLE ENERGY 	<ul style="list-style-type: none"> • Ensure access to affordable, reliable, sustainable and modern energy for all. <p>7.2. By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>7.3. By 2030, double the global rate of improvement in energy efficiency.</p>

SDG	9. INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"> • Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. <p>9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increases resource efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>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.</p>
GDP	<ul style="list-style-type: none"> • Energy efficiency • Pollution prevention and control • Clean transportation • Green buildings 	
EU TAXONOMY [9]	<ul style="list-style-type: none"> • Climate change mitigation and adaptation. <p>[9] Pending final criteria</p>	
STANDARD	SUSTAINABLE FOREST MANAGEMENT	
SDG	6. CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"> • Ensure availability and sustainable management of water and sanitation for all. <p>6.6. By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p>

SDG	12. RESPONSIBLE CONSUMPTION 	<ul style="list-style-type: none"> • Ensure sustainable consumption and production patterns. <p>12.2. By 2030, achieve the sustainable management and efficient use of natural resources.</p>
SDG	15. LIFE AND LAND 	<ul style="list-style-type: none"> • Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat. <p>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.</p>
GDP	<ul style="list-style-type: none"> • Environmentally sustainable management of living natural resources and land use. 	
EU TAXONOMY	<ul style="list-style-type: none"> • Climate change mitigation and adaptation. • Protection of healthy ecosystems. 	
STANDARD	WASTE MANAGEMENT	
SDG	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>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.</p>
	12. RESPONSIBLE CONSUMPTION 	<ul style="list-style-type: none"> • Ensure sustainable consumption and production patterns. <p>12.2. By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>

GBP	<ul style="list-style-type: none"> • Pollution prevention and control. • Eco-efficient and/or circular economy adapted products, production technologies and processes. 	
EU TAXONOMY [10]	<ul style="list-style-type: none"> • Climate change mitigation and adaptation. <p>[10] Pending final criteria</p>	
STANDARD	AFFORDABLE HOUSING	
SDG	10. REDUCED INEQUALITIES 	<ul style="list-style-type: none"> • Reduce inequality within and among countries. <p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p> <p>10.4. Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p>
SBP	<ul style="list-style-type: none"> • Affordable housing. 	
STANDARD	SOCIAL INCLUSION	
SDG	8. GOOD JOBS AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> • Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <p>8.2. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>

SDG	10. REDUCED INEQUALITIES 	<ul style="list-style-type: none"> • Reduce inequality within and among countries. <p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p> <p>11.4. Strengthen efforts to protect and safeguard the world's cultural and natural heritage.</p>
SBP	<ul style="list-style-type: none"> • Employment generation including through the potential effect of SME financing and microfinance. • Socioeconomic advancement and empowerment. • Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services). 	
STANDARD	EDUCATION	
SDG	4. QUALITY EDUCATION 	<ul style="list-style-type: none"> • Ensure availability and sustainable management of water and sanitation for all. <p>4.1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.</p> <p>4.3. By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p>4.4. By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>4.5. By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.</p>
SBP	<ul style="list-style-type: none"> • Socioeconomic advancement and empowerment. 	

STANDARD	ECONOMIC INCLUSION	
SDG	1. END POVERTY 	<ul style="list-style-type: none"> • End poverty in all its forms everywhere <p>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.</p>
	8. GOOD JOBS AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> • Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <p>8.1. Sustain per capita economic growth in accordance with national circumstances and, developed countries.</p> <p>8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.</p> <p>8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small and medium sized enterprises, including through access to financial services.</p> <p>8.10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p>
	9. INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"> • Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. <p>9.2. Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.</p> <p>9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.</p> <p>9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increases resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>

SDG	9. REDUCED INEQUALITIES 	<ul style="list-style-type: none"> • Reduce inequality within and among countries. <p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
SDG	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p>
SBP	<ul style="list-style-type: none"> • Employment generation including through the potential effect of SME financing and microfinance. • Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services). 	

3.2 PROJECT EVALUATION AND SELECTION PROCESS

The loans financed through the proceeds will be evaluated for financial viability by the Credit Risk department, and for alignment with the eligibility criteria by the Sustainability Committee. The Sustainability Committee consists of representatives from the primary departments involved in lending activities (Risk Management, Capital Markets, Human Resources, Regulatory Compliance, Social Action and Marketing), and the process through which loan eligibility is assessed and monitored includes the mitigation of known material risks of negative social and/or environmental impacts. Where meaningful risks are identified and not properly mitigated, those loans are excluded.

3.3 MANAGEMENT OF PROCEEDS

The proceeds from the bond will be allocated directly to existing or new loans; CRN confirms that at the time of issue, it expects to have a sufficient number of existing loans to utilise the entire proceeds of the green, social or sustainability bond. Caja Rural de Navarra will also manage any potential unallocated funds within its liquidity book in line with the standard processes of the Treasury department which include internal ESG guidelines (see Appendix 2). Liquidity will be managed mainly by investing in OECD sovereigns and sub-sovereigns.

Caja Rural de Navarra's Sustainability Committee has established an internal process to manage the allocation of net proceeds to eligible loans. CRN's internal IT system classifies and tags all green, social and sustainable loans as either green, social or sustainable by the nature of the client, or green, social and sustainable by the purpose of the loan.

Loans that are tagged as green, social or sustainable by their purpose are categorised into a spreadsheet where each green, social or sustainable loan is a separate line item, and each eligible category is marked by a separate column. Each green, social or sustainable loan is then matched to an eligible category described under the Use of Proceeds section of this framework (section 3.1). Loans that comply with multiple sustainable categories will be assigned only to one primary eligible category, avoiding any duplicity.

3.4 REPORTING

ALLOCATION REPORTING

Caja Rural de Navarra will disclose the allocation of proceeds to each eligible category outlined in the green, social or sustainability framework. Specifically, it will disclose the following information- (i) the outstanding amount of its loan book, disaggregated into eligible categories; (ii) the outstanding number of loans, disaggregated into eligible categories; and (iii) number of borrowers (individuals and enterprises), disaggregated into eligible categories.

This disclosure will be made in a separate section of CRN's yearly CSR report, which is externally verified and publicly available on Caja Rural de Navarra's website.

IMPACT REPORTING

Where feasible, Caja Rural de Navarra will report on Key Performance Indicators (KPIs) in aggregate form for each eligible category. This disclosure will be made in a separate section in the ongoing reporting to investors, which will be publicly available on Caja Rural de Navarra's website. We also commit to making our best efforts to improve KPI reporting over time. Please see Appendix 1 for a full list of KPIs.

This disclosure will be made in a separate section of CRN's CSR report, which is externally verified and publicly available on Caja Rural de Navarra's website.

4. EXTERNAL REVIEW

SECOND-PARTY OPINION

Sustainalytics has been chosen to issue a Second-Party Opinion (SPO) on this framework, as part of their external review.

The Second-Party Opinion is available on Caja Rural de Navarra's website.

VERIFICATION OF ALLOCATION AND IMPACT REPORTS

CRN requests, on an annual basis, from an independent third party, a verification of its allocation and impact reports including an analysis regarding the allocation of an amount equivalent to the net proceeds of the Green, Social or Sustainability bonds into eligible loans, in compliance with all material respects of the criteria set forth in this Framework.

APPENDIX I - LIST OF KPIs

CATEGORY	KPIs
SUSTAINABLE AGRICULTURE	<ul style="list-style-type: none"> • Number of young farmers. • Number of farmers granted with a green/sustainable label.
ENERGY EFFICIENCY	<ul style="list-style-type: none"> • Reduction achieved in CO2 consumption. • Number of houses complying with the minimum energy efficiency requirement.
SUSTAINABLE FOREST MANAGEMENT	<ul style="list-style-type: none"> • Area of land reforested (hectares or acres). • Area of previously non-forested land that is forested (hectares or acres).
SOCIAL HOUSING	<ul style="list-style-type: none"> • Number of mortgages provided as per regional government requirements. • Number of disadvantaged families housed in social housing.
SOCIAL INCLUSION	<ul style="list-style-type: none"> • Unemployment rate in region where job training programmes are offered. • Number of people enrolled in job training programmes.
EDUCATION	<ul style="list-style-type: none"> • Number of students served by the buildings/facilities constructed, as measured by building/facility capacity.
ECONOMIC INCLUSION	<ul style="list-style-type: none"> • Proportion of microfinance, micro-enterprise, and SME loans successfully repaid. • Proportion of microfinance loan recipients with successful micro-businesses. • Number of people employed by micro-enterprises or SMEs. • Default rate of loan recipients. • Number of loans to borrowers living in remote areas.

APPENDIX II - ESG FRAMEWORK TREASURY PORTFOLIO

INTRODUCTION: PURPOSE OF THE ESG CRITERIA FOR THE TREASURY PORTFOLIO OF CAJA RURAL DE NAVARRA

Caja Rural de Navarra (CRN) is a co-operative, regional and retail bank committed to the highest standards concerning the ESG credentials of its entire activity.

Caja Rural de Navarra publishes a Corporate Social Responsibility Report annually. It has also established a Sustainability Bond Framework and a broad range of policies and procedures to assure its compliance with ESG objectives. This framework can be applied throughout the different activities affecting its stakeholders with the aim of assuring the greatest positive social and environmental impact through a proper governance structure.

CRN has therefore created this Treasury portfolio sustainability framework as a way to complement its overall ESG policies, and established the criteria to invest in financial assets, in accordance with socially and environmentally responsible investment best practices.

This framework is approved by the Board (“Consejo Rector”) of Caja Rural de Navarra and will be implemented by the Treasury and Capital Markets Department, responsible for the liquidity management of the bank. It will apply to its investments in securities (both equity and bond portfolios), as well as to its inter-bank investments.

OVERALL DESCRIPTION OF THE FRAMEWORK

The sustainability criteria included in this document are considered at the point of time in which the securities are acquired, based on the exclusion of issuers that can be considered controversial due to their involvement in sectors or products/services which can be deemed as contrary to ESG standards widely accepted by the international investment community, such as the Green Bond Principles and the Social Bond Principles.

Moreover, the same **exclusionary criteria** will be imposed to corporates, financials and governments that have a significant negative track record in environmental, social and/or governance matters.

On top of the exclusionary criteria, the **“best in class” approach** is also applied by selecting issuers with the best ESG performance, that is, those whose average ESG grades are above the industry average.

Investments may be made in **Governments** that are part of the European Union (EU)[1] and/or OECD (“Organization for Economic Cooperation and Development”)[2] and that do not apply in practice the death penalty. Membership of the EU and/or OECD ensures a commitment to the rule of law and the protection of human rights, as well as democratic, open, transparent and free-market economies.

The sustainable investment universe also includes those issuers belonging to the Spanish Autonomous Communities, other European countries’ regional bodies, European agencies, public companies and also financial institutions and other organisations endorsed by the governments of those countries included in the previous table.

The necessary data for Caja Rural de Navarra’s ESG assessment is generally obtained from Bloomberg, allowing for an analysis of environmental, social and corporate governance aspects. Bloomberg data only cover those issuers whose securities are quoted in financial markets.

[11] See European Union membership criteria: https://ec.europa.eu/neighbourhood-enlargement/policy/conditions-membership_en

[12] See OECD membership criteria: <https://tuac.org/news/oecd-membership-and-the-values-of-the-organisation>

MEMBER COUNTRIES OF THE EUROPEAN UNION AND OECD

COUNTRIES	€	EUROPEAN UNION	OECD
Australia			x
Austria	x	x	x
Belgium	x	x	x
Bulgaria		x	
Canada			x
Chile			x
Croatia		x	
Cyprus	x	x	
Czech Republic		x	x
Denmark		x	x
Estonia	x	x	x
Finland	x	x	x
France	x	x	x
Germany	x	x	x
Greece	x	x	x
Hungary		x	x
Iceland			x
Ireland	x	x	x
Israel			x
Italy	x	x	x
Japan			x
South Korea			x
Latvia	x	x	x
Lithuania	x	x	x
Luxembourg	x	x	x
Malta	x	x	
Mexico			x
Netherlands	x	x	x
New Zealand			x
Norway			x
Poland		x	x
Portugal	x	x	x
Romania		x	
Slovakia	x	x	x
Slovenia	x	x	x
Spain	x	x	x
Sweden		x	x
Switzerland			x
Turkey			x
United Kingdom		x	x
United States			x

EXCLUSIONARY CRITERIA

Caja Rural de Navarra will make its best efforts to avoid investing in the following issuers:

- A. Exclusion due to controversial sectors: Companies with relevant income from:
 - Controversial weapons
 - Gambling
 - Pornography
 - Tobacco
- B. Exclusion due to serious negative environmental impacts: Companies involved in important controversies in environmental aspects such as water polluting emissions and/or soil, air, noise or treatment of polluting waste.

- C. Exclusion due to serious negative social impacts: Companies with significant involvement in controversies or incidents in social aspects such as human rights, labor rights, health and safety at work or projects with relevant negative impact on communities.
- D. Exclusion for reasons related to governance practices. Companies with significant involvement in controversies or incidents in the sphere of corporate governance, corruption and bribery, money laundering and/or tax evasion.
- E. Exclusion of issues from Governments whose judicial system applies in practice the death penalty.

BEST IN CLASS APPROACH

For those securities outside the scope of the exclusionary criteria, CRN will invest following a “best performance in sustainability” approach. After reducing the universe according to the above mentioned exclusionary criteria, CRN will prioritise those issuers with better global sustainability rating (higher than its sector average) in its investment selection. The aim will be to have as much investments as possible above the sector average.

The ESG valuation of the assets in the portfolio will be compared with the average sectorial values and Caja Rural de Navarra will keep records of those securities that are below their industrial average.

NON-ANALYSED ISSUERS

The valuation of companies according to ESG aspects is relatively new and not all companies in our investment universe have an outstanding ESG rating. Caja Rural de Navarra will make its best efforts to include the ESG rating of each issuer as soon as it is available.

