

Second-Party Opinion

Kutxabank Green, Social and Sustainability Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Kutxabank Green, Social and Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Clean Transportation, Access to Essential Services - Health, Access to Essential Services - Education, Affordable Housing, Employment Generation, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 7, 8, 9, 10 and 11.



PROJECT EVALUATION AND SELECTION Kutxabank's Sustainable Bond Committee will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee consists of representatives from the Sustainability, Global Risk Control, IT Systems, Treasury and Funding teams. Kutxabank will leverage the Group's Sustainability Policy and internal ESG standards to identify, evaluate and manage environmental and social risks associated with the eligible assets. Sustainalytics considers the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Kutxabank's Treasury Department will be responsible for the management of proceeds and will track their allocation through a sustainable bond register using a portfolio approach. Kutxabank intends to allocate proceeds within 24 months of each issuance. Pending allocation, unallocated proceeds will be temporarily held or invested in cash, deposits or money market instruments in accordance with the Group's treasury liquidity guidelines and the Framework's exclusionary criteria. This is in line with market practice.



REPORTING Kutxabank will report on the allocation of proceeds and the corresponding impacts on its website on an annual basis until the maturity of the bonds. Allocation reporting will include the total amount of outstanding proceeds, the total amount of proceeds allocated to the eligible portfolio, an analysis of the portfolio by eligible category and year of origination, the balance of unallocated proceeds, if any, and the percentage of co-financing, if any. Sustainalytics views Kutxabank's allocation and impact reporting as aligned with market practice.

Second-Party Opinion



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SUSTAINALYTICS

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Introduction

Kutxabank Group (“Kutxabank” or the “Group”) is a retail and commercial banking group headquartered in Bilbao, Spain. The Group’s main operations are concentrated in the Basque Country, with a presence in other regions of Spain, including Madrid and Catalonia. Founded in 2012 through the merger of three banking foundations (BBK, Kutxa and Vital), Kutxabank provides diverse financial services, including lending, deposits, pension plans, corporate financing, asset management, insurance, wealth management and investment products. Kutxabank Group includes the subsidiary bank Cajasur Banco, S.A., operating primarily in Andalusia. The Group employed 5,117 individuals and served more than 2 million customers through a network of 663 branches in Spain as of June 2024.^{1,2}

Kutxabank has developed the Kutxabank Green, Social and Sustainability Bond Framework dated February 2025 (the “Framework”) under which it intends to issue green, social and sustainability bonds, such as public and private placements,³ senior non-preferred and preferred bonds, Tier 2 bonds,⁴ unsecured and secured bonds.^{5,6,7} Kutxabank intends to use the proceeds to finance or refinance, in whole or in part, existing or future projects and assets expected to support the transition to a low-carbon economy and promote socioeconomic development in Spain.

The Framework defines eligibility criteria in three environmental categories:

1. Green Buildings
2. Renewable Energy
3. Clean Transportation

The Framework defines eligibility criteria in five social categories:

4. Access to Essential Services – Health
5. Access to Essential Services – Education
6. Affordable Housing
7. Employment Generation
8. Socioeconomic Advancement and Empowerment

Kutxabank 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) and Social Bond Principles 2023 (SBP).⁸ The Framework will be published in a separate document.⁹

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent¹⁰ 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.

¹ Kutxabank, “2024 H1 Results Presentation”, (2024), at:

https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/financial_information/financial_reports

² Ibid.

³ Kutxabank has communicated to Sustainalytics that private placements are limited to debt instruments and will not include the sale of stock shares to investors.

⁴ Kutxabank has communicated to Sustainalytics that Tier 2 issuances will be debt issuances and will exclude equity issuances.

⁵ Secured bonds may include covered bonds, asset-backed securities (traditional and synthetic), residential mortgage-backed securities and credit-linked notes.

⁶ For securitizations, Kutxabank has communicated the following to Sustainalytics: i) the Group commits to distinguish between a secured green or social standard bond and a secured green or social collateral bond in the respective offering documents, according to the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021 and the SBP 2023, respectively; ii) in the case of a secured green or social collateral bond, Kutxabank will ensure that all of the underlying assets align with the eligibility criteria set forth in the Framework; and iii) the Group will ensure there is no double counting of eligible projects under the secured green or social standard bond, secured green or social collateral bond and any other outstanding labelled instruments.

⁷ Sustainalytics’ assessment is limited to the financial instruments expressly listed in the Framework.

⁸ 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/>

⁹ The Kutxabank Green, Social and Sustainability Bond Framework is available on Kutxabank’s website at:

https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/financial_information/financial_reports

¹⁰ 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 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;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.18, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Kutxabank 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. Kutxabank representatives have confirmed (1) they understand it is the sole responsibility of Kutxabank 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 Kutxabank.

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 Kutxabank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Kutxabank Green, Social and Sustainability Bond Framework

Sustainalytics is of the opinion that the Kutxabank Green, Social and Sustainability Bond Framework is credible, impactful and aligns with the SBG and the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings; Renewable Energy; Clean Transportation; Access to Essential Services - Health; Access to Essential Services - Education; Affordable Housing; Employment Generation; and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP and SBP.
 - Kutxabank has communicated to Sustainalytics that all eligible projects and assets will be located in Spain.
 - Kutxabank has confirmed to Sustainalytics that the Group has measures in place to avoid double counting of eligible projects and assets between categories.
 - Sustainalytics notes that financing will consist of loans in eligible assets or projects, as well as general corporate purpose financing of pure play entities that derive 90% or more of their revenue from activities meet the eligibility criteria in the Framework. Sustainalytics acknowledges that allocating proceeds to pure play companies through green and social financing transactions is a commonly accepted approach, which is likely to generate positive

- impacts, however, project- and activity-based lending generally results in more direct environmental benefits and enhanced compliance with eligibility criteria.
- The Framework does not include a look-back period for refinancing operating expenditures as Kutxabank will use a portfolio approach to allocate the proceeds, which Sustainalytics considers to be in line with market practice.
 - Under the Green Buildings category, Kutxabank may finance or refinance the construction, acquisition and ownership of new and existing residential buildings in accordance with the following criteria:
 - Construction of new buildings with primary energy demand (PED) at least 10% lower than the threshold set for the applicable nearly zero-energy buildings (NZEB).
 - Acquisition and ownership of buildings that meet one of the following criteria: i) 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 PED; or ii) buildings built after 31 December 2020 with PED at least 10% lower than the national NZEB threshold.
 - The Group has confirmed to Sustainalytics that it will exclude financing of industrial facilities designed or intended for controversial activities having harmful social or environmental impacts, such as tobacco, weapons and gambling, and buildings designed for the purpose of extraction, storage, transportation or production of fossil fuels.
 - Sustainalytics views expenditures under this category to be aligned with market practice.
 - Under the Renewable Energy category, Kutxabank may finance or refinance the acquisition, construction, operation, maintenance or repowering of renewable energy generation projects according to the following criteria:
 - Solar photovoltaic and concentrated solar power (CSP) technology where at least 85% of the electricity is generated from solar energy. Sustainalytics views this as aligned with market practice.
 - Onshore and offshore wind generation facilities. Kutxabank has confirmed to Sustainalytics that the fossil fuel back-up of the offshore wind facilities is limited to power monitoring, operating and maintenance equipment, as well as resilience or protection measures and restart capabilities. Sustainalytics views this as aligned with market practice.
 - Hydropower plants that meet one of the following criteria: i) are run-of-river without an artificial reservoir; ii) have a life cycle carbon intensity below 100 gCO₂e/kWh; or iii) have a power density greater than 5 W/m². Kutxabank has confirmed to Sustainalytics that all new hydropower projects will have an environmental and social impact assessment performed by a third party confirming that there are no significant risks or controversies involving the project. Sustainalytics considers it market practice for hydropower projects operational after 2019 to have a power density greater than 10 W/m² or a life cycle GHG emissions intensity lower than 50 gCO₂e/kWh.. Considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for an extended period, therefore, Sustainalytics encourages Kutxabank to favour projects with a lower life cycle GHG emissions intensity or higher power density and to report on the thresholds where feasible.
 - Geothermal energy projects operating with a life cycle GHG emissions intensity below 100 gCO₂e/kWh. Sustainalytics views this as aligned with market practice.
 - Under the Clean Transportation category, Kutxabank may finance or refinance projects in accordance with the following criteria:
 - Purchase, financing, rental and operation of zero- and low-emission transport:
 - Passenger and freight rail transport using railway rolling stock on mainline networks and short-line freight railroads that meet one of the following criteria: i) electric trains, passenger coaches and freight wagons with zero direct tailpipe CO₂ emissions; or ii) bi-mode trains with zero tailpipe CO₂ emissions when operated on a track with necessary electric infrastructure and use a conventional engine where such infrastructure is not available.

- Sustainalytics notes that financing of bi-mode trains is in line with the substantial contribution criteria of the EU Taxonomy, however, such trains may still use fossil fuels until becoming fully electric in the future. At high occupancy rates, rail transport has low GHG emissions per passenger-kilometre, even compared to low-emitting private vehicles and may produce lower emissions even at 20% occupancy rates compared to passenger cars.¹¹ Accordingly, Sustainalytics encourages Kutxabank to favour rail projects with emissions intensities lower than 50 gCO₂/pkm for passenger rail and below 25 gCO₂/tkm for freight rail, and to report on the emissions intensity of bi-mode trains financed under the Framework.
- Zero direct emissions vehicles, including: i) passenger public transport, such as buses, trams and trolleybuses; ii) motorbikes; iii) passenger cars; iv) light commercial vehicles; and v) freight road transport with a maximum mass not exceeding 3.5 tonnes. Sustainalytics views this as aligned with market practice.
- Bicycles and other personal mobility devices that: i) are self-propelled; ii) have a zero emissions motor; or iii) have a combination of a zero emissions motor and physical activity. Kutxabank has confirmed the exclusion of self-propelled modes of transportation solely intended for leisure, such as sailing, skateboards, kayaks or canoes. Sustainalytics views this as aligned with market practice.
- Construction, modernization, maintenance and operation of associated infrastructure:
 - Infrastructure for personal mobility and cycling logistics, such as pavements, bike lanes, pedestrian zones, electric charging and hydrogen refuelling stations for personal mobility devices. Sustainalytics views this as aligned with market practice.
 - Rail infrastructure dedicated to enabling electrification of the rail transport: i) electrified rail lines and associated subsystems for high speed rail projects; ii) rail lines and associated subsystems that have plans to electrify in the next 10 years; iii) existing trackside infrastructure and associated subsystems that are not part of the Trans-European Transport Network (TEN-T), eligible for financing under the Framework until 2030; iv) infrastructure for transshipping freight between modes: terminals and superstructures for loading, unloading and transshipment of goods; v) infrastructure and installations for the transfer of passengers from rail to rail or from other modes to rail; and vi) digital tools enabling an increase in efficiency, capacity or energy savings.
 - Regarding investments in the infrastructure for non-electrified rail networks planned for electrification in the next 10 years, Sustainalytics notes that such financing is in line with the substantial contribution criteria of the EU Taxonomy. However, Sustainalytics acknowledges that such infrastructure may temporarily facilitate the operation of trains using fossil fuels until full electrification is achieved. Sustainalytics encourages Kutxabank to prioritize rail infrastructure projects dedicated to fully electrified rail transport, to the extent feasible, or with emissions intensities below 50 gCO₂/pkm for passenger rail and 25 gCO₂/tkm for freight rail.
 - For the financing of existing rail infrastructure outside the TEN-T network, eligible under the Framework until 2030, Sustainalytics notes that such investments enable financing of smaller-scale, regional and secondary rail lines that are not part of the EU's major rail networks, which is in line with the substantial contribution criteria of the EU Taxonomy. Sustainalytics recognizes the comparatively low emissions intensity of rail transport relative to other transport

¹¹ IPCC, "Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change", (2022), at: <https://www.ipcc.ch/report/ar6/wg3/chapter/chapter-10/>

- modes,¹² and notes that most rail lines in Spain are electrified.¹³ However, with more than 35% of rail network remaining non-electrified, Sustainalytics encourages Kutxabank to favour rail infrastructure projects dedicated to fully electrified rail transport or with emissions intensities below 50 gCO₂/pkm for passenger rail and 25 gCO₂/tkm for freight rail transport.
- For projects related to infrastructure for intermodal freight systems, Sustainalytics recognizes the Group's intention to promote modal shift in freight transportation through investments in intermodal facilities that may drive positive environmental benefits, particularly compared to road freight transport.¹⁴ Sustainalytics further notes that this expenditure is in line with the substantial contribution criteria of the EU Taxonomy for rail infrastructure.
 - Infrastructure enabling low-carbon road transport that includes: i) infrastructure for zero direct emission vehicles, such as electric fast charging stations, electricity grid upgrades, hydrogen fuelling stations or electric road systems; ii) infrastructure for transshipping freight between transport modes, such as terminals and superstructures for loading, unloading and transshipment of goods.
 - For projects related to infrastructure transshipping freight between different modes, Sustainalytics recognizes the Group's intention to promote modal shift in freight transportation through investments in intermodal facilities that may drive positive environmental benefits, particularly compared to road freight transport. This activity is in line with the substantial contribution criteria of the EU Taxonomy.
 - Infrastructure and installations for urban and suburban public passenger transport, including signalling systems for metro, tram and rail systems. Sustainalytics views this as aligned with market practice. Kutxabank has confirmed that it will exclude financing of new construction and existing road infrastructure retrofits, including roads, bridges and parking facilities.
 - Kutxabank has further confirmed to Sustainalytics that the Framework excludes financing vehicles used to transport fossil fuels or fossil fuels blended with alternative fuels.
- Under the Access to Essential Services – Health category, Kutxabank may finance or refinance the acquisition, construction, renovation, operation, maintenance of free or subsidized health infrastructure, services and related equipment including:
 - Public hospitals, clinics and primary care facilities.
 - Nursing homes and daycare centres for the elderly.
 - Sustainalytics notes that Spain has a universal healthcare system, meaning that all health structures and services are accessible to all, regardless of ability to pay.¹⁵
 - Noting that investments are aimed at improving access to good quality medical care, Sustainalytics considers financing in this category to be socially impactful.
 - Under the Access to Essential Services – Education category, Kutxabank may finance or refinance acquisition, construction, renovation, operation and maintenance of free or subsidized education infrastructure or services and related to equipment, including:
 - Pre-school, primary, secondary and university and vocational training centres.
 - Kutxabank has communicated to Sustainalytics that the education infrastructure or facilities will be limited to public facilities and privately owned facilities that offer subsidized services to ensure universal accessibility, regardless of the ability to pay.
 - Sustainalytics considers the expenditures under this category to be contributing to improving access to education and to be socially impactful.

¹² European Environment Agency, "Greenhouse gas emissions from transport in Europe", (2024), at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-transport>

¹³ In Spain, the rate of railway electrification was 64.1% as of 2021. European Commission, "Electrification of rail infrastructure", at: <https://alternative-fuels-observatory.ec.europa.eu/transport-mode/rail>

¹⁴ Shifting from road freight to rail have the potential to reduce GHG emissions by 70%.

¹⁵ Government of Spain, "Ley 14/1986, de 25 de abril, General de Sanidad", at: https://noticias.juridicas.com/base_datos/Admin/l14-1986.t3.html

- Under the Affordable Housing category, Kutxabank may finance or refinance the construction and acquisition of affordable housing that belong to the *Viviendas de Protección Oficial* (VPO) scheme.¹⁶
 - The Group intends to finance the construction of the VPO buildings and offer mortgages to individuals and families meeting the subsidized housing requirements for VPO. Sustainalytics notes that housing regulations differ among the 17 autonomous communities in Spain and so do the eligibility criteria for the target populations and VPO requirements, including the income thresholds. Kutxabank has communicated to Sustainalytics that most of the financing under this category will take place in the Basque Country, where, according to the VPO requirements, the annual income of the beneficiary must not exceed EUR 35,000.¹⁷
 - Sustainalytics notes that the mortgages financed under the Framework lack preferential terms, such as lower premiums, lenient financing terms or alternative affordability mechanisms. Sustainalytics considers this a deviation from what is considered good practice for social finance and encourages Kutxabank to provide financial benefits and other preferential terms for the mortgages provided under the VPO scheme.
 - Kutxabank has confirmed the financing will be limited to home ownership.
- Under the Employment Generation category, Kutxabank may finance or refinance loans to: i) micro, small and medium-size enterprises (MSMEs) based on the definition of the European Commission;¹⁸ and ii) self-employed individuals.¹⁹ Sustainalytics notes the following:
 - Loans offered to SMEs will be limited to those in: i) provinces in Spain with a GDP per capita below the national average; or ii) areas impacted by natural disasters, including floods, droughts, storms, wildfires or pandemics.
 - Considering the regional context,^{20,21} Sustainalytics views expenditures in this category to be credible and socially impactful.
 - Loans offered to microenterprises and self-employed in the areas where the Bank is present. SMEs in the EU, including those in Spain, encounter minimal difficulties accessing financing; while self-employed especially those who belong to a vulnerable group may encounter barriers in accessing finance and social security.^{22,23,24} Kutxabank does not set specific targeting criteria for supporting microenterprises and self-employed individuals. Sustainalytics considers general MSME and self-employed financing in developed countries like Spain to have limited social impact. Nevertheless, Sustainalytics encourages Kutxabank to prioritize targeted funding aimed at microenterprises and self-employed who face major barriers in accessing finance to maximize impact.
- Under the Socioeconomic Advancement and Empowerment, Kutxabank intends to finance and refinance loans to state-owned institutions, private companies and third-sector organizations,

¹⁶ Conceptos Juridicos, "Vivienda de Protección Oficial", at: <https://www.conceptosjuridicos.com/vivienda-proteccion-oficial/>

¹⁷ Basque Government, "Ingresos máximos y mínimos para acceder a una VPO", at: https://www.euskadi.eus/web01-tramite/es/contenidos/faqs/visesa_7164/es_def/index.shtml#:~:text=-%20Hay%20que%20justificar%20una%20cifra,de%2045.500%2C-%20euros%20anuales

¹⁸ European Commission, "Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361>

¹⁹ Spanish Official Gazette, "Ley 20/2007, de 11 de julio, del Estatuto del trabajo autónomo", at: <https://www.boe.es/buscar/act.php?id=BOE-A-2007-13409>

²⁰ On November 2024, Spain's unemployment rate was 11.2%, which was the highest in the EU and nearly double the average unemployment rate in the EU of 6.3%. Eurostat, "Euro area unemployment at 6.3%", (2025), at: <https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/3-07012025-bp>

²¹ MSMEs in Spain face unique challenges, such as income instability, where MSMEs suffer a more severe percentage change in income and profit, limited social protection and a clear downward trend of MSMEs' perception of access to finance. Banco de España, "Evolución económica reciente de las pymes españolas y de su acceso a la financiación externa de acuerdo con la encuesta semestral del BCE", (2023), at: <https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/23/T1/Fich/be2301-art06.pdf>

²² OECD, "The Missing Entrepreneurs 2021", at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/11/the-missing-entrepreneurs-2021_adb0a402/71b7a9bb-en.pdf

²³ International Social Security Association, "Social security for the self employed in Europe: Progress and developments", (2024), at: <https://www.issa.int/analysis/social-security-self-employed-europe-progress-and-developments>

²⁴ European Commission, "Gap Analysis for Small and Medium-Sized Enterprises Financing in the European Union," (2019), at: <https://www.ficompass.eu/sites/default/files/publications/Gap%20analysis%20for%20small%20and%20mediumsized%20enterprises%20financing%20in%20the%20Europ>

- including associations, NGOs, social enterprises, foundations dedicated to providing free or subsidized services that are accessible for everyone regardless of ability to pay, such as:
- Health and education projects.
 - Social welfare and care for elderly.
 - Expenditures under this category will meet the criteria listed under the Access to Essential Services categories.
 - Kutxabank has confirmed to Sustainalytics that there will be no double counting of eligible projects under this category with those financed under the Access to Essential Services categories.
 - Sustainalytics views the expenditures under this category as socially impactful.
- Sustainalytics notes that the Framework excludes financing of projects and assets related to fossil fuel exploration, research and exploitation, mining, weapons, animal maltreatment, alcohol, tobacco and gambling.
 - Project Evaluation and Selection:
 - Kutxabank has established a Sustainable Bond Committee which will be responsible for evaluating and selecting projects and assets in line with the Framework's eligibility criteria.
 - Chaired by the Group's Sustainability Area Department, the committee consists of representatives from the Sustainability, Global Risk Control, IT Systems, Treasury and Funding teams, and may also involve representatives from other Group divisions when selecting eligible projects that require specific expertise. The committee will meet on a quarterly basis and approve all allocation decisions under the Framework.
 - The committee is responsible for monitoring the environmental and social risks associated with eligible projects and assets, in compliance with the Group's Sustainability Policy and the exclusion criteria specified in the Framework. Sustainalytics considers Kutxabank's environmental and social risk management processes to be adequate and aligned with the requirements of GBP and SBP. For additional details, refer to 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:
 - Kutxabank's Treasury Department is responsible for the management of proceeds using a portfolio approach and intends to maintain a level of allocation to the eligible portfolio that matches the bond proceeds. The Treasury Department will track the allocation of proceeds through an internal IT system and a sustainable bond register, which will be reviewed by the Group's Sustainable Bond Committee on a quarterly basis.
 - Kutxabank intends to allocate proceeds within 24 months of each issuance. Pending allocation, unallocated proceeds will be temporarily held or invested in cash, deposits or money market instruments in line with the Group's treasury liquidity guidelines and the exclusion criteria defined 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:
 - Kutxabank will report on the allocation of proceeds and corresponding environmental and social impacts on its website on an annual basis until the maturity of the bonds.
 - Allocation reporting will include the total amount of outstanding proceeds, the total amount of proceeds allocated to the eligible portfolio, an analysis of the portfolio by eligible category and year of origination, the balance of unallocated proceeds, if any, and the percentage of co-financing, if any. The allocation of proceeds will be reviewed by an independent third party annually until the maturity of the bonds.
 - Impact reporting will include impact metrics such as annual energy savings (in MWh/year), expected installed capacity (in MW), number of electric vehicles financed, estimated annual GHG emissions reduced or avoided (in tCO₂e), number of mortgages provided, number of micro and small enterprises financed, supplemented by the methodology used to calculate the reporting metrics.
 - Based on the commitment 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 Kutxabank Green, Social and Sustainability Bond Framework aligns with the SBG and the four core components of the GBP and SBP.

Section 2: Sustainability Strategy of Kutxabank

Contribution to Kutxabank Group's sustainability strategy

Kutxabank focuses on the following environmental and social areas in its sustainability strategy: i) decarbonizing its portfolio; ii) increasing sustainable investment portfolio and product offering; iii) financing socially impactful projects; and iv) participating in international sustainability initiatives.²⁵

Kutxabank has established a target to achieve net zero emissions by 2050. To achieve this target, the Group updated its mid-term decarbonization objectives for its portfolios in six high emissions sectors in July 2024. In this context, the Group aims to achieve: i) a 10% reduction in its mortgage portfolio; ii) a 30% reduction in its energy sector portfolio; iii) a 30% reduction on the oil and gas sector portfolio; iv) a 10% reduction in the cement sector portfolio; and v) a 10% in the steel sector portfolio by 2030.²⁶ For these targets, the Group referenced the International Energy Agency's 1.5 degree pathway²⁷ and applied the SBTi's sectoral decarbonization approach²⁸ in its calculation methodology.²⁹

In 2023, the Group dedicated EUR 2.1 billion for ESG-related financing, including EUR 721 million for mortgages for homes with EPCs A or B and EUR 25 million for green consumer loans for electric and hybrid vehicles, energy efficiency renovations and renewable energy installations.³⁰ In this context, the Group also invested EUR 1.4 billion in business loans dedicated to sustainability initiatives, such as green buildings or decarbonization of business operations. Regarding private capital, Kutxabank reports that its actively managed funds qualify as Article 8 of the Sustainable Finance Disclosure Regulation since 2021.³¹ The Group also launched two investment funds aligning with Article 9 in 2023.^{32,33}

Regarding social impact, the Group collaborates with the Basque government and Elkargi³⁴ to assess and classify the sustainability performance of SMEs in the Basque Country. The study supports the analysis of 500 companies of different sizes and industries, providing a rating on ESG factors and recommendations for improvement.³⁵ Furthermore, the Group launched a digital transformation programme dedicated to SMEs with

²⁵ Kutxabank, "Sustainable Bond Framework", (2024), at:

https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/fixed_income/sustainable-financing

²⁶ Ibid.

²⁷ IEA, "Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach", at: <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach>

²⁸ SBTi, "Standards and Guidance", at: <https://sciencebasedtargets.org/standards-and-guidance>

²⁹ Kutxabank, "Objetivos de descarbonización 2024", at:

<https://www.kutxabank.eus/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bc&blobheadervalue4=inline%3B+filename%3D%22Objetivos+de+descarbonizaci%C3%B3n+2024+v1.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312391812830&ssbinary=true>

³⁰ Kutxabank, "Kutxabank y las Fundaciones accionistas", (2024), at:

https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bc&blobheadervalue4=inline%3B+filename%3D%2201_memoria+kutxabank_GRUPO_CS_2024_2.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312390033747&ssbinary=true

³¹ European Parliament, "Regulation (EU) 2019/2088", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02019R2088-20240109>

³² Ibid.

³³ Kutxabank, "Kutxabank y las Fundaciones accionistas", (2024), at:

https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bc&blobheadervalue4=inline%3B+filename%3D%2201_memoria+kutxabank_GRUPO_CS_2024_2.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312390033747&ssbinary=true

³⁴ Elkargi, "Soluciones financieras con valores", at: <https://elkargi.es/>

³⁵ Kutxabank, "Audit report Consolidated annual accounts and Management report for the fiscal year 2023", at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bc>

employees between 10 and 250 people in the Basque Country. Organized in collaboration with Deusto Business School, the programme is free for the participating sustainability companies and includes 136 teaching hours.³⁶ Overall, the Group dedicated EUR 100 million towards social financing in 2023.³⁷

Kutxabank became a signatory to the UN Global Compact in 2012 and has since reported its progress on the Ten Principles on human rights, labour, environment and anti-corruption in an annual progress report.^{38,39} The Group has also been a signatory to Principles of Responsible Investment since 2017.⁴⁰ In addition to these initiatives, Kutxabank reports its progress on its climate strategy annually in accordance with the TCFD recommendations.⁴¹

Sustainalytics is of the opinion that the Kutxabank Green, Social and Sustainability Bond Framework is aligned with Kutxabank's overall sustainability strategy and initiatives and will further the Group's action on its key environmental priorities.

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 and assets that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects and assets could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects and assets may include issues involving land use and biodiversity loss; emissions, effluents and waste generated in construction and manufacturing; occupational health and safety (OHS); community relations; predatory lending and business ethics. Sustainalytics notes that the Group plays a limited role in the development of projects and assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

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

- Kutxabank conducts an environmental and social (E&S) risk screening as a part of its credit approval process, which includes an assessment of the potential counterparty's awareness and progress on developing E&S risk management processes.^{42,43} Based on the assessment, the Group classifies the investee's performance into different sectoral standards prioritizing companies that are considered "best in class" or aligned with the Paris Agreement. In case the potential investee does not satisfy Kutxabank's standards, the Group may add risk mitigation provisions into the contracts, including clauses that seek to encourage the investee's progress through bonuses or sanctions for non-compliance. In addition, the Group engages with its investees on compliance with the E&S risk mitigation provisions in its Responsible Investment Policy.⁴⁴

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³⁶ Ibid.

³⁷ Ibid.

³⁸ UN Global Compact, "Kutxabank, S.A.", at: <https://unglobalcompact.org/what-is-gc/participants/17282-Kutxabank>

³⁹ Kutxabank, "Informe Climático", (2023), at: https://kutxabank.com/cs/Satellite/kutxabank/es/informacion_para_brinversores/renta_fija/financiacion-sostenible

⁴⁰ UNPRI, "Kutxabank Gestion SGIIC SAU", at: <https://www.unpri.org/signatory-directory/kutxabank-gestion-sgiic-sau/2358.article>

⁴¹ TCFD, "Task Force on Climate-related Financial Disclosures", at: <https://www.fsb-tcfd.org/>

⁴² Kutxabank, "Política de Sostenibilidad del Grupo Kutxabank", (2024), at:

<https://www.kutxabank.eus/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bc>

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⁴³ Kutxabank, "Política de Riesgos de Sostenibilidad en el ámbito de Prestaciones de Servicios de Inversión a Clientes", at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bc>

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⁴⁴ Ibid.

- To manage risks related to land use and biodiversity loss, Kutxabank has a Code of Conduct that requires suppliers to comply with applicable environmental regulations and standards.⁴⁵ Sustainalytics notes that projects financed under the Framework are expected to comply with Directive 2014/52/EU, which requires projects that are likely to have significant environmental impacts to be adequately assessed before approval.⁴⁶ The directive also mandates the implementation of adequate measures to avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular, on species and habitats.⁴⁷ For projects requiring significant land use, the directive mandates land use-related impacts to be identified, described and assessed through an environmental impact assessment.⁴⁸ Additionally, Kutxabank must comply with Spanish law 42/2007, which establishes guidelines for the conservation, sustainable use, improvement and restoration of natural heritage and biodiversity.⁴⁹
- With regard to emissions, effluents and waste generated in construction and manufacturing, Directive 2008/98/EC establishes the legal framework for waste management across various sectors and requires companies in the EU to manage their waste without endangering human health or causing harm to the environment.⁵⁰
- To manage OHS risks, Kutxabank will adhere to Directive 89/391/EEC, which outlines minimum requirements for workplace safety.⁵¹ The directive requires employers to implement necessary measures to prevent occupational risks, improve working conditions, provide adequate instructions and training to employees.⁵² In addition, the Group is required to comply with Spanish Law 31/1995, which mandates compliance with health and safety standards and the implementation of preventive measures to identify, evaluate and control occupational risks, including training and emergency response procedures.⁵³
- Regarding community relations, Directive 2014/52/EU requires effective and timely consultation and public participation as part of the EIA process.⁵⁴ According to this directive, information about projects' impacts on surrounding populations, human health and cultural heritage must be made electronically accessible to the public, with a minimum 30-day consultation period on the EIA report.^{55,56} In addition, Kutxabank has established a whistleblower mechanism enabling stakeholders, including communities, to anonymously report unethical business practices and raise concerns about the potential impacts of financed projects on communities.⁵⁷

⁴⁵ Kutxabank, "Código de Conducta", (2023), at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Doc+6.1+C%3B3digo+de+conducta+KB.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312375809296&ssbinary=true>

⁴⁶ European Commission, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Spanish State Agency Official Gazette, "Law 42/2007, on Natural Heritage and Biodiversity", (2007), at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2007-21490>

⁵⁰ European Commission, "Directive 2008/98/EC", (2008), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32008L0098&from=EN>

⁵¹ European Commission, "Directive 89/391/EEC", (1989), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:01989L0391-](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:01989L0391-20081211&qid=1691606114488)

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⁵² Ibid.

⁵³ Spanish State Agency Official Gazette, "Law 31/1995, on Occupational Risk Prevention", (1995), at: <https://www.boe.es/buscar/doc.php?id=BOE-A-1995-24292>

⁵⁴ European Parliament, "Directive 2014/52/EU", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

⁵⁵ Ibid.

⁵⁶ European Commission, "Focus on Environmental Impact Assessment" at: https://www.era-comm.eu/EU_Legislation_on_Environmental_Assessments/

⁵⁷ Kutxabank, "Procedimiento de funcionamiento y gestión del canal ético de denuncias", at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Extracto+Procedimiento+de+funcionamiento+para+p%3A1gina+web+KB.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312361914162&ssbinary=true>

- With respect to predatory lending, Kutxabank's Banking Services Provision Policy follows Spanish regulations on responsible lending^{58,59} and outlines the Group's practices to assess a potential borrower's financial situation, including the borrower's total income, assets, net worth and existing loans, and understanding of the loan terms.⁶⁰
- Regarding business ethics, Kutxabank's Code of Conduct and Anti-Corruption and Fraud policy outline the Group's procedures to prevent, detect, manage and mitigate unethical business practices related to corruption, bribery, money laundering, terrorism financing and customer privacy.^{61,62} The Group has an anonymous whistleblower channel available via email or post for external and internal stakeholders.⁶³
- Sustainalytics' research has identified the presence of a controversy involving 40 Spanish banks, including Kutxabank, wherein the Group's business practices were allegedly found to be unfair, as floor clauses in variable-rate mortgage contracts that included the *Índice de Referencia de Préstamos Hipotecarios* (IRPH) index were found to be lacking transparency.^{64,65} Sustainalytics recognizes that this may have had a significant impact on customers and notes that in 2013 the Spanish Supreme Court and subsequently the European Court of Justice in 2016 deemed these practices unfair due to a lack of transparency and mandated full refunds of overpayments caused by these clauses.^{66,67} Kutxabank has communicated to Sustainalytics that most of the affected customers held mortgages through one of its subsidiaries, which Kutxabank acquired in 2010. To comply with court rulings, the Group established an extrajudicial claims procedure to reimburse overpaid amounts to all impacted customers.⁶⁸ Additionally, Kutxabank has allocated provisions for expected losses and maintains adequate reserves to address this legal exposure. To ensure transparency and customer protection in future transactions, the Group has confirmed compliance with Spanish Law 5/2019, which was

⁵⁸ Agencia Estatal Boletín Oficial de Estado, "Orden EHA/2899/2011, de 28 de octubre, de transparencia y protección del cliente de servicios bancarios", at: <https://www.boe.es/buscar/act.php?id=BOE-A-2011-17015>

⁵⁹ Agencia Estatal Boletín Oficial de Estado, "Circular 5/2012, de 27 de junio, del Banco de España, a entidades de crédito y proveedores de servicios de pago, sobre transparencia de los servicios bancarios y responsabilidad en la concesión de préstamos", at: <https://boe.es/buscar/act.php?id=BOE-A-2012-9058&p=20190404&tn=6>

⁶⁰ The Group has shared the Banking Services Provision Policy with Sustainalytics confidentially.

⁶¹ Kutxabank, "Código de Conducta", (2023), at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Doc+6.1+C%3Bdigo+de+conducta+KB.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312375809296&ssbinary=true>

⁶² Kutxabank, "Principios contra la Corrupción y el Fraude", at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%226.11.+Principios+contra+la+Corrupci%C3%B3n+y+el+Fraude+KB+CS.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312353473417&ssbinary=true>

⁶³ Kutxabank, "Procedimiento de funcionamiento y gestión del canal ético de denuncias", at:

<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Extracto+Procedimiento+de+funcionamiento+para+p%C3%A1gina+web+KB.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312361914162&ssbinary=true>

⁶⁴ G.Elias & Muñoz Abogados, "What is the IRPH for mortgages?" (2023), at: <https://www.eliasymunozabogados.com/en/blog/what-irph-mortgages>

⁶⁵ EmilioPino Abogados, "A judge will put the entire Spanish banking sector on approval about the controversial "ground clauses, or clausulas suelo" of the mortgages", (2024), at: <https://emiliopino.com/a-judge-will-put-the-entire-spanish-banking-sector-on-approval-about-the-controversial-ground-clauses-or-clausulas-suelo-of-the-mortgages/>

⁶⁶ The Guardian, "Spanish consumers win victory over mortgage payments", at: <https://www.theguardian.com/business/2016/apr/08/spanish-consumers-win-victory-over-mortgage-payments-barclays-santander-class-action>

⁶⁷ Bloomberg, "Spanish Banks Lose EU Case on Mortgage Interest Repayments", (2016), at: <https://www.bloomberg.com/news/articles/2016-12-21/spanish-banks-lose-eu-case-over-mortgage-interest-repayments-iwyp8kih>

⁶⁸ Kutxabank Group, "Información Relativa Al Procedimiento Establecido En Kutxabank En Ejecución De Lo Previsto En El Rdl 1/2017 De Medidas Urgentes De Protección De Consumidores En Materia De Cláusulas Suel", at: https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22230518_Documento+informativo+web+y+oficinas+Kutxabank.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312360981717&ssbinary=true

introduced as a result of this event to regulate real estate credit contracts. This law mandates lenders to provide borrowers with clear pre-contractual information detailing loan terms and associated risks, requires notaries to certify borrowers' understanding of the contracts, sets rules for calculating interest rates and restricts unfair practices such as tied sales and excessive penalties for early repayment.⁶⁹

- Sustainalytics notes that the eligible projects will be located in Spain, which is recognized as a Designated Country under the Equator Principles,⁷⁰ indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to protect the environment and communities, including stakeholder engagement.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Kutxabank 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 use of proceeds categories are aligned with those recognized by the GBP or SBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing green buildings in Spain

Spain was the fifth-largest emitter of GHG in the EU emitting 285 million tCO₂e in 2023.^{71,72} Buildings sector was the fourth-largest source of GHG emissions in the country,⁷³ accounting for 30% of final energy consumption in Spain in 2020,⁷⁴ as approximately 84% of buildings are estimated to be energy inefficient, with most properties having an energy performance certificate (EPC) E or lower.⁷⁵ This inefficiency is largely attributed to the age of Spain's building stock: 51% of existing primary residences were built before 1979, when the country first introduced building standards requiring thermal insulation in the building envelope.⁷⁶

To meet the EU's 2030 climate and energy targets and achieve climate neutrality by 2050, the Spanish government launched in 2021 the National Integrated Energy and Climate Plan, which outlines policy measures in high-emitting sectors, including buildings. The plan establishes the following targets for 2030: i) reduce GHG emissions by 23% compared to 1990 levels; ii) reduce energy consumption by 39.5% from a 2005 baseline; and iii) achieve a 42% share of renewables in final energy consumption.⁷⁷ Spain's Long-Term Decarbonization Strategy 2050 further aims to achieve 81% electrification of residential properties and 91% for non-residential buildings by 2050.⁷⁸

In line with the EU Renovation Wave strategy to boost energy-efficient building renovation,⁷⁹ Spain launched the Long-term Strategy for Energy Renovation in the Building Sector (ERESEE 2020), which establishes a roadmap to decarbonize its housing stock by 2050.⁸⁰ The strategy aims to renovate 1.2 million dwellings and replace more than 3.5 million heating and water systems by 2030, and sets a target for deep energy retrofits of 7.1 million residences by 2050.⁸¹ Key initiatives to decarbonize buildings include transitioning to renewable energy sources such as solar and biomass for heating, improving thermal insulation and increasing

⁶⁹ BOE Legislación Consolidada, "Ley 5/2019, de 15 de marzo, reguladora de los contratos de crédito inmobiliario.", (2019), at: <https://www.boe.es/buscar/pdf/2019/BOE-A-2019-3814-consolidado.pdf>

⁷⁰ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁷¹ European Parliament, "Greenhouse gas emissions by country and sector", (2024), at:

<https://www.europarl.europa.eu/topics/en/article/20180301ST098928/greenhouse-gas-emissions-by-country-and-sector-infographic>

⁷² European Parliament, "Climate change in Europe: facts and figures", (2024), at:

<https://www.europarl.europa.eu/topics/en/article/20180703ST007123/climate-change-in-europe-facts-and-figures>

⁷³ European Commission, "Climate Action Progress Report 2023, Spain", at: https://climate.ec.europa.eu/document/download/c9c92d31-1ffa-4639-8e78-cd4dc64e6b86_en?filename=es_2023_factsheet_en.pdf

⁷⁴ Government of Spain, Ministry of Transport, Mobility and the Urban Agenda, "2020 Update of the Long-Term Strategy for Energy Renovation in the Building Sector in Spain (ERESEE)", (2020), at: https://cdn.mitma.gob.es/portal-web-drupal/planes_estartegicos/en_itserb.pdf

⁷⁵ Interreg Europe, "World Energy Efficiency Day: Challenges in Spain", (2018), at: <https://www.interregeurope.eu/enerselves/news/news-article/2758/world-energy-efficiency-day-challenges-in-spain/>

⁷⁶ Sunderland, L., Forona, C., Tobías, J. "Minimum energy performance standards: A tool for building renovation in Spain", (2021), at:

https://ecodes.org/images/que-hacemos/03.Energia_y_personas/pdf/ECODES-RAP-meps-for-spain-2021-july.pdf

⁷⁷ IEA, "Spain 2021 Energy Policy Review", (2021), at: <https://www.iea.org/reports/spain-2021>

⁷⁸ European Sustainable Real Estate Initiative, "Decarbonising the building sector in Europe", (2022), at: <https://globalabc.org/sites/default/files/2022-06/Decarbonising%20the%20building%20sector%20in%20Europe%20-%2001D.pdf>

⁷⁹ European Commission, "Renovation Wave" at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

⁸⁰ Government of Spain, Ministry of Transport, Mobility and the Urban Agenda, "2020 ERESEE", (2020), at: https://cdn.mitma.gob.es/portal-web-drupal/planes_estartegicos/en_itserb.pdf

⁸¹ Segurado, P., et al. "Energy renovation of buildings in Spain and the EU – Policy Brief 2021", at: <https://www.odyssee-mure.eu/publications/policy-brief/spanish-building-retrofitting-energy-efficiency-odyssee-mure.pdf>

electrification of residential and non-residential properties.⁸² These measures are expected to create 32,000 to 85,000 jobs and save EUR 7.7 billion in household energy costs from 2021 to 2030.⁸³ To support renovation projects, the Spanish government plans to allocate EUR 6.8 billion from its Recovery, Transformation and Resilience Fund to renovate and improve energy performance of public and private buildings.^{84,85}

In this context, Sustainalytics is of the opinion that Kutxabank's financing of green buildings is expected to contribute to the reduction of GHG emissions and energy consumption from buildings in Spain, supporting the climate and energy targets of Spain and, more broadly, the EU.

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 Kutxabank Green, Social and Sustainability Bond Framework are expected to help advance the following SDGs and targets:

| Use of Proceeds Category | SDG | SDG target |
|--|--|---|
| Green Buildings | 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 |
| Renewable Energy | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix |
| Clean Transportation | 11. Sustainable Cities and Communities | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons |
| Access to Essential Services – Health | 3. Good Health and Well-being | 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all |
| Access to Essential Services – Education | 4. Quality Education | 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes |
| 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 |
| Employment Generation | 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 |

⁸² Segurado, P., et al. "Energy renovation of buildings in Spain and the EU – Policy Brief 2021", at: <https://www.odyssee-mure.eu/publications/policy-brief/spanish-building-retrofitting-energy-efficiency-odyssee-mure.pdf>

⁸³ Ibid.

⁸⁴ Sweatman, P., Rodríguez, A. "How energy efficient buildings could help at Spain's energy independence goals while deepening decarbonization", (2022), at: https://www.esade.edu/ecpol/wp-content/uploads/2022/05/AFF_ENG_EsadeEcPol_Insight35_EmergencyEnergy_final.pdf

⁸⁵ Government of Spain, Ministry of Science, Innovation and Universities, "NextGeneration EU - The Recovery and Resilience Mechanism to fund the Plan", (2020), at: <https://www.ciencia.gob.es/en/Estrategias-y-Planes/Plan-de-Recuperacion-Transformacion-y-Resiliencia-PRTR/NextGenerationEU.html>

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| | | enterprises, including through access to financial services |
| Socioeconomic Advancement and Empowerment | 3. Good Health and Well-being | 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all |
| | 4. Quality Education | 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes |
| | 10. Reduce 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 |

Conclusion

Kutxabank has developed the Kutxabank Green, Social and Sustainability Bond Framework, under which it may issue green, social and sustainability bonds, such as public and private placements, senior non-preferred and preferred bonds, Tier 2 bonds, unsecured and secured bonds, and use the proceeds to finance or refinance projects in the following categories: Green Buildings; Renewable Energy; Clean Transportation; Access to Essential Services – Health; Access to Essential Services – Education; Affordable Housing; Employment Generation; and Socioeconomic Advancement and Empowerment. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts and to support the transition to a low-carbon economy in Spain.

The Kutxabank Green, Social and Sustainability Bond Framework outlines a process for tracking, allocation and management of proceeds and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of Kutxabank and that the use of proceeds will contribute to advance UN Sustainable Development Goals 3, 4, 7, 8, 9, 10 and 11. Additionally, Sustainalytics is of the opinion that Kutxabank 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 Kutxabank is well positioned to issue sustainability bonds and that the Kutxabank Green, Social and Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

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