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ASSESSMENT
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Grupo Cooperativo Cajamar

Second Party Opinion – Sustainable Financing Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 sustainability quality score (very good) to Grupo Cooperativo Cajamar (Cajamar)'s sustainable financing framework dated 27 July 2023. The issuer has established its sustainable financing framework with the aim of capitalizing projects across 11 eligible sustainable categories, of which four are social and seven are green. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles 2021 (including the June 2022 Appendix 1), Social Bond Principles 2023, Sustainability Bond Guidelines 2021 and the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles 2023 and Social Loan Principles 2023. The framework also demonstrates a significant contribution to sustainability.

Sustainability quality score

SQS2

SQS5 Weak | SQS4 Intermediate | SQS3 Good | SQS2 Very good | SQS1 Excellent

Alignment with principles
USE OF PROCEEDS

Overall alignment: Aligned

Not aligned | Partially aligned | Aligned | Best practices

FACTORS	ALIGNMENT
Use of proceeds	Aligned
Evaluation and selection	Best practices
Management of proceeds	Best practices
Reporting	Best practices

Contribution to sustainability

Overall contribution: Significant

Poor | Limited | Moderate | Significant | High

Expected impact
Relevance and magnitude: Significant

ADJUSTMENTS	
ESG risk management	No adjustment
Coherence	No adjustment

Scope

We have provided a second party opinion (SPO) on the sustainability credentials of Grupo Cooperativo Cajamar's sustainable financing framework, including the framework's alignment with the four core components of the ICMA's Green Bond Principles 2021 (including the June 2022 Appendix 1), Social Bond Principles 2023 and Sustainability Bond Guidelines 2021, and the LMA/APLMA/LSTA's Green Loan Principles 2023 and Social Loan Principles 2023. In its framework, Cajamar plans to finance projects across 11 eligible categories, as outlined in Appendix 2 of this report.

Our assessment is based on the bank's sustainable financing framework dated 27 July 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework and other public and non-public information provided by the issuer.

We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

Banco de Crédito Social Cooperativo, S.A. (BCC) is formed by 18 rural banks, with Cajamar being its main shareholder. BCC operates together with Grupo Cooperativo Cajamar's rural savings banks, serving more than 3.7 million customers through 842 branches and 174 agencies, with 33% of these located in municipalities with less than 5,000 inhabitants. They employ 5,226 people and 137 financial agents. Their digital banking, e-banking and mobile banking channels, as well as their network of 1,500 ATMs, are used by more than a million customers to make transactions and withdraw cash. Additionally, they operate six mobile offices, which provide financial services to rural areas and villages with less than 1,500 inhabitants, primarily elderly individuals.

The bank aims to contribute to the economic development and social progress of its members, customers and the broader community by offering financial solutions through a distinctive strategy that is rooted in the principles of cooperation, social economy and sustainable development.

Strengths

- Eligible projects address environmental and social challenges that are relevant for the issuer and its sector.
- Comprehensive and transparent project evaluation and selection processes are in place and include relevant expertise.
- Allocation and impact reporting will be done until the maturity of the bonds.
- Continued compliance of selected projects is monitored throughout the life of any instrument issued under the framework.

Challenges

- The inclusion of general corporate purpose financing represents a nonstandard use of proceeds susceptible to specific challenges, for which the issuer has put in place adequate mitigation measures.
- Lack of visibility on the share between public, private and subsidized healthcare services, as well as the level of accessibility for the private services.

Alignment with principles

Cajamar's sustainable financing framework is aligned with the four pillars of the ICMA's Green Bond Principles 2021 (including the June 2022 Appendix 1), Social Bond Principles 2023, Sustainability Bond Guidelines 2021 and the LMA/APLMA/LSTA's Green Loan Principles 2023 and Social Loan Principles 2023:

- [x] Green Bond Principles (GBP)
- [x] Social Bond Principles (SBP)
- [x] Green Loan Principles (GLP)
- [x] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | Best practices

Clarity of the eligible categories – ALIGNED

Cajamar has clearly defined and communicated the nature of expenditures. The eligible projects will be financed mostly through capital and operational expenditure, as well as loans, leasing and credits. The eligible projects are majority located in Spain, or else in Europe. The issuer has clearly defined the eligibility and exclusion criteria. However, the issuer has not defined some of the eligible project categories with clarity – in particular, due to the inclusion of pure players in the portfolio, which can represent around 20% of the issuance.

The cornerstone of the ICMA's GBP and SBP is the full utilization of net bond proceeds for eligible projects with clear environmental benefits. The inclusion of pure-play type of expenditures in the structure represents a nonstandard use of proceeds, which introduces certain challenges in terms of alignment with principles, in particular in terms of compliance with eligibility and exclusion criteria, clarity of the sustainability objectives, allocation and traceability of funds to eligible projects, impact reporting, and an increased risk of double counting. With appropriate mitigation measures, pure-play investments can still be considered in line with the spirit of the use-of-proceeds thematic issuance and therefore aligned with the GBP.

Cajamar's s allocation of proceeds toward general corporate purpose loans to pure-play companies is limited to 20% of the total allocation under the framework. Pure-play companies have been defined as those that derive 90% of their revenue from activities that adhere to the eligibility criteria. The issuer has confirmed that pure-play lending will only be possible for companies that are able to link the proceeds to eligible assets, which will be known to the bank in advance of a loan being granted. To avoid the risk of double counting, only the share attributable to the eligible assets is considered. The mitigation measures in place to ensure the traceability of funds, compliance with the eligibility criteria and clarity of the environmental benefits, coupled with the limited allocation and the 90% threshold and exclusion criteria to define pure-play companies, means the structure is in line with the current market practices.

Clarity of the environmental or social objectives – BEST PRACTICES

The issuer has clearly outlined the relevant environmental and social objectives associated with all the environmental and social projects, which are in line with international standards, including 11 of the United Nations' (UN) Sustainable Development Goals (SDGs). These objectives include decent work and economic growth, access to essential services, and climate change adaptation and mitigation.

Clarity of the expected benefits – BEST PRACTICES

Cajamar has identified a comprehensive list of relevant benefits for all the eligible categories. These benefits are measurable and will be quantified in the reporting. The issuer will communicate the share of refinancing, and there is a look-back period of a maximum of two years.

Best practices identified

- Objectives set are defined, relevant and coherent for all project categories
- Relevant benefits are identified for all project categories
- Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices

Transparency and quality of process for defining eligible projects – BEST PRACTICES

The issuer has established a structured process for evaluating, selecting and monitoring the eligible projects, relying on relevant internal expertise. The process is publicly available in the framework. The issuer's sustainability committee is in charge of the selection and evaluation of eligible projects. Prior to the selection of the projects, the business, finance and investments divisions disclose a pre-selection of projects to the committee. The board finally reviews the projects. Moreover, all the selection, evaluation and monitoring process is traceable and documented. The eligible projects are monitored throughout the life cycle of the bond and the funds should be reallocated in case a project is no longer compliant within 12 months.

With respect to pure-play lending, which is a nonstandard use of proceeds and where the identification and selection of eligible projects present special challenges, the issuer reports that only companies that are able to link the proceeds to eligible assets will be deemed suitable for the portfolio. The bank is also able to monitor the ongoing general compliance with the eligibility criteria.

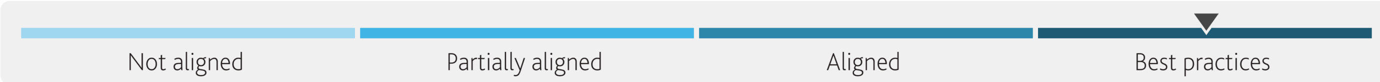
Environmental and social risk mitigation process – BEST PRACTICES

Cajamar has established a comprehensive environmental and risk mitigation process, including monitoring for controversies and the identification and management of environmental social risks. The process is disclosed in the framework, and further detailed in other internal and external documentation provided by the company. The management of such risks includes several layers of assessments and screenings, as well as corrective measures.

Best practices identified

- The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- The process for project evaluation and selection is traceable
- Material environmental and social risks for most project categories are identified
- Presence of corrective measures to address environmental and social risks across projects
- ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The issuer disclosed information regarding allocation and tracking in the framework. An appropriate internal process was put in place to establish the link of an amount equal to the net proceeds to the eligible social expenditures. The issuer has also stated its intention to allocate net proceeds within 24 months of the issuance of each sustainable financing instrument.

Management of unallocated proceeds – BEST PRACTICES

The issuer disclosed the intended type of temporary placements as cash or cash equivalents. The exclusion criteria to not invest in carbon intensive and controversial activities is also valid for temporary placement of funds.

Best practices identified

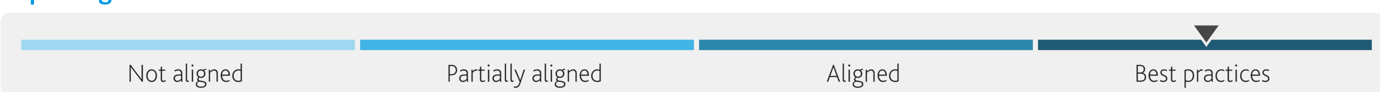
» Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum

» Short allocation period, for example typically less than 24 months

» Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities

» Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – BEST PRACTICES

The issuer committed to annual reporting on proceeds allocation until the maturity of the bonds and in case of significant developments. The allocation indicators are exhaustive, and the impact indicators are detailed (see Appendix 2). The allocation and impact report will be externally reviewed. The issuer has committed to include case studies on selected projects.

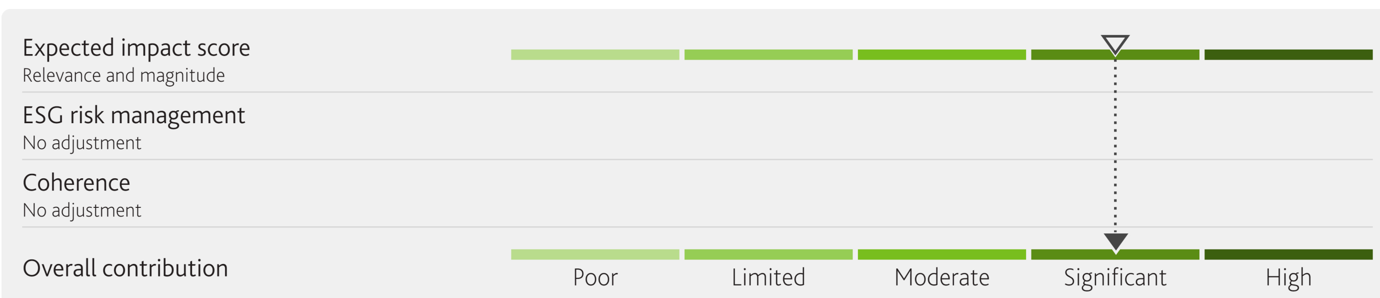
The bank confirms in internal documentation its commitment to tracking and reporting the allocation of the net proceeds and the environmental benefits associated with the activities undertaken by pure-play companies.

Best practices identified

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

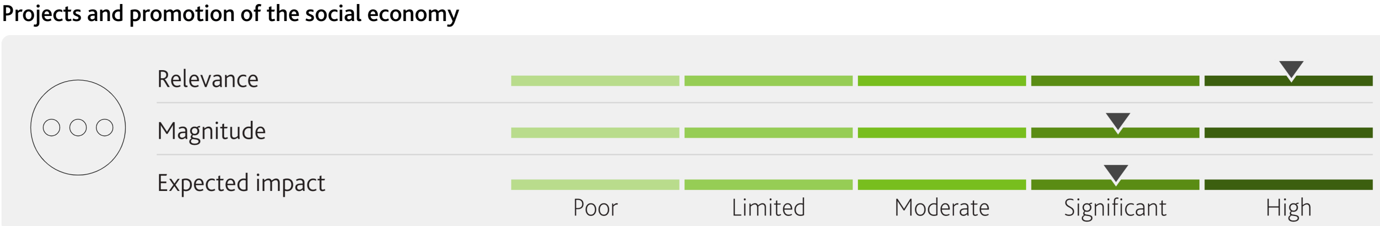
The framework demonstrates a significant overall contribution to sustainability.



Expected impact

The expected impact of the eligible projects on environmental and social objectives is significant. The issuer has not provided information on the distribution of proceeds. Thus, we have weighted the 11 categories evenly for the purpose of assessing their contribution to sustainability. A detailed assessment by eligible category is provided below.

Projects and promotion of the social economy

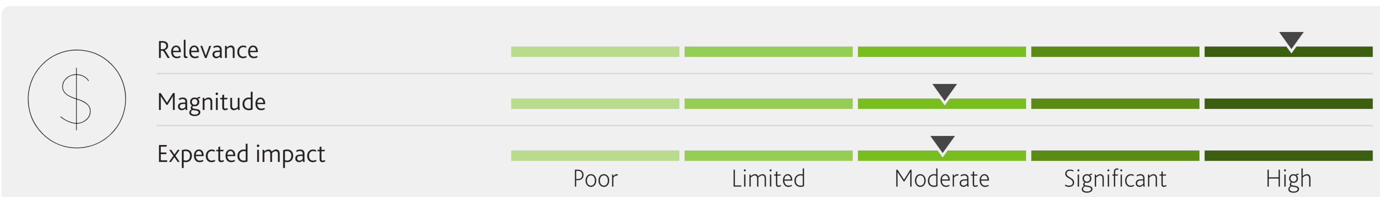


Projects in this category include financing that will be granted to social economy enterprises following the definition specified in the Law 5/2011, of 29 March, of Social Economy in Spain.

According to the Spanish Enterprise Confederation for the Social Economy (CEPES), the country's social economy has more than 43,000 entities, which translates into more than 2,100,000 direct and indirect jobs in the country. The social economy accounts for 10% of total GDP and 12.5% of total employment, with more than half of the enterprises being micro or small companies. These companies have considerable importance in rural areas and municipalities, where the predominant sectors are agroindustry, education and elderly care. Cajamar has a strong presence in rural areas, highlighting the importance of these type of entities to the bank. Coupled with the social economy's role to develop and maintain local economies, the relevance of this category is considered high.

Loans in this category will be exclusively granted to social economy enterprises, per the eligibility criteria and in accordance with the definition established by law in Spain, which provides the legal framework for social economy entities. This ensures that the loans are specifically directed toward enterprises whose activities are driven by social objectives. These measures to support the success and growth of social economy enterprises are likely to have a long-term positive impact on the target population, which will likely lead to improved livelihoods and overall community well-being. However, the lack of detail regarding specific investments results in limited visibility of the expected long-term impact, resulting in a magnitude score of significant.

Projects and promotion of economic and social development in regions and territories affected by low economic performance, unemployment and depopulation

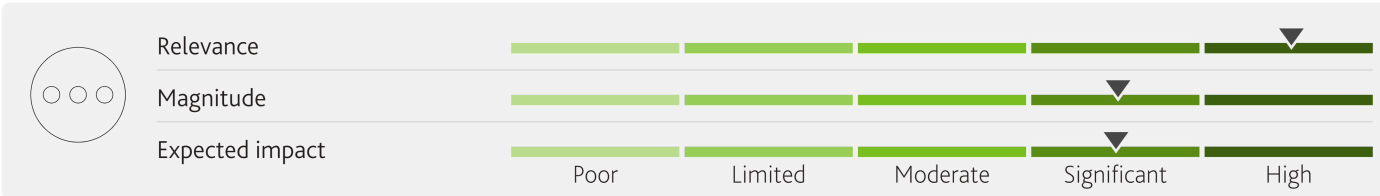


Eligible projects include financing for families, self-employed and enterprises to promote social and economic development in Spanish regions characterized by higher-than-average unemployment rates and sparse population density.

In 2022, the unemployment rate for individuals between the ages of 15 and 74 years in the European Union (EU) was 6.2%. Conversely, in the same year, Spain experienced an increase in the unemployment rate, reaching 12.9%. In terms of population aging, data from Instituto Nacional de Estadística (INE) show that individuals aged 65 years and above comprised 19.7% of the total population in Spain, as of January 2021. Projections suggest this demographic could represent 26.5% of the total population by 2035. With regard to depopulation, in Spain, there are 6,815 municipalities with less than 5,000 inhabitants, accounting for 12% of the total population. These figures highlight the importance of tackling unemployment, depopulation and aging population in the targeted regions. Moreover, the issuer has a strong commitment in supporting these territories, evidenced by their substantial coverage of 70.3% for populations in areas with fewer than 5,000 residents, supporting a high relevance score for this category.

Regions targeted by these projects grapple with numerous additional societal challenges, including low income levels, population decline and an aging population. Aiding businesses through the provision of loans will contribute to an improvement in their economic performance. This category also includes the provision of loans to families and the self-employed, to contribute to the access to education and healthcare services, house purchase and refurbishment, and access to quality employment and remote working. To tackle depopulation in rural areas, advancements in transportation and communication infrastructures, including internet services that support remote work, can be crucial to attract newcomers to relocate and to avoid the current residents from leaving. However, no more visibility has been given on these loans aside from general corporate purposes. Although targeting these areas will be particularly meaningful, due to the general population criteria and the broad definition of projects, the magnitude is considered moderate.

Natural disasters, states of alarm and economic disruption

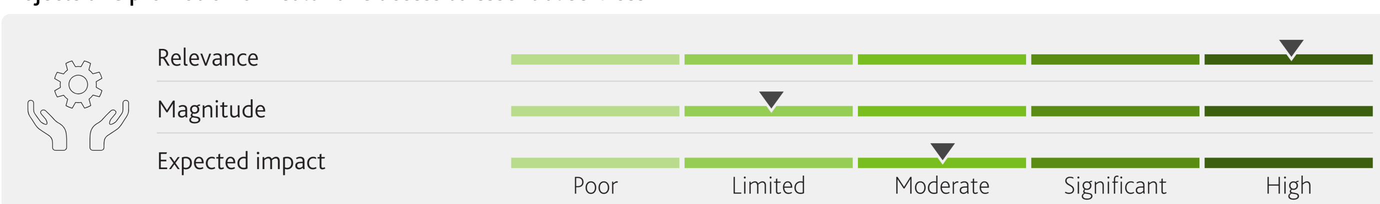


The category includes the financing of projects, assets or other purposes of business entities hurt by natural catastrophes, droughts, earthquakes, volcanic eruptions, floods, health alerts or other states of alarm that can cause economic damage. It also includes the financing and refinancing of loans and credits that contribute to the well-being of people living in the affected territories.

In 2021, natural disasters caused Spain a total of around €3.6 billion, with one-third of the damages being uninsured. The overall impact on Spain's GDP because of these disasters was equivalent to 0.1% of the country's GDP, amounting to €1,126 million. As a result of this economic impact, around 23,000 jobs were lost, with half of them being in auxiliary companies that were part of the value chain of those directly hurt by natural disasters.[1] The agricultural sector is especially vulnerable to climate change, where the increase in temperatures not only leads to droughts and virulent wildfires, but also torrential rains, floods and others. Losses resulting from states of alarm and economic hibernations, such as those caused by the coronavirus pandemic, were largely uninsured. Based on the abovementioned reasons, and the importance of the agriculture sector to the issuer, the relevance is considered high.

This category is centered around assisting the target population — consisting of social economy entities, the self-employed and families — affected by emergencies caused by natural disasters and states of alarm to alleviate the adverse impacts of such events. It aims to provide access to financial resources that are specifically tailored to address the needs arising from these emergencies. The geographic areas to be covered under these financing projects will be those identified by the state through royal decree. Support provided in the event of disasters or other instances of economic disruption is typically short term in nature, because it aims to provide immediate solutions to address the severe impacts of such events. Nevertheless, eligible loans associated with reconstruction and the restoration of normalcy can yield long-term benefits. Because of the aforementioned reasons, the magnitude is considered significant.

Projects and promotion of health and access to essential services

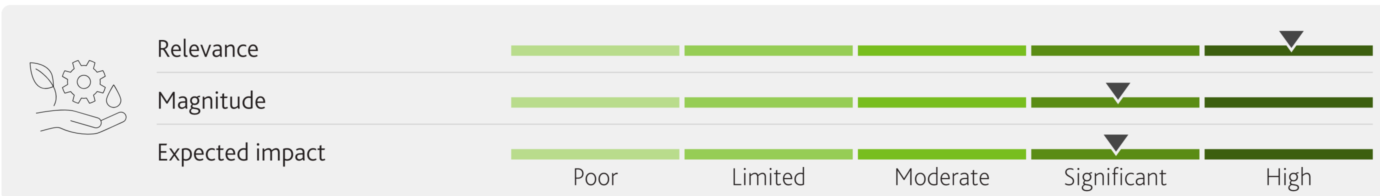


Projects included in this category aim to finance the construction of hospitals, clinics and healthcare centers, as well as centers for elderly care, nurseries, schools and residences for people with disabilities.

Spain has the highest life expectancy in the EU and less health-related social inequality than other countries. Universal access to healthcare services promotes well-being and quality of life. However, 60% of those above 65 years have chronic diseases, which increases healthcare needs. By 2050, a third of Spain's population will be over 65 years, exerting pressure on the welfare system as the number of working-age individuals decreases. This demographic shift will significantly increase public spending, particularly on healthcare and dependency assistance for elderly people. In Spain, there is also a significant unmet need in the area of nursery and preschool education for children aged zero to three years. More than half of the families find these services unaffordable. Despite some autonomous communities offering free preschool education, demand consistently outstrips supply. Education is not only linked to potential future earnings but also to improved health, reduced rates of violence and personal contentment. Therefore, access to health and education services is highly relevant.

The category targets the general public, but also all groups that, whether because of age issues (older people or minors), have greater fragility and different needs compared with the general public. The category covers investments related to construction and equipment for healthcare services of public, private or subsidized nature, including primary healthcare facilities, clinics and hospitals. In the case of private services, the impact on the population that cannot afford these health services and is among the most vulnerable would not be substantial. The data provided by the issuer regarding the affordability of private healthcare services suggest that these services cost around €100 per month. However, prices can prove to be a barrier for accessibility, potentially limiting their positive impact on the most vulnerable populations. This category also covers the construction, maintenance and management of infrastructure for elderly care, nurseries, schools and residences for people with disabilities. It aims to improve vulnerable populations' overall access to these services. Infrastructure for elderly care will also include private centers that are able to receive subsidies from the state. However, no more information has been provided regarding the expected affordability of these care services. Overall, the lack of visibility remains regarding the share between public, private and subsidized services, as well as the level of accessibility for the private services, leading the magnitude to be considered limited.

Sustainable agriculture and promotion of biodiversity

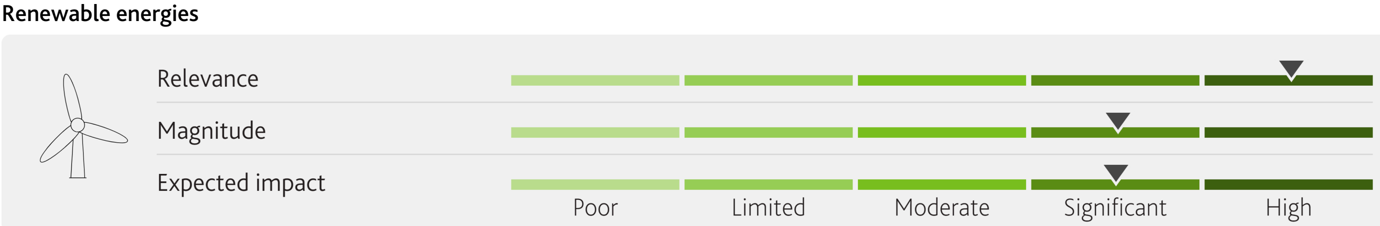


This category includes projects related to the investment, maintenance and expansion of ecological agriculture and integrated production, including auxiliary facilities and technical support services.

The agricultural and livestock sectors together contributed to 11.9% of greenhouse gas (GHG) emissions in Spain in 2021. Because of climatic conditions, 74% of the country's territory is at risk of desertification. Out of this area, slightly more than 9,000,000 hectares are categorized as high or very high-risk zones for desertification.[2] The agricultural sector in Spain is also affected by climate change because the increasing temperatures and altered precipitation patterns are causing a decline in crop yields and a reduction in water availability. Additionally, the frequency of extreme weather events — such as floods, droughts and wildfires — is on the rise, posing significant risks to both the environment and agricultural production. Also, traces of pesticides were still present in 83% of Spanish agricultural soils in 2021, where the overuse of fertilizers and pesticides led to Spain being one of the European countries most affected by water pollution caused by nitrates. Due to the importance of the agriculture sector for the bank and of adopting sustainable agriculture practices to address environmental challenges, the relevance is considered high.

To be eligible for financing, the projects related to agriculture and the marketing of organic production must adhere to the EU regulations. Similarly, the projects related to integrated production must comply with Spanish laws, while projects in auxiliary service industries must obtain certification from the appropriate authority to further enhance transparency and ensure compliance with environmental standards. Biofertilizers need to be certified for use in ecological agriculture, and waste management will be limited to entities specialized in the collection of waste from ecological agriculture. This category also includes auxiliary fauna for biological pest control and organic seeds for ecological production. This category is likely to generate a positive impact and increase the resilience of the agricultural sector to climate-change-related effects. However, there is limited visibility on an exhaustive list of eligible agricultural projects. Thus, the magnitude is considered significant.

Renewable energies



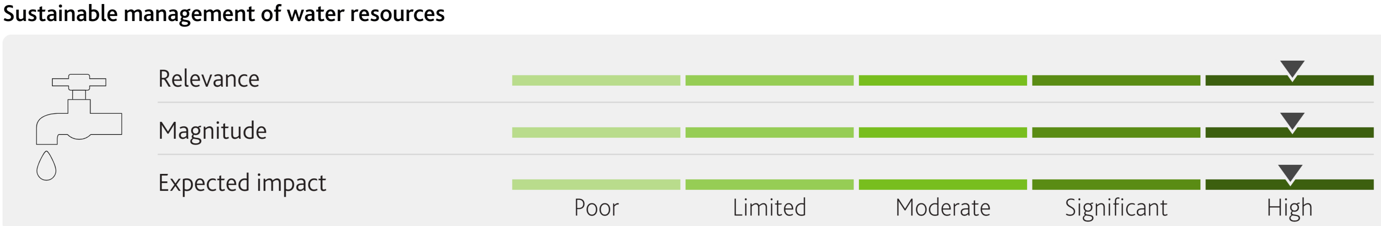
The category covers a variety of projects, including solar (photovoltaics and concentrated solar power [CSP]), wind (onshore and offshore), hydropower and geothermal. Bioenergy projects can include high-efficiency biomass cogeneration. This category also includes the development, construction, operation and maintenance of equipment for new or additional energy transport and distribution networks (electricity only) from renewable sources.

According to the European Energy Agency, the use of fossil fuels increased in 2021, resulting in higher GHG emissions throughout the EU (4% more than that in 2020). To achieve carbon neutrality by 2050, electricity generation in the EU needs to further decarbonize. In Spain, the proportion of renewable energy in the power mix was 47.1% in 2021, making it one of the front-runner countries in renewable power generation. In Spain, the national targets take into consideration a 42% share of renewables in energy end use by 2030 and a 74% share of renewables in electricity generation by 2030. Taking into account the important role of the banking sector in financing the energy transition and driving green finance to underpin sustainable development, as well as the importance to further decarbonize the energy mix, the relevance is considered high.

Solar, wind and geothermal projects will use the best technologies available in the market by following stringent thresholds as established in the EU taxonomy. Including facilities that operate with cycle of life emissions lower than 100 gCO_2e/kWh, hydroelectric will include facilities with a power density greater than 5 W/m^2. However, we note more stringent standards exist; notably, the Climate Bonds Initiative (CBI) Taxonomy requires that hydropower facilities beginning operations after 2020 must have an emission intensity of less than 50 gCO_2e/kWh. Additionally, the issuer has not specified the eligible types of hydropower stations. Consequently, systems incorporating dams are not explicitly excluded. It is important to note that these types of projects could potentially have a more significant environmental impact than run-of-river hydropower facilities.

For wind, in cases of offshore wind energy (marine), the eligible projects will need to provide evidence that they do not undermine the goals of sustainable usage and the preservation of aquatic and marine resources, as well as the protection and restoration of biodiversity and ecosystems. Bioenergy will include facilities that operate above 80% reduction in GHG emissions compared with the fossil fuel comparator established in Directive (EU) 2018/2001, increasing to 100% by 2050. Bioenergy can include high-efficiency biomass cogeneration, for which raw materials are limited to sources that neither deplete existing terrestrial carbon reserves nor compete with food production. The issuer will exclude all kinds of wood sources, following best market standards. For CSP, which is the most water intensive of all the main modes of electricity generation (including nuclear and fossil), the issuer will require an environmental impact assessment of the impact on water, with the aim of preventing risks. This category also encompasses projects related to the transmission and distribution of electricity generated from renewable sources, with an average network emission intensity of less than 100 gCO_2e/kWh or more than 67% of the new generation capacity enabled in the system is below the generation threshold value of 100 gCO_2e/kWh measured on the basis of the life cycle according to electricity generation criteria, over a renewable five-year period. While there may be temporary negative impacts during the construction and operational stages (such as pollution, energy consumption and waste), the expansion of renewable energy capacity is likely to have a long-term, positive and sustainable impact on CO_2 emission reduction and climate change mitigation. Overall, the projects eligible under this category will exhibit a significant magnitude in addressing climate change mitigation targets.

Sustainable management of water resources

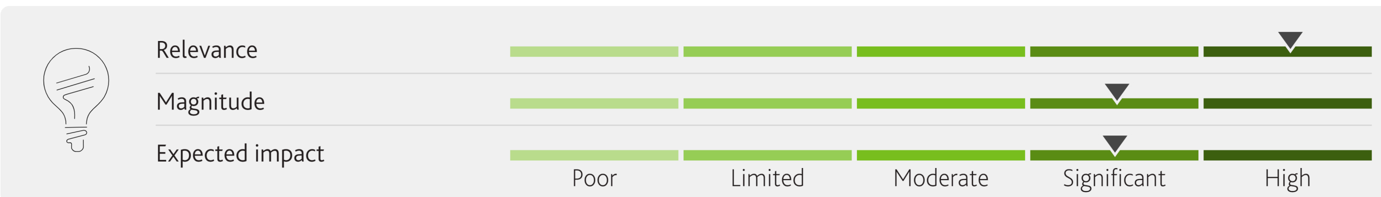


Projects in this category include measures to enhance water efficiency by incorporating new irrigation technologies. This category also covers projects for improving the water quality through recycling, treatment and reutilization. It also includes activities to expand access to drinking water.

Spain is experiencing significant environmental disturbances because of climate change, including irregular rainfall patterns, intensified droughts and consistently high temperatures. This has led to a rise in aridity and the risk of desertification, threatening more than 75% of Spain's territory and putting 70% of its water basins under severe or high water stress. According to Moody's Analytics climate scores, there is significant water stress in the country with a score of 86/100. Despite a significant portion of the population depending on tap water derived from groundwater, nearly 40% of groundwater sources do not meet the quality standards required by the Water Framework Directive. A recent study warns that if no countermeasures are taken, Spain could be severely affected by water stress within the next three decades. [3] This could potentially affect three-quarters of the country's population by 2050. European cities predicted to be the most affected include Seville, Granada, Cordoba and Murcia. Because of water scarcity and pollution issues, as well as the implications of climate change, the relevance is considered high.

In terms of the financed projects' reach, it is projected that the implementation of water treatment and irrigation systems will positively influence the long-term sustainable use of water and management of wastewater, thereby mitigating the negative effects of pollution. This category also excludes desalination. Projects within this domain will follow the delegated act on water preservation and have established protocols for decreasing water usage and monitoring pollution levels. The issuer provided an exhaustive list of projects that could be eligible under this category and while there is a lack of explicit clarity on the exact thresholds or definitions of the technologies used, it is likely that these projects will comply with the water management regulations set by both Spain and Europe. Therefore, this offers confidence in the reduction of potential adverse environmental impacts, and we consider the magnitude of the category as high.

Energy efficiency

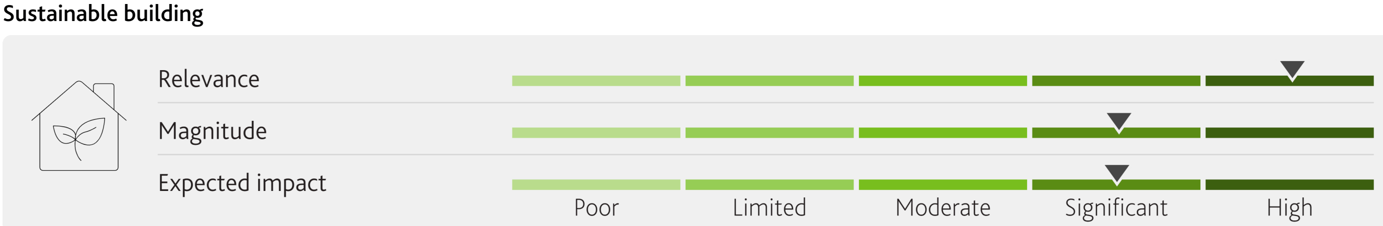


Under this category, Cajamar plans to finance projects related to the installation of renewable energy generation/efficiency equipment, as well as the industry that supports the production of electrical energy from renewable sources.

In general, activities related to efficiency gains in residential and commercial buildings, and the replacement of outdated technologies and infrastructure play an important role in improving energy performance. The projects are of high relevance and respond to sustainability challenges relevant to the Spanish economy, in which projects under this category will be located.

Cajamar aims to contribute to the claimed objectives by adopting the same threshold used by the EU taxonomy (a 30% minimum improvement threshold for the efficiency of new appliances installed). Technical requirements associated to the type of technologies proposed have not been specifically identified for this category and determining the exact impact at the household level can be challenging. Nevertheless, individual technologies from subsidized programs, which have clear requirements at the personal level, will be taken into consideration. Inherent risks such as leakage of refrigerant gases (which are potent greenhouse gases) are not managed through the bank's lending policy. Although the type of providers of renewable energies that would be financed are listed, an exhaustive list is not indicated. This does not allow us to fully account for the actual impact of the category. Inherent risks of double counting are eliminated because of an internal system for identifying eligible operations, which are subsequently marked according to the issue to which they are associated, excluding eligibility for another category. For all the above arguments, the magnitude is considered as significant.

Sustainable building

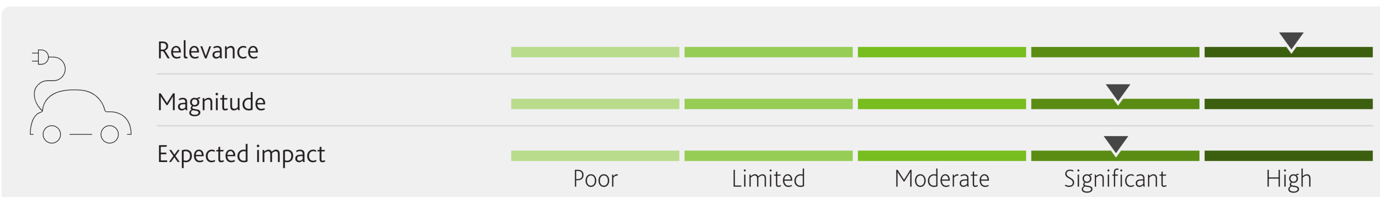


Projects include financing or refinancing destined to the acquisition, promotion and/or construction, as well as loans and investments for renovation of residential and non-residential buildings.

Buildings are a key sector for the low-carbon transition because the construction sector is responsible for around 30% of the total global final energy consumption. To align with the IEA net zero scenario, carbon emissions from building operations would need to be more than halved by 2030. In the local context of this framework, the need for better buildings is particularly high. For instance, in Spain, 51% of primary residences were built before basic thermal insulation requirements were included in technical construction standards. The relevance is therefore considered as high.

This eligible category includes the construction and renovation of buildings following widely recognized, international or national standards of certification, which reduce the ecological footprint of buildings. Best-in-class certifications – for example, LEED (minimum gold), BREEAM (minimum excellent), HQE (minimum excellent), DGNB (minimum silver), VERDE (4 hojas) and Passivhaus – are in line with the market practices and are required as part of the eligibility criteria, and the minimum levels are above the Spanish context. It is also worth noting that the category will be mostly financing new construction projects, which has an absolute effect on energy consumption and on land use, and therefore has a less positive impact compared with renovation. As far as acquisition is concerned, acquiring already energy-efficient buildings contributes to a lesser degree to the transition of the building sector (as opposed to acquiring less-energy-efficient buildings with the objective to renovate them and upgrade their EPC class, for example). Nevertheless, the category also encompasses building renovations and refurbishments, which must demonstrate an improvement in energy efficiency that results in an annual reduction of primary energy demand on a square-meter basis of at least 30%. Eligible projects following this threshold will meet international standards and contribute to the energy efficiency of buildings and the objective of climate change mitigation. Overall, the magnitude is considered significant.

Sustainable mobility

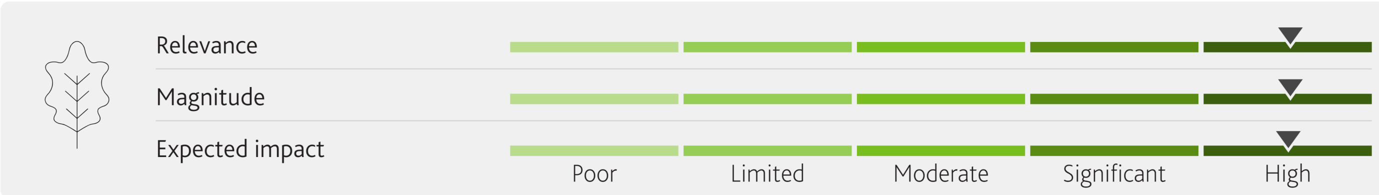


In this category, eligible projects include the acquisition of low-carbon vehicles for collective transport, electric charging stations, and urban infrastructure for bicycle lanes and for trains.

The transportation sector accounts for 27% of total GHG emissions of the country (versus 22% in the EU). According to INE, 61.4% of the mobility came from individual cars in 2019. In 2022, more than 80% of the car fleet was powered by fossil fuels. Spain has set a goal to reach five million electric vehicles (EVs) by 2030, but only 320,000 were reported in 2022. In addition, three million electric charging points are likely to be installed by 2030. Regarding the railway network, Spain is above the European average in terms of electrified railway, at 64% in 2021 (versus 60% in the EU). Finally, Spain ranks at 24th European countries in the EU in terms of cycling use according to the European Cyclists' Federation. This leads to our assessment of high relevance for the clean transportation investments.

In terms of the magnitude of the projects financed, the acquisition of collective transport vehicles is possible under the framework, meeting the EU taxonomy threshold of 50 gCO_2/km by 2025 and 0 gCO_2/km by 2026. Although the issuer follows the EU taxonomy requirements, it does not go beyond those guidelines and invest in vehicles that meet the 0 gCO_2/km threshold starting in 2025. Regarding the power output of the electric charging stations, Spain's electricity mix is covered by renewable energy at 42%, close to the EU average. Hence, the use of EV in such country is relevant and benefit the environment. Under this category, the issuer will also finance direct zero tailpipe infrastructure, such as bicycle lanes and electrified railway, which follow the best market standards. In addition, the category does not include maritime transportation. Overall, the financing of hybrid vehicles without further specification, results in our assessment of a significant magnitude score for the category.

Waste management and promotion of the circular economy



In this category, proceeds to will be allocated to the treatment and management of residues for the purpose of bioenergy.

Biomass is the main source of renewable energy in the EU, accounting for 60% of the renewable energy mix.[4] Biomass energy has the potential to reduce worldwide GHG emissions by 10%-13%, according to the World Biogas Association. In addition, the Spanish government aims to quadruple the production of biogas by 2030.[5] Moreover, Spain is one of the European countries with the most capacity to generate agricultural residues. In 2018, 16% of the 2.2 million hectares of fruit and vegetable crops were located in Spain (second rank behind Italy in the EU). Hence, there is significant potential for the country in terms of secondary raw material availability to produce energy. These factors together demonstrate that investing in the promotion of the circular economy is highly relevant.

In terms of magnitude of the projects financed, Cajamar aims to finance the construction and renovation of infrastructure specialized in waste treatment to improve the valorization of residues. The issuer will follow the best market standards set by the CBI, where only feedstock residues will be used for biomass production. Indeed, there should not be any use of woodstock, thus reducing the risk of deforestation. In terms of GHG emission reduction, the issuer follows the requirements set by the EU taxonomy to have 80% emission reduction potential using biomass instead of fossil fuels. Because of the implementation of these best practices, our assessment results in a high magnitude score for the category.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. Spain is a Designated Country under the Equator Principles, which assures that the issuer is required to sufficiently address the management of most of the environmental and social risks. The bank has implemented multiple mechanisms to assess and monitor the environmental and social risks associated with its operations. These mechanisms include defining sectors based on ethical and environmental criteria, in which the bank chooses not to provide financing. The issuer aims to meet the targets set by the Paris Agreement 2015 and has established commitments with regard to the SDGs, Principles of Responsible Banking, and the UN Global Compact, among others.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. Projects to be financed under the bank's framework align with its broader sustainability priorities and its commitment to the decarbonization of its credit portfolio, with a primary goal to achieve net-zero CO_2 emissions by 2050, at the latest. The bank is also dedicated to the development of rural communities, by bringing financial services to small municipalities, aiming to support efforts to combat depopulation, generate employment opportunities and promote sustainable development at the local level. In its materiality matrix, the bank has established expectations related to contribution to the SDGs, commitment to the environment, and promoting economic development and social progress as high priority for the group and its stakeholders.

Appendix 1 - Mapping eligible categories to the UN's SDGs

The 11 eligible categories included in Cajamar's framework are likely to contribute to 11 of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	-Projects and promotion of economic and social development in regions and territories affected by low economic performance, unemployment, and depopulation.	1.2: Reduce at least by half the share of people living in poverty according to national definitions
		1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
GOAL 2: Zero Hunger	-Sustainable Agriculture	2.3: Double agricultural productivity and incomes of small-scale farmers through equal access to resources and opportunities
		2.4: Ensure sustainable food production systems that improve productivity and support ecosystems and climate change adaptation
GOAL 3: Good Health and Well-being	-Natural disasters, states of alarm, and hibernation of the economy; -Projects for the promotion of health and access to essential services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 6: Clean Water and Sanitation	-Sustainable management of water resources	6.1: Achieve universal and equitable access to safe and affordable drinking water for all
		6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
		6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	-Renewable energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	-Energy efficiency -Sustainable building	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	-Projects and promotion of the social economy; -Natural disasters, states of alarm, and hibernation of the economy	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
	-Projects and promotion of economic and social development in regions and territories affected by low economic performance, unemployment, and depopulation	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 9: Industry, Innovation and Infrastructure	-Projects and promotion of the social economy; -Natural disasters, states of alarm, and hibernation of the economy; -Projects and promotion of economic and social development in regions and territories affected by low economic performance, unemployment, and depopulation.	9.3: Increase SMEs' access to finance, and their integration into value chains and markets, particularly in emerging markets
GOAL 11: Sustainable Cities and Communities	-Projects for the promotion of health and access to essential services; -Sustainable management of water resources	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	-Sustainable Mobility	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 12: Responsible Consumption and Production	-Sustainable Agriculture; -Sustainable management of water resources -Waste management and promotion of circular economy	12.2: Achieve the sustainable management and efficient use of natural resources
	-Sustainable management of water resources	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	-Sustainable Agriculture; -Renewable energy -Energy efficiency -Sustainable building -Sustainable Mobility	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 15: Life on Land	-Sustainable Agriculture -Waste management and promotion of circular economy	15.1: Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems and their services

The mapping of the UN's SDGs in this SPO considers the eligible project categories (or key performance indicators) and associated sustainability objectives/benefits documented in the issuer/borrow/lender's financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of eligible categories in Cajamar's framework

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Green Projects Categories			
Sustainable Agriculture and biodiversity protection	Projects related to the investment, maintenance, and expansion of ecologic agriculture and integrated production, including auxiliary facilities and technical support services. Therefore, this encompasses operations linked to the following three areas: • Agriculture and the commercialization of organic production. Organic farming is regulated in the EU by Council Regulation (EC) No 834/2007 of 28 June 2007. In Spain it is regulated by Royal Decree 1852/1993, of 22 October, on organic agricultural production and its indication in agricultural products and food products, which combines the best agricultural practices in terms of environment and climate, a high level of biodiversity and the conservation of natural resources. • Agriculture and the commercialization of integrated production, regulated in Spain by Royal Decree 1201/2002, of 20 November. According to this regulation, integrated production means "agricultural systems for obtaining agricultural products that make maximum use of natural resources and production mechanisms and ensure sustainable agriculture in the long term, by introducing biological and chemical control methods, and other techniques that reconcile the requirements of society, the protection of the environment and agricultural productivity, as well as the operations carried out for the handling, packaging, processing and labelling of agricultural products included within the system. • Agricultural industries and auxiliary services oriented towards a more sustainable use of agriculture, as defined below: Industries in the Support Activities for Sustainable Agriculture subsector provide support services that are an essential part of the sustainable agricultural production. These support activities are the production of inputs required for the production process for an ecological and/or biodynamic for a given crop, animal, or forestry industry, which are certified by the Ministry of Agriculture, Fisheries and Food and/or the correspondent Regional authority. • The production and/or marketing of biofertilizers, auxiliary fauna for biological pest control, organic seeds for ecological production and waste management activities are some of the activities and establishments considered in this subsector.	-Climate change mitigation -Climate change adaptation -Sustainable use of water and marine resources -Transition to a circular economy -Pollution prevention and control -Protection and recovery of biodiversity and ecosystems	-Total amount and number of loans given to sustainable agriculture -Estimated production in physical and monetary terms -Estimated associated area (ha or m2) -Estimated avoided CO2 emissions
Renewable energy	Projects that support the generation of electric power, including the acquisition, construction, operation, maintenance, or upgrading of facilities, based on the following technologies: - Solar, concentrated solar, wind, hydroelectric, geothermal. - Bioenergy may include high-efficiency biomass cogeneration, for which raw materials are limited to sources that do not deplete existing terrestrial carbon reserves or compete with food production. Also included are the development, construction, equipping, operation, and maintenance of new or additional transportation and distribution networks for energy (electricity only) from renewable sources, with an average network emission intensity of less than 100 gCO_2e/kWh or more than 67% of the new generation capacity enabled in the system is below the generation threshold value of 100 gCO_2e/kWh measured on the basis of the life cycle according to electricity generation criteria, over a renewable five-year period.	-Climate change mitigation -Climate change adaptation	-Total amount and number of loans given to renewable energy -Estimated installed capacity -Estimation of the annual generated renewable energy in MWh/GWh (electricity) and GJ/TJ (other energy) -Estimation of avoided CO2 emissions

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Green Projects Categories			
Sustainable management of water resources	Financing or refinancing of activities, assets or projects that increase the efficiency of water incorporating new irrigation technologies. This category also includes new projects or the maintenance of existing installations with the objective of improving the quality of water usage through its recycling, treatment or reutilization (including waste water), while maintaining a high degree of energy efficiency. Also includes activities that expand access to drinking water. Eligible projects are are likely to meet one or more of the following purposes: -Modernization of existing irrigation network/systems, such as flood irrigation, for more efficient systems such as sprinkler or drip irrigation. -Improvement of water distribution and supply systems to improve its quality and use efficiency. Includes the renovation of water supply systems to improve its quality and efficiency use. Includes the renovation of existing water supply systems as well as the modernization of hydraulic infrastructure to avoid losses and guarantee a responsible management of water resources. -The construction, expansion, updating, exploitation, and renovation and maintenance of existing network and new water networks to improve the residential access to water, including the infrastructure of water supply. -Financing the construction, operation and expansion of treatment facilities, infrastructure for wastewater discharge, saving systems, measurement or other technologies related to water.	-Sustainable use of water and marine resources -Transition to a circular economy	-Total amount and number of loans given to sustainable management of water -Estimation of avoided water losses (m3) -Estimation of extension in hectares/m2 benefited by water utilization
Energy efficiency	• Financing and/or refinancing of building construction that meets some of the following criteria: -Installation of renewable energy generation equipment such as: photovoltaic solar modules, solar panels for the hot water circuit, installation of sources such as aerothermy or others of renewable origin. -Renovation of buildings that involve individual or collective reform aimed at improving the envelope, installation, maintenance or reparation of energy efficiency equipment with teh objective of energy saving of at least 30%. In this category it is inlcuded the instalation for the modernization of light system such as LED technology and/or high-efficiency windows and/or high-efficiency doors. • Financing and/or refinancing of industry that supports the production of electric energy from renewable sources such as: -Manufacturing, distribution of components and machinery destined to provide the infrastructure of electric energy production from renewable sources being able to include, without being exhaustive, the manufacturing of solar trackers, wind turbines among others. -Manufacturing and distribution of componenets and machinery that contribute to the improvement of energy efficiency in residential and commercial buildings.	-Climate change mitigation -Climate change adaptation	-Total amount and number of loans given to promote energy efficiency -Estimation of avoided CO_2 emissions -Estimation of energy savings amount (MW)

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Green Projects Categories			
Sustainable building	Financing or refinancing destined to the acquisition, promotion and/or construction of residential buildings, homes and/or not residentials with EPC equal to B (or better) rating. Additionally also includes units with their EPC among to the top 15% most efficient buildings in Spain. • Loans and/or investments for rehabilitated (residentials and non-residentials) buildings with an energy efficiency improvement of at least 30%. • Financing of new building projects destined to residential, commercial, industrial and/or public use that have environemntal certifications such as LEED (minimum "Gold"), BREEAM (minimum "Excellent"), HQE (minimum "Excellent"), DGNB (minimum "Silver"), VERDE (minimum "4 hojas") and Passivhaus.	-Climate change mitigation -Climate change adaptation	-Total amount and number of loans given for renewable energy -Estimation of avoided CO2 emissions -Estimation of built units according to their certification
Sustainable mobility	-Purchase of vehicles, including passenger cars, light commercial vehicles, and large vehicles, emitting less than 50 g CO_2 / km up to 2025, and 0 g CO_2 / km from 2026 onward -Financing of infrastructure and equipment that facilitate low-emission transportation such as: railway electrification, installation of charging points for electric vehicles, promotion of autonomous circulation (bicycles, scooters or motorcycles, among others, both electric and non-electric). -Financing of projects that promote collective transport at urban and interurban level: subway, train, tram or infrastructure of high speed train. The transport and/or distribution of fossil fuels are excluded as eligible assets.	-Climate change mitigation -Climate change adaptation -Prevention and control of pollution	-Total amount and number of loans given for sustainable mobility -Estimation of avoided CO2 emissions -Estimation of number of financed vehicles
Waste management and promotion of circular economy	• Construction, recovery or modernization of infrastructure destined to waste treatment as: - Recovery of materials from waste, constituting the recycling process. -Valorization of bio-waste for the production of biogas, biomethane, compost, checmical products. -Biogas plants	-Prevention and control of pollution -Transition to a circular economy	-Total amount and number of loans given for renewable energy -Estimation of avoided CO2 emissions -Energy recovered from waste (minus any support fuel) in MWh/GWh/KJ of generated net energy

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Social Projects Categories			
Projects and promotion of the social economy	New finance and refinance operations given to social economy enterprises according to Law 5/2011, of 2 March, of Social Economy (Spain). Beneficiaries: Cooperatives, worker-owned companies, mutual societies, fishermen's guilds, special employment centres, and integration enterprises.	-Support and promotion of the social economy, along with its principles and values -Develop the competitiveness of social economy enterprises -Generate decent and quality employment linked to social economy organizations	-Total amount and number of loans given to social economy enterprises -Total amount and number of loans given to small and medium social economy enterprises -Total amount and number of loans given to social economy enterprises created in the three years prior to emission -Estimated business volume of the financed social economy enterprises -Estimated number of beneficiaries
Projects and promotion of economic and social development in regions and territories affected by low economic performance, unemployment, and depopulation	Projects, acquisition of business assets or other purposes that contribute to the economic and social development of municipalities, regions and provinces in Spain affected by low economic performance, high unemployment rates leading to low income levels, depopulation, and its consequent ageing. It also includes operations and refinancing of loans/credits requested by families and other individuals that contribute to the well-being of people living in these territories, including consumer goods (it will exclusively include operations aimed at contributing to: access to quality employment and promotion of distance work, access to and improvement of housing, access to education, as well as dependency and health), and the acquisition and rehabilitation of housing, limiting the amount granted to €300,000 per operation (only for families and other individuals). Beneficiaries: Families, self-employed workers, and companies located in these territories.	- Support job creation and preservation in economically depressed areas. - Develop the competitiveness of economically depressed territories. - Contribute to the well-being of citizens in these territories. - Reduce regional and territorial inequalities. -Contribute to solving problems of population ageing and depopulation. -Promote inter-territorial balance and solidarity.	-Total amount and number of loans granted to regions and territories affected by low economic performance, unemployment, and depopulation. -Estimated turnover of the enterprises financed. -Estimated number of beneficiaries
Natural disasters, states of alarm, and hibernation of the economy	It includes the financing of projects, assets or other purposes to business entities affected by natural catastrophes, droughts, earthquakes, volcanic eruptions, floods, health alerts or other situations that can generate temporal closures or hibernation of the economy, a risk that has surfaced after the covid-19 pandemic. It also includes finance and refinance of loans and credits that contribute to the well-being of people living in the affected territories during the process of reconstruction and back to normality. It will only include operations destined to contribute to: access to quality employment and the promotion of remote work, access and improvement of housing, access to education, as well as situations of dependency and health. Beneficiaries: Families, self-employed workers and businesses located in territories affected by natural disasters and/or the state of alarm or hibernation of the economy.	-Support the creation and conservation of jobs in the affected areas -Promote the well-being of inhabitants in the affected areas for these disruptive events	-Total amount and number of loans given for these disruptive events -Estimated business volume of the financed enterprises -Estimated number of beneficiaries

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Social Projects Categories			
Projects for the promotion of health and access to essential services	-Construction and equipment of hospitals, clinics and healthcare centres for the provision of public, subsidized, or private health services. -Construction, maintenance, and management of infrastructures destined care centers for vulnerable people such as nursing homes, daycares, schools, and residences for people with disabilities. Beneficiaries: Society in general, with focus on elderly people, people with disabilities and vulnerable people	-Contribute to resolve problems related to aging population and depopulation -Contribute to wellness of citizens of these territories -Contribute to access to adequate basic services	-Total amount and number of loans given for the promotion of health -Number of people beneficiaries of health projects

Moody's related publications

Second Party Opinion analytical framework:

» Framework to Provide Second Party Opinions on Sustainable Debt, October 2022

Topic page:

» ESG Credit and Sustainable Finance

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

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