

Second-Party Opinion

Caja Rural de Navarra

Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Caja Rural de Navarra Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - Sustainable Agriculture, Renewable Energy, Energy Efficiency, Sustainable Forest Management, Waste Management, Affordable Housing, Social Inclusion, Education and Economic Inclusion - are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 4, 7, 8, 9, 10, 11, 12 and 15.



PROJECT EVALUATION AND SELECTION Caja Rural de Navarra’s Sustainability Committee will be responsible for evaluating and selecting projects in line with the Framework’s eligibility criteria. The Sustainability Committee will identify and mitigate environmental and social risks associated with the eligible projects under the Framework. Sustainalytics considers the project selection process and the risk management systems to be in line with market practice.



MANAGEMENT OF PROCEEDS Caja Rural de Navarra’s Sustainability Committee will be responsible for the management of proceeds through a portfolio approach and will track their allocation using an internal system. The Bank intends to allocate proceeds within 24 months of each issuance. Pending full allocation, unallocated proceeds will be managed according to the Bank’s Treasury department processes and will be invested in OECD sovereign and sub-sovereign bonds. The Bank has confirmed that it will exclude temporary allocations towards carbon-intensive activities. This is in line with market practice.



REPORTING Caja Rural de Navarra will report on the allocation of proceeds and the corresponding impact in a corporate social responsibility report, which will be published on its website on an annual basis until full allocation. Allocation reporting will include the total amount of outstanding loans by category, the number of outstanding loans by category, and the number of borrowers, including individuals and SMEs. Sustainalytics views Caja Rural de Navarra’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Pamplona, Spain

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Introduction

Caja Rural de Navarra (“CRN” or the “Bank”) is a regional co-operative bank headquartered in Pamplona, Spain. The Bank offers banking and insurance services to customers and businesses in the Basque Country, Navarra and La Rioja autonomous regions. As at December 2023, the bank had 254 branches and 1,008 employees.

CRN has developed the Caja Rural de Navarra Sustainable Finance Framework dated December 2024 (the “Framework”) under which it intends to issue green, social and sustainability bonds, including covered bonds,¹ senior unsecured bonds, subordinated bonds, and loans,² including senior and subordinated loans, and use the proceeds to finance or refinance, in whole or in part, existing and future eligible assets³ that are expected to contribute to the decarbonization of the Bank’s investment portfolio and deliver positive environmental and social impacts in Spain. The Framework defines eligibility criteria in nine areas:

1. Sustainable Agriculture
2. Renewable Energy
3. Energy Efficiency
4. Sustainable Forest Management
5. Waste Management
6. Affordable Housing
7. Social Inclusion
8. Education
9. Economic Inclusion

CRN engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),⁴ Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).⁵ The Framework will be published in a separate document.⁶

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ CRN has confirmed to Sustainalytics that: i) covered bonds may include secured standard bonds and secured collateral bonds as defined in the June 2022 Appendix of the Green Bond Principles 2021; ii) the distinction between a secured standard bond and a secured collateral bond will be clearly articulated in the respective offering documents for green, social and sustainable bonds; iii) the net proceeds from covered bonds will be directed to eligible assets under the Framework; iv) in the case of secured collateral bonds, the underlying collateral will meet the Framework criteria; and v) there will be no double counting of eligible projects under covered bonds and any other outstanding sustainable financing instrument.

² CRN has informed Sustainalytics that revolving credit facilities will be excluded under the Framework.

³ Eligible assets include new or existing loans, investments and projects that meet the eligibility criteria of the Framework.

⁴ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁵ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁶ The Caja Rural de Navarra Sustainable Finance Framework is available on Caja Rural de Navarra’s website at: <https://www.cajaruraldenavarra.com/en/information-investors>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with representatives of CRN to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. CRN representatives have confirmed (1) they understand it is the sole responsibility of CRN to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CRN.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impacts. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CRN has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Caja Rural de Navarra Sustainable Finance Framework

Sustainalytics is of the opinion that the Caja Rural de Navarra Sustainable Finance Framework is credible, impactful and aligns with the SBG and the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories - Sustainable Agriculture, Renewable Energy, Energy Efficiency, Sustainable Forest Management, Waste Management, Affordable Housing, Social Inclusion, Education, and Economic Inclusion - are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - The proceeds will be invested in Spain, in the regions of Navarre, Basque Country and La Rioja.
 - CRN has informed Sustainalytics that refinancing under the Framework will exclude operational expenditures; consequently, no look-back period has been established for refinancing.
 - Sustainalytics notes that CRN has an internal system to prevent double counting of financed projects and their associated impacts.
 - CRN may finance general purpose loans to entities that derive 90% or more of their revenue from activities meeting the eligibility criteria in the Framework. Sustainalytics believes that project and activity-based lending generally result in more direct environmental or social benefits and enhance compliance with the criteria in the Framework, however, financing pure play companies with green or social bond proceeds is a commonly accepted approach that is likely to generate positive impacts.
 - Under the Sustainable Agriculture category, CRN may finance or refinance projects or technologies aimed at reducing GHG emissions from agriculture, enhancing productivity and implementing sustainable farming practices, in accordance with the following criteria:
 - Whole agricultural units certified by the EU Organic certification.⁸

⁸ EU Organic: https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en

- FAO's climate smart agriculture techniques and technologies,⁹ including sustainable irrigation systems, such as gravity-propelled irrigation or weather-based controllers, and improving soil resistance through crop rotation or no-till farming systems.
- Technologies that reduce agricultural methane or GHG emissions from agricultural outputs, such as:¹⁰
 - Transportation vehicles.¹¹ Purchase of: i) zero direct emissions vehicles, including passenger vehicles, light commercial vehicles and non-road vehicles, such as tractors and forklifts; and ii) hybrid vehicles, including passenger and light commercial vehicles, and heavy trucks.
 - For hybrid vehicles, CRN has confirmed to Sustainalytics that the following emissions thresholds will be met: i) passenger and light commercial vehicles up to 75 gCO₂/km based on lab tests WLTP, NEDC or FTP-75; ii) heavy trucks with tailpipe emissions lower than 25 gCO₂e/tkm.
 - Installation of solar and wind generation technologies on farms. CRN has confirmed to Sustainalytics that these expenditures must meet the criteria in the Renewable Energy category.
 - Flood protection measures for agricultural fields or farms, such as dikes or physical barriers such as berms, reservoirs and drainage systems. CRN has confirmed to Sustainalytics that it intends to finance projects supported by a climate change vulnerability assessment and adaptation plans to identify and responsibly manage the identified risks.
- Technologies and practices that increase resource efficiency, including:
 - Communal institutions dedicated to resource pooling. CRN has confirmed that the financing under this activity aims to improve resource efficiency and accessibility of sustainable agricultural practices across communities, such as agricultural cooperatives (groups where farmers pool resources such as equipment and machinery, including seeding and harvest machinery and tools for precision agriculture) and irrigation cooperatives¹² (community-led organizations that collectively manage water resources for equitable distribution and efficient use among member farmers).
 - The Bank has confirmed to Sustainalytics that expenditures for communal institutions will be limited to financing of technologies and practices outlined under the Sustainable Agriculture category. Additionally, the Bank has confirmed the exclusion of the day-to-day running costs of the institutions.
 - Warehouse buildings designed for storage of crops, seeds and other materials essential for sustainable agricultural operations, meeting the energy-efficient buildings criteria in the Energy Efficiency category.
 - The Bank has confirmed that warehouse buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels will be excluded.
 - Crop protection measures, including interventions that reduce the use of synthetic fertilizers and pesticides or replace these with organic alternatives.
 - Repurposing of agricultural waste, such as compost, manure and agricultural waste feedstock for bioenergy generation.
 - CRN has confirmed to Sustainalytics that it will exclude by-products and waste from industrial-scale livestock production operations. Sustainalytics notes that livestock farming has a significant carbon and water footprint that is not addressed using livestock by-products in energy generation. Furthermore, such farming and meat

⁹ FAO, "Climate-Smart Agriculture", at: <https://www.fao.org/climate-smart-agriculture/en/>

¹⁰ Sustainalytics' assessment is limited to the technologies expressly identified in the Framework.

¹¹ CRN has communicated that the vehicles will be used for field operations, monitoring, transportation of agricultural supplies or produce, or management of agriculture or farms.

¹² CRN communicated that irrigation cooperatives refers to 'comunidades regantes' in Spain. Under law 1/2001

(<https://www.boe.es/buscar/act.php?id=BOE-A-2001-14276>) irrigation cooperatives are required to form to coordinate collective water use for irrigation purposes.

processing techniques may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation to provide positive impacts in the short term.

- Rehabilitation of degraded lands with native tree species. CRN has confirmed that the reforestation projects will be accompanied by a sustainable management plan certified by Forest Stewardship Council (FSC)¹³ or Programme for the Endorsement of Forest Certification (PEFC).¹⁴
- The Bank has confirmed that the Framework will exclude investments in: i) techniques or technologies for industrial-scale livestock production; ii) technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuel; iii) manufacturing, purchase or distribution of inorganic or synthetic fertilizers, pesticides and herbicides; and iv) the use of agrochemicals (herbicides or insecticides) to control or eradicate invasive plants or insects.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Renewable Energy category, CRN may finance or refinance renewable energy generation and transmission projects according to the following criteria:
 - Acquisition, construction, operation, maintenance or repowering of electricity generation facilities with life cycle emissions below 100 gCO₂e/kWh, limited to:
 - Solar photovoltaic technologies
 - Onshore wind facilities
 - Hydropower plants that became operational: i) after 2019, with life cycle emissions intensity below 50 gCO₂e/kWh and power density greater than 10 W/m²; ii) before the end of 2019, with life cycle emissions intensity below 100 gCO₂e/kWh and power density greater than 5 W/m². Sustainalytics notes the following:
 - All new hydropower projects will have an environmental and social impact assessment performed by a third party. The Framework will exclude the financing of projects with significant risks, controversies or anticipated negative impacts.
 - Hydropower projects financed will be limited to those with an installed electricity capacity lower than 20 MW.
 - CRN has confirmed to Sustainalytics that repowering of hydropower stations refers to retrofits and refurbishments of operational hydropower plants, and that financing will be limited to facilities that do not increase the size of the dam or reservoir, and which meet the hydropower criteria above.
 - Geothermal facilities with direct emissions below 100 gCO₂/kWh.
 - Production of hydrogen with life cycle GHG emissions lower than 3 tCO₂e/tH₂, through:
 - Electrolysis of water powered by renewables
 - Biogas or renewable natural gas. CRN has confirmed to Sustainalytics that biogas or renewable natural gas will be 100% sustainably sourced, and that the production of associated feedstock will not: i) deplete existing terrestrial carbon stocks; ii) take place on land with high biodiversity; and iii) compete with food production.
 - The Bank has communicated that the production of hydrogen using oil or coal, or through the steam reforming process using natural gas, will not be financed under the Framework.

¹³ Forest Stewardship Council: <https://fsc.org/en/about-us>

¹⁴ Programme for the Endorsement of Forest Certification: <https://www.pefc.org/>

- Biomass cogeneration facilities with more than 80% life cycle emissions reduction compared to the respective fossil fuel baseline.¹⁵ The Bank aims to increase this to 100% by 2050. The financing will be based on the following criteria:
 - Feedstock will be sourced from agricultural waste, such as cereal straw.
 - CRN has confirmed that the production of feedstock will not: i) deplete existing terrestrial carbon stocks; ii) take place on land with high biodiversity; and iii) compete with food production.
 - The Banks confirmed the exclusion of the following: i) peat; ii) animal fats, oils and other animal processing by-products; and iii) animal manure from industrial-scale livestock operations.
 - Development, construction, operation and maintenance of electricity transmission and distribution (T&D) networks that result in: i) an average system grid emissions factor below 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; or ii) more than 67% of the newly enabled generation capacity in the system has an emissions intensity lower than 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria over a rolling five-year period.
 - CRN has confirmed to Sustainalytics the exclusion of: i) new T&D infrastructure dedicated to connecting new fossil power plants; and ii) expenditures towards T&D networks where 25% or more of the electricity comes from fossil sources.
 - Manufacture of renewable energy technologies, including PV cells and wind turbines. CRN has confirmed to Sustainalytics that the facilities financed will be wholly dedicated to the production of renewable energy technologies, following the criteria for activity 3.1 of the EU Taxonomy.¹⁶
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, CRN may finance or refinance projects aimed at reducing energy consumption, including:
 - Development, manufacture or acquisition of products, technologies or equipment intended to reduce energy consumption or enhance energy efficiency, such as: LEDs, smart lighting solutions, daylight controls, Building management systems (BMS), low U-value efficiency windows and doors, insulation products with low thermal conductivity, efficient external cladding and roofing systems, smart thermostats and energy-efficient HVACs. The Bank will not finance technologies powered by fossil fuels under the Framework.
 - Acquisition, development, construction or renovation of residential or commercial buildings according to the following criteria from the EU Taxonomy.
 - Acquisition and ownership of buildings built:
 - Before 31 December 2020 with an energy performance certificate (EPC) A or those in the top 15% of the national or regional building stock based on operational primary energy demand (PED) demonstrated by adequate evidence.
 - After 31 December 2020 with PED at least 10% lower than the threshold set for the applicable nearly zero-energy buildings (NZEB), validated through an as-built EPC A
 - CRN has communicated to Sustainalytics that buildings larger than 5,000 m² will be tested for airtightness and thermal integrity upon completion, and will have a life cycle global warming potential (GWP) calculated for each stage of the building's life cycle.

¹⁵ Fossil Fuel baseline for electricity production: 183 gCO₂e/MJ. European Parliament, "Directive (EU) 2018/2001 of the European Parliament and of the Council", (2018), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2018%3A328%3ATOC&uri=uriserv%3AOJ.L_.2018.328.01.0082.01.ENG

¹⁶ European Commission, "Commission Delegated Regulation (EU) 2021/2139", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021R2139-20240101>

- In addition to the criteria above, large non-residential buildings¹⁷ must also be operated through energy performance monitoring and assessment.
- Construction of new buildings with PED at least 10% lower than the threshold set for the applicable NZEB, validated through an as-built EPC A. CRN has communicated to Sustainalytics that buildings larger than 5,000 m² must also be tested for airtightness and thermal integrity upon completion, and have a life cycle GWP calculated for each stage of the building's life cycle.
- Renovation of existing buildings leading to at least a 30% improvement in PED. The Bank has confirmed to Sustainalytics that: i) the improvement in PED will be achieved within three years of issuance, and ii) the investments will be limited to renovation expenditures.
- The Bank has confirmed that financing under the Framework will exclude the development and acquisition of industrial facilities intended for controversial activities with harmful social or environmental impacts, as well as buildings designed for the extraction, storage, transportation or manufacture of fossil fuels.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Sustainable Forest Management, CRN may finance or refinance forestry operations for timber production and projects aimed at conserving or increasing forested land without involving timber extraction, including activities such as reforestation and afforestation, in accordance with the following criteria:
 - Forestry operations will be certified by FSC or PEFC.¹⁸ Sustainalytics views these certifications to be credible and robust.
 - CRN has confirmed that only tree species that are well adapted to site conditions will be used for afforestation and reforestation projects.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Waste Management category, CRN may finance or refinance projects aimed at enhancing resource use efficiency, reducing waste production, recycling of used materials, and managing water and wastewater, including:
 - Construction, development, and utilization of waste recycling and reuse technologies, such as:
 - R&D technologies¹⁹ aimed at reducing or reusing industrial or agricultural waste, such as activities that repurpose food waste into animal feed.
 - Production of commercial products from recycled materials, such as paper, cardboard, packaging and wood. CRN has confirmed that it will not finance the manufacturing of plastic products and the commercial-scale production of resource-efficient products without details on the manufacturing process, assurance of sustainable sourcing, and a reasonable basis for substantial reduction of life cycle emissions.
 - Recycling of industrial wastes, including activities such as waste collection, treatment, recycling systems and material reuse. The intended expenditures under this activity may include processing of recyclable waste fractions into secondary raw materials, such as steel. CRN has communicated to Sustainalytics that most of the reused materials will consist of scrap and recycled metals.
 - The Bank has confirmed to Sustainalytics that: i) waste collection activities will support source segregation of waste; ii) where the recycling activity includes e-waste or waste from electrical and electronic

¹⁷ The definition of large non-residential building is derived from activity 7.7 of the EU Taxonomy as having "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". European Commission, "Commission Delegated Regulation (EU) 2021/2139", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021R2139-20240101>

¹⁸ PEFC, at: <https://www.pefc.org/>

¹⁹ CRN has confirmed to Sustainalytics that it will only finance late-stage R&D projects. These projects will have a definable future asset, product or process classifiable as capex and linked to climate or social benefits.

- equipment (WEEE), it will be accompanied by robust waste management processes to mitigate associated risks; and iii) only non-hazardous materials will be reused or recycled.
 - Sustainalytics notes that the refurbishment or repair of products specifically for use in the extraction of fossil fuels or that inherently rely on fossil fuels will be excluded.
 - Acquisition or upgrading of water treatment plants, wastewater treatment facilities, and sewer networks.
 - The Bank has confirmed that it will exclude: i) treatment of wastewater from fossil fuel operations; ii) systems and treatment facilities dedicated to controversial activities having harmful social or environmental impacts, such as industrial-scale livestock; and iii) integrated water and power plants (IWPP) with fossil fuel power.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Affordable Housing category, CRN may finance or refinance the construction, development, maintenance and acquisition of affordable housing or social housing, or provision of mortgages to the target population following the requirements set by the government of each region.²⁰ CRN has established a target group based on factors such as income level, household size, presence of elderly or disabled members, immigrant background, experiences of domestic violence, and single-parent households, following the criteria of each region.²¹ The Bank has confirmed to the following:
 - Social housing projects financed will have rent caps in accordance with local government regulations to ensure continued affordability.²²
 - Regarding the provision of mortgages, the Bank has confirmed that it will follow the Spanish Good Practice Code²³ in applying interest rates lower than market rates and offering extended repayment periods.²⁴ Sustainalytics notes that CRN has implemented mechanisms to ensure the affordability of mortgage repayments, in line with the regional criteria. In addition, CRN has confirmed that it has internal processes to enforce responsible lending practices and to mitigate the risk of predatory lending, such as an assessment of the borrowers' needs and repayment capabilities.
 - Given the reasonable assurance of affordability and responsible lending practices, Sustainalytics considers that financing in this category is expected to enhance access to affordable housing to the target populations and views it to be socially impactful.
- Under the Social Inclusion category, CRN may finance or refinance the following projects, which will either be accessible to the general public or will be provided to the relevant target population for free or at a subsidized rate:
 - Construction of cultural facilities, including community centres, accessible to socially or economically marginalized populations, including: i) individuals with physical or mental disabilities; ii) socially or economically marginalized populations, such as immigrants, children under government care; or iii) individuals requiring social inclusion, such as former drug addicts or prisoners reintegrating into society after serving their sentences.²⁵ The Bank has communicated to Sustainalytics that financing

²⁰ Government of Navarra, "Requisitos de acceso", at:

http://www.navarra.es/home_es/Temas/Vivienda/Ciudadanos/Compraventa/Vivienda+protegida/Requisitos+de+acceso/

Government of La Rioja, "Compra de Vivienda Protegida?", at: <https://larioja.org/vivienda/es/plan-vivienda-2009-2012/guia-ayudas/informacion/compra-vivienda-protegida>

Etxebide, "Compra, venta en intercambio de vivienda protegida", at: <https://www.etxebide.euskadi.eus/tipos-de-vivienda-protegida/webetxe00-compventavivprot/es/>

²¹ Ibid.

²² Government of Navarra, "Alquiler de vivienda protegida", at:

http://www.navarra.es/home_es/Temas/Vivienda/Ciudadanos/Alquiler/Alquiler+de+vivienda+protegida/

Etxebide, "Cánones mensuales por alojamientos dotacionales de régimen autonómico", at: <https://www.etxebide.euskadi.eus/canones-mensuales-por-alojamientos-dotacionales-de-regimen-autonomico/webetxe00-tipoalq/es/>

Government of La Rioja, "Preguntas frecuentes", at: https://www.irvi.es/alquiler_publico/preguntas_frecuentes.html#renta_viviendas

²³ Government of Spain, Official State Gazette, "Disposición 22546", (2023) at: <https://www.boe.es/boe/dias/2023/11/03/pdfs/BOE-A-2023-22546.pdf>

²⁴ Banco de España, "Código de buenas Prácticas", at:

<https://www.bde.es/f/webbde/INF/MenuHorizontal/Publicaciones/OtrasPublicaciones/Fich/Codigo-buenas-practicas.pdf>

²⁵ The examples of "other socially or economically marginalized populations" were communicated by the Bank.

will be limited to public institutions or private associations recognized by the governments of Basque Country,²⁶ Navarra²⁷ and La Rioja.²⁸

- Provision of job training programmes or upskilling projects through government authorised facilities and institutions, for socially or economically marginalized target groups such as youth,²⁹ unemployed individuals,³⁰ and those with physical or mental disabilities, in accordance with the Spanish Law 44/2007.³¹
 - For expenditures related to people with disabilities, the Bank has confirmed that financing will be limited to public institutions or private associations available for physically or mentally disabled individuals and recognized by the regional governments of Basque Country,³² Navarra³³ and La Rioja.³⁴
 - Sustainalytics notes that Spain has one of the highest rates of youth unemployment (22.4%) and long-term unemployment (42.62 %) in the EU,³⁵ and views the expenditures related to job training and upskilling as socially impactful.
- Development or maintenance of language training programmes, facilities and learning activities for immigrants, aimed at enhancing their proficiency in regional minority languages, immigrant languages and Spanish.
- Provision of elder care services, and development and maintenance of affordable housing and elder care facilities, including residential homes and daycare centres for the elderly.
- Financing special employment entities such as those recognized as small and medium-sizes enterprises (SMEs)³⁶ and social interest entities (*entidades de interés social*) that employ individuals with physical or mental disabilities and others with disadvantaged backgrounds, such as unemployed individuals, through government-authorized associations or enterprises.^{37,38,39}
 - The Bank has confirmed to Sustainalytics that funding will be limited to entities and enterprises serving the target population, and the loans to special employment institutions will be offered on preferential terms, such as below-market interest rates or extended repayment periods. In addition, CRN has confirmed that it has internal processes to enforce responsible lending

²⁶ Elkartean, "Dónde participamos", at: <https://elkartean.org/elkartean/donde-participamos>

²⁷ Government of Navarra, "Tipos de discapacidad y movimiento asociativo", (2024), at: <https://www.navarra.es/es/derechos+sociales/discapacidad/discapacidades-y-movimiento-asociativo>

²⁸ Government of La Rioja, "Entidades discapacidad", at: <https://larioja.org/servicios-sociales/es/haz-gestiones/centros/entidades-centros-servicios/personas-discapacidad/entidades-discapacidad>

²⁹ CRN has communicated that youths are defined as individuals aged 14 to 30 years.

Government of Spain, "Ley Foral 11/2011, de 1 de abril, de Juventud.", (2011), at: <https://www.boe.es/buscar/act.php?id=BOE-A-2011-7411>

³⁰ CRN uses the Instituto Nacional de Estadística's definition of unemployed person.

INE, "Concepto seleccionado: Parados", at: <https://www.ine.es/DEFine/es/concepto.htm?c=4455>

³¹ Government of Spain, Official State Gazette, "Legislación Consolidada Ley 44/2007", at: <https://www.boe.es/buscar/pdf/2007/BOE-A-2007-21492-consolidado.pdf>

³² Elkartean, "Dónde participamos", at: <https://elkartean.org/elkartean/donde-participamos>

³³ Government of Navarra, "Tipos de discapacidad y movimiento asociativo", (2024), at: <https://www.navarra.es/es/derechos+sociales/discapacidad/discapacidades-y-movimiento-asociativo>

³⁴ Government of La Rioja, "Entidades discapacidad", at: <https://larioja.org/servicios-sociales/es/haz-gestiones/centros/entidades-centros-servicios/personas-discapacidad/entidades-discapacidad>

³⁵ European Commission, "Tackling youth and long-term unemployment in Spain", (2019), at: https://reform-support.ec.europa.eu/what-we-do/labour-market-and-social-protection/tackling-youth-and-long-term-unemployment-spain_en

³⁶ CRN uses the EU Commission's definition of SMEs. European Commission, "SME definition", at: https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en

³⁷ Basque Government, "Declaración de interés social", at: <https://www.euskadi.eus/registro/declaracion-de-interes-social/web01-tramite/es/>

Government of Navarra, "Entidades Beneficicas Del Mecenazgo Social", at: https://gobiernoabierto.navarra.es/sites/default/files/assets/files/pagina-interior/entidades_beneficiarias_del_mecenazgo_social.pdf

Government of La Rioja, "Asociaciones, Fundaciones y Colegios Profesionales", at: <https://www.larioja.org/ciudadanos/es/asociaciones-rioja/registro-asociaciones>

³⁸ Basque Government, "Declaración de interés social", at: <https://www.euskadi.eus/registro/declaracion-de-interes-social/web01-tramite/es/>

Government of La Rioja, "Entidades discapacidad", at: <https://larioja.org/servicios-sociales/es/haz-gestiones/centros/entidades-centros-servicios/personas-discapacidad/entidades-discapacidad>

Government of Navarra, "Tipos de discapacidad y movimiento asociativo", at:

<https://www.navarra.es/es/derechos+sociales/discapacidad/discapacidades-y-movimiento-asociativo>

³⁹ Sustainalytics' assessment is limited to the target populations expressly identified in the Framework.

- practices and to mitigate the risk of predatory lending, such as an assessment of the borrowers' needs and repayment capabilities.
- Further, CRN has confirmed that it will not finance enterprises involved in child labour or poor working conditions. In addition, the Framework excludes from all lending transactions activities involving fossil fuel, weapons, tobacco and palm oil.
 - Based on the above, Sustainalytics considers financing activities under this category to be socially impactful and encourages the Bank to disclose and report on the inclusion of disadvantaged or marginalized groups for added transparency.
 - Under the Education category, CRN may finance or refinance:
 - Construction of school buildings and lab facilities, including gyms, computer labs, libraries and vocational school buildings.
 - Construction of public or non-profit university campus buildings and facilities.
 - Financing in this category will be limited to educational facilities where education is accessible to all students, regardless of ability to pay.⁴⁰
 - Considering access and affordability, Sustainalytics considers investments in these activities to contribute to enabling access to education in Spain.
 - Under the Economic Inclusion category, CRN may finance or refinance microfinance loans to individuals and loans to micro, small and medium-sized enterprises (MSMEs).⁴¹
 - Microfinance loans to individuals through CRN branches located in villages with a population under 3,000, and income lower than 80% of the median income of the region.
 - The Bank has confirmed that it will offer low interest rates for the target population. Additionally, the Bank may offer flexible or lenient financing terms and requirements based on individual circumstances.
 - CRN has confirmed that it has internal processes to enforce responsible lending practices and to mitigate the risk of predatory lending, such as an assessment of the borrowers' needs and repayment capabilities.
 - Sustainalytics considers microfinance loans to the target individuals with preferential interest rates and adequate responsible lending policies to be socially impactful.
 - Regarding the financing of micro, small and medium-sized enterprises (MSMEs), CRN will prioritize investments in: i) MSMEs affected by economic, geopolitical, health or social difficulties, such as those located in regions impacted by pandemics (health difficulties) or wars (geopolitical conflicts); or ii) located in rural, remote areas with reduced access to finance.⁴²
 - The Bank has confirmed that it will not finance enterprises involved in child labour or maintaining poor working conditions. In addition, CRN has confirmed that it has internal processes to enforce responsible lending practices and to mitigate the risk of predatory lending, such as an assessment of the borrowers' needs and repayment capabilities.
 - Sustainalytics notes that CRN does not guarantee that the investments will be towards i) and ii) and considers that general MSME financing in developed countries, such as Spain, offers limited positive social impacts. In this regard, Sustainalytics encourages CRN to prioritize targeted funding aimed at addressing social needs to maximize impact.
 - The Framework excludes investments in: fossil fuel power generation; agricultural and afforestation operations located on land designated as primary forest, high conservation value areas or legally protected areas; landfill and incineration as waste management practices; payday loans and predatory lending activities; and MSMEs involved in alcohol, tobacco, gambling, weapons, extraction, refining and transportation fossil fuels, production or refining of

⁴⁰ CRN has communicated to Sustainalytics that privately owned facilities receive state subsidies, provided that they comply with established conditions, including the obligation to offer services to individuals who lack sufficient purchasing power, among other requirements.

⁴¹ CRN uses the European Commission's definition of MSMEs. European Commission, "SME definition", at: https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en

⁴² CRN uses Eurostat's definition of urban centre. Eurostat, "Glossary: 'Urban centre'", at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Urban_centre#:~:text=Short%20definition%3A%20a%20cluster%20of,000%20inhabitants%20after%20gap%2Dfilling.

palm oil, pornography, fast fashion, generation of nuclear power. Sustainalytics views positively the presence of exclusionary criteria in the Framework.

- **Project Evaluation and Selection:**
 - CRN has established a Sustainability Committee which will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee convenes on a quarterly basis and consists of representatives from the Capital Markets, Compliance, Human Resources, Marketing, Risk Management, and Social Action departments.
 - The Sustainability Committee has an internal review process embedded within the loan selection procedure to identify and mitigate environmental and social risks associated with the eligible projects, which apply to all allocations under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate. For additional detail see Section 2.
 - Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - The Sustainability Committee will manage proceeds using a portfolio approach and will track their allocation using an internal system. The Bank has communicated to Sustainalytics that it will ensure continuous allocation until maturity of the bonds or loans so that the value of outstanding eligible assets in the pool remains equal or greater than the net proceeds as the underlying eligible assets are amortized or removed.
 - The Bank intends to allocate proceeds within 24 months of each issuance. Pending full allocation, unallocated proceeds will be managed according to the processes of the Bank's Treasury department and will be invested in OECD sovereigns and sub-sovereign bonds. The Bank has confirmed that it will exclude temporary allocations towards carbon-intensive activities.
 - The Bank has communicated to Sustainalytics that it may use the Framework to obtain multi-tranche loan facilities. The Bank will label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - CRN will report on the allocation of proceeds and their corresponding impact in a corporate social responsibility report, which will be published on its website on an annual basis until full allocation.
 - Allocation reporting will include the total amount of outstanding loans by category, the number of outstanding loans by category, and the number of borrowers, including individuals and SMEs.
 - Impact reporting will include relevant environmental impact metrics, where feasible, such as number of energy generation projects, annual CO₂ emissions reduction, number of houses meeting minimum energy efficiency requirements, area of land reforested (in hectares or acres), number of disadvantaged families housed in social housing, number of people enrolled in job training programmes, number of loans to borrowers living in remote areas, and number of projects that involve recycling of industrial waste.
 - The allocation of proceeds and impact reporting will be reviewed by an independent third party annually until the proceeds have been fully allocated.
 - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Caja Rural de Navarra Sustainable Finance Framework aligns with the SBG and the four core components of the GBP, SBP, GBP and SLP.

Section 2: Sustainability Strategy of CRN

Contribution to Caja Rural de Navarra's sustainability strategy

CRN focuses on the following environmental and social objectives in its sustainability strategy: i) development of products and services focused on the environment and decarbonization of the economy; ii) integration of

the Sustainable Development Goals into the Bank's business model; iii) incorporation of circularity in the Bank's supply chain; and iv) defend human rights, combat poverty and create policies to promote equality and financial inclusion.⁴³

CRN aims to reduce the carbon intensity of its operational scope 1, 2 and 3 emissions by 20% by 2025, compared to a 2021 baseline, excluding the Bank's scope 3 financed emissions.⁴⁴ In 2023, CRN estimated financed emissions from its loan portfolio at 1.28 million tCO₂e, respectively from corporate loans (83.9%), public loans (8.2%) and mortgage loans (7.4%).⁴⁵ CRN has set a target to reduce the scope 1 and 2 emissions intensity of its residential mortgage loan book by 18% by 2030 compared to a 2023 baseline.⁴⁶ Additionally, the Bank collected energy performance data on 73% of its mortgage portfolio in 2023 with the aim of understanding the associated environmental risks.⁴⁷ The Bank has not set carbon reduction targets for its scope 3 financed emissions.

The Bank also aims to expand its sustainable product range to facilitate investments that reduce financed emissions.⁴⁸ To support this goal, the Bank offers six fixed income funds designated under Article 8 or 9 of the EU Sustainable Finance Disclosure Regulation, focused on promoting environmental and social objectives.⁴⁹ In 2023, these funds represented approximately 14% of the Bank's total funded assets.⁵⁰ The Bank's sustainable loan portfolio consisted of EUR 5 billion in outstanding loans as at 2023, with more than half directed towards financing related to economic inclusion, followed by loans for energy efficiency and social housing.⁵¹

To promote social inclusion, the Bank aims to provide financing for projects and organizations focused on disability services, sports, cultural activities, healthcare, socio-economic development research and charities.⁵² As of 2023, the Bank had EUR 54.2 million in outstanding loans in the social inclusion category and financed EUR 11.8 million to support 37 social organizations, facilitating the social inclusion of more than 3,000 people.⁵³ In addition, following the requirements of the Markets in Financial Instruments Directive II and to promote inclusion, the Bank is committed to integrating sustainability preferences in its customer suitability assessment.^{54,55}

Sustainalytics is of the opinion that the Caja Rural de Navarra Sustainable Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities. Nevertheless, Sustainalytics encourages CRN to set and disclose emissions targets for the Bank's lending and investment activities and to transparently report on the progress made towards meeting these targets.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: emissions, effluents and waste generated in construction; land use and biodiversity loss associated with large-scale infrastructure development; occupational health and safety; community relations; and business ethics and risks related to predatory lending. Sustainalytics notes that CRN plays a limited role in the development of projects and the assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

⁴³ Caja Rural de Navarra, "CSR Report and Non-Financial Statements, 2023", (2024), at: <https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/MemoriaRSC/2023-csr-report-cajaruraldenavarra.pdf>

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Article 8 of the EU Sustainable Finance Disclosure Regulation relates to funds that promote environmental or social characteristics but do not necessarily have a specific sustainability objective; Article 9 funds have sustainable investment as their core objective. European Parliament, "Regulation (EU) 2019/2088", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02019R2088-20240109&qid=1734359516515>

⁵⁰ Caja Rural de Navarra, "CSR Report and Non-Financial Statements, 2023", (2024), at: <https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/MemoriaRSC/2023-csr-report-cajaruraldenavarra.pdf>

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Under Mifid II regulation, companies offering investment services are required to assess customers' financial background and investment preferences, including preferences in relation to sustainability-focused products.

⁵⁵ Caja Rural de Navarra, "CSR Report and Non-Financial Statements, 2023", (2024), at: <https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/MemoriaRSC/2023-csr-report-cajaruraldenavarra.pdf>

Sustainalytics is of the opinion that CRN is able to manage or mitigate potential risks through implementation of the following:

- The Bank has a Sustainable Finance and ESG Risk policy,⁵⁶ under which it evaluates borrowing companies on their environmental risks and impacts as part of the lending risk assessment. Additionally, the Bank is committed to excluding financing for companies implicated in significant controversies related to waste management, polluting emissions or biodiversity infringements as well as those generating more than 50% of their revenue from fossil fuel energy production. CRN's Risk Management Framework incorporates ESG factors and risks in the risk assessment, and facilitates their monitoring, management and mitigation.⁵⁷
- Regarding land use and biodiversity risks, CRN follows the EU legislation, including the EIA Directive (2014/52/EU), which requires land-intensive projects to be adequately assessed and have mitigative measures to prevent, reduce and offset significant adverse effects on the environment, particularly on soil, species and habitats.⁵⁸ Regarding land use, the EIA Directive requires projects to identify, describe and assess impacts related to land use.⁵⁹ Additionally, under its Environmental Policy, the Bank establishes principles for environmental protection, biodiversity conservation and climate change mitigation.⁶⁰ Further, CRN is required to comply with Spanish law 42/2007 on natural heritage and biodiversity, which sets requirements on conservation, sustainable use, improvement and restoration of natural heritage and biodiversity.⁶¹
- Regarding emissions, effluents and waste generation, CRN follows the EU guidelines and regulations, such as the EU Construction and Demolition Waste Protocol and Guidelines,⁶² the EU Waste Framework Directive,⁶³ and the Waste Electrical and Electronic Equipment Directive,⁶⁴ which require waste management to be carried out without endangering human health or causing harm to the environment.⁶⁵ Additionally, CRN's Environmental Policy outlines principles for prevention, management and control of emissions and promotes the reuse and recycling of materials to support the transition towards a circular economy.⁶⁶
- In relation to occupational health and safety risks, CRN aligns with EU Directive 89/391/EEC⁶⁷ and Spanish Law 31/1995 on the prevention of occupational risks,⁶⁸ which require employers to implement measures for the prevention of occupational risks and to provide information and training. Additionally, CRN incorporates social risks related to health, labour relations and fair labour standards as part of the ESG assessment of counterparties.⁶⁹ The Bank prohibits financing to companies involved in controversies related to health and security at work, human rights and labour rights, in line with the International Labour Organization conventions.⁷⁰
- Regarding community relations, the European Commission's EIA Directive requires effective consultation and public participation as part of the EIA process.⁷¹ Additionally, CRN assesses counterparties applying for finance on their exposure to community relations risks including potential impacts on local communities and risks related to discrimination or endangerment of ethnic groups.⁷²

⁵⁶ Caja Rural de Navarra shared the 'Política de Financiación Sostenible y Riesgos ASG' with Sustainalytics confidentially.

⁵⁷ Ibid.

⁵⁸ European Parliament, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

⁵⁹ European Parliament, "Directive 2014/52/EU", (2014), at: <https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>.

⁶⁰ Caja Rural de Navarra, "Política Medioambiental", (2022), at: <https://www.cajaruraldenavarra.com/sites/default/files/gobierno-cooperativo/Pol%C3%ADtica-Medioambiental-WIP.pdf>

⁶¹ Spanish Official Gazette, "Ley 42/2007, de 13 de diciembre, del Patrimonio Natural y de la Biodiversidad", (2007), at: <https://www.boe.es/buscar/act.php?id=BOE-A-2007-21490>

⁶² European Commission, "EU Construction and Demolition Waste Protocol and Guidelines", (2018), at: https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18_en

⁶³ European Parliament, "Directive 2008/98/EC", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008L0098>

⁶⁴ European Parliament, "Directive 2012/19/EU (WEEE)", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012L0019>

⁶⁵ European Commission, "Waste Framework Directive", at: https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en

⁶⁶ Caja Rural de Navarra, "Política Medioambiental", (2022), at: <https://www.cajaruraldenavarra.com/sites/default/files/gobierno-cooperativo/Pol%C3%ADtica-Medioambiental-WIP.pdf>

⁶⁷ European Commission, "Council Directive of 12 June 1989", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR>

⁶⁸ Spanish Official Gazette, "Law 31/1995 on the Prevention of Occupational Risks", at: <https://www.boe.es/eli/es/l/1995/11/08/31/con>

⁶⁹ Caja Rural de Navarra shared the Política de Financiación Sostenible y Riesgos ASG with Sustainalytics confidentially.

⁷⁰ Ibid.

⁷¹ European Commission, "Focus on Environmental Impact Assessment" at: https://www.era-comm.eu/EU_Legislation_on_Environmental_Assessments/part_2/part_2_12.html

⁷² Caja Rural de Navarra shared the Política de Financiación Sostenible y Riesgos ASG with Sustainalytics confidentially.

- Regarding business ethics and responsible lending, the Bank's Code of Conduct⁷³ requires CRN to provide clear, transparent information about its products' and services' risks. The Bank's Risk Management System identifies and monitors business activities, policies and processes related to crime prevention and unauthorized or irregular actions.⁷⁴ CRN periodically trains its employees on these measures.⁷⁵ The Bank's Conflict of Interest Policy sets out rules to prevent unethical behaviour from the Bank, its employees and stakeholders.⁷⁶ Additionally, the Bank has a whistleblowing channel that allows employees to report unlawful activities and other irregularities anonymously.⁷⁷

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CRN has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and SLP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Importance of improving energy efficiency of buildings in Spain

The buildings sector is the largest consumer of energy in the EU, accounting for approximately 40% of the total energy consumption in the bloc.⁷⁸ In 2021, the buildings sector was responsible for more than one-third of energy-related GHG emissions in the EU, with heating, cooling and domestic hot water usage representing 80% of the total energy usage.⁷⁹

In Spain, the buildings sector accounted for 30% of final energy consumption and 25% of GHG emissions in 2020.⁸⁰ Despite achieving a 16% reduction in GHG emissions from energy use in buildings between 2005 and 2021,⁸¹ a high percentage of the building stock in Spain remains inefficient.⁸² As of 2019, nearly 85% of the existing buildings in Spain had an energy efficiency rating of E, F or G based on energy consumption.⁸³ Spain's Long-term Strategy for Energy Retrofitting in the Building Sector (ERESEE 2020) has established a roadmap to decarbonize the housing stock by 2050, with an objective to renovate the envelope of 1.2 million dwellings and to replace more than 3.5 million heating and water systems by 2030.⁸⁴ For 2050, ERESEE 2020 aims to reduce the energy consumption of buildings by 36.6% from 2020 levels, bringing fossil fuel consumption to zero.⁸⁵ Further, Spain has set a target to achieve a 36% reduction in final energy consumption in tertiary buildings by 2030, compared to a 2020 baseline.⁸⁶ With regard to new buildings, Spanish regulation requires all new buildings, including those subject to significant renovations, to comply with nearly zero-energy building specifications.⁸⁷ Additionally, Spain has pledged to meet the energy efficiency goals set by EU Directive 2023/1791,⁸⁸ reaffirming this commitment in the Integrated National Energy and Climate Plan (PNIEC) 2021-

⁷³ Caja Rural de Navarra, "Código de Conducta", (2023), at: <https://canvas.sustainalytics.com/377f33fa-17e0-4dfa-8e53-40de040852bf>

⁷⁴ Caja Rural de Navarra, "Información sobre el Sistema de Gestión de Cumplimiento Penal de Caja Rural de Navarra S.C.C.", at: <https://www.cajaruraldenavarra.com/sites/default/files/2024-04/Documento-de-Informacion-Sistema-de-Gestion-de-Cumplimiento-Penal.pdf>

⁷⁵ Caja Rural de Navarra shared the Manual del Sistema de Gestión de Cumplimiento Penal with Sustainalytics confidentially.

⁷⁶ Caja Rural de Navarra, "Política de conflictos de interés", (2023), at: <https://www.cajaruraldenavarra.com/sites/default/files/gobierno-coorporativo/politica-de-conflictos-de-interes-crn.pdf>

⁷⁷ Caja Rural de Navarra, "Canal Ético", at: <https://www.cajaruraldenavarra.com/es/canal-etico>

⁷⁸ European Commission, "Energy Performance of Buildings Directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en#facts-and-figures

⁷⁹ Ibid.

⁸⁰ Interreg Europe, "World Energy Efficiency Day: Challenges in Spain", (2018) at: <https://projects2014-2020.interregeurope.eu/enerselves/news/news-article/2758/world-energy-efficiency-day-challenges-in-spain/>

⁸¹ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2023), at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-energy?activeAccordion=>

⁸² Renovate Europe, "Time to Act: Spain as a Driving Force on Building Renovation", (2023) at: https://www.renovate-europe.eu/wpcontent/uploads/2023/10/REDay2023_2_Pager_Final.pdf

⁸³ Ibid.

⁸⁴ Odyssee-Mure, "Energy renovations of buildings in Spain and the EU", (2021), at: <https://www.odyssee-mure.eu/publications/policy-brief/spanish-building-retrofitting-energy-efficiency.html#:~:text=According%20to%20the%20ERESEE%202020,7%2C730%20M%20in%20energy%20bills>

⁸⁵ Ibid.

⁸⁶ Government of Spain, Ministry of Public Work and Transport, "ERESEE 2020", (2020), at: https://cdn.mitma.gob.es/portal-webdrupal/planes_estategicos/en_ltserb.pdf

⁸⁷ Government of Spain, Ministry of Housing and Urban Agenda, "Documento Básico HE Ahorro de energía", (2022), at: <https://www.codigotecnico.org/pdf/Documentos/HE/DBHE.pdf>

⁸⁸ Directive 2023/1791 sets the objective of reducing overall energy consumption in the EU by 11.7% by 2030 compared to the 2020 EU Reference Scenario, aiming to have the EU's final energy consumption not exceed 763 Mtoe.

European Parliament, "Directive (EU) 2023/1791", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023L1791&qid=1734361309571>

2030,⁸⁹ which set a target to reduce GHG emissions by 32% by 2030 compared to 1990. To achieve this, Spain plans to implement strategies such as incorporating renewable energy sources into buildings, upgrading existing buildings to improve energy efficiency, leveraging information and communication technologies, optimizing heating and cooling systems, and installing energy-efficient lighting, among other building-related measures.⁹⁰

Based on the above, Sustainalytics is of the opinion that CRN's financing of energy-efficient buildings and building renovations is expected to contribute to the decarbonization of the Spanish building stock and support the country's energy efficiency targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Caja Rural de Navarra Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable Agriculture	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	9. Industry, Innovation and Infrastructure	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 accordance with their respective capabilities
Sustainable Forest Management	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
Waste Management	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Social Inclusion	10. Reduced Inequalities	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

⁸⁹ Baker McKenzie, "Global Sustainable Building Guide", (2024), at: <https://www.bakermckenzie.com/en/insight/publications/resources/global-sustainable-buildings-guide>

⁹⁰ Ibid.

Education	4. Quality Education	4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
Economic Inclusion	8. Decent Work and Economic Growth	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

Conclusion

CRN has developed the Caja Rural de Navarra Sustainable Finance Framework, under which it may issue green, social and sustainability bonds, including covered bonds, senior unsecured bonds, subordinated bonds, and obtain loans, including senior and subordinated loans to finance or refinance eligible assets under the following use of proceeds categories: Sustainable Agriculture, Renewable Energy, Energy Efficiency, Sustainable Forest Management, Waste Management, Affordable Housing, Social Inclusion, Education, and Economic Inclusion. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Caja Rural de Navarra Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on their allocation and impact. Sustainalytics considers that the Caja Rural de Navarra Sustainable Finance Framework is aligned with the Bank's sustainability strategy and that the use of proceeds are expected to advance the UN Sustainable Development Goals 4, 7, 8, 9, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that CRN has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that CRN is well positioned to issue or obtain the said sustainable finance instruments and that Caja Rural de Navarra Sustainable Finance Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines 2021 and the four core components of the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023.

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