

SUSTAINABILITY BOND FRAMEWORK¹



CAJA RURAL
DE NAVARRA

MARCH 2020



¹ This framework is intended for any type of liabilities (mainly, but not limited to bonds) that can finance sustainable use of proceeds as defined in the present document.

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1. CAJA RURAL DE NAVARRA PROFILE

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

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

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

2. ESG IN CAJA RURAL DE NAVARRA

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

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

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

The Sustainability Committee of the Bank, that includes representatives of all relevant departments, assures the integration of the most relevant issues to our stakeholders in order to achieve the highest standards in social, ethical and environmental principles and activities.

3. FRAMEWORK OVERVIEW

In order to maintain its identity as a European cooperative grounded in the success of local communities, to extend the track record of its Social Welfare Fund to its lending portfolio and its commitment with the Environment, Caja Rural de Navarra develops this framework with the aim to issue Green, Social and/or Sustainability bonds. As a regional, retail and cooperative bank, CRN is committed to generating a positive Social and Environmental impact through its lending activities. Moreover, the strategy for loan origination sets up priorities that are coherent and complementary with those of the Social Welfare Fund. These priorities include –among others- social housing, energy efficiency, entrepreneurship, sustainable agriculture, renewable energy, SMEs and micro finance, and social inclusion.

CRN issues bonds which can be included in a Green, Social or Sustainability Bond Framework, meaning that CRN assumes –for those bonds included in the Bond Framework- the commitment to channel their proceeds to (re) finance new or existing loans within the categories of the framework, as well as reporting on them according to the procedures established in the following sections.

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

GREEN OR SUSTAINABLE FRAMEWORK

- 1- Sustainable agriculture.
- 2- Renewable energy.
- 3- Energy efficiency.
- 4- Sustainable forest management.
- 5- Waste management.

SOCIAL OR SUSTAINABILITY FRAMEWORK

- 1- Social housing
- 2- Education.
- 3- Energy efficiency.
- 4- Economic inclusion.
- 5- Social inclusion.

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

Every bond issued under Caja Rural de Navarra's green, social or sustainability Framework will be aligned with the four pillars of the ICMA Green Bond Principles 2018 (2018 GBP), Social Bond Principles 2018 (2018 SBP) and Sustainability Bond Guidelines 2018 (2018 SBG):

- Use of Proceeds.
- Process for project evaluation and selection.
- Management of proceeds.
- Reporting.

The following section summarizes CRN's sustainability bond framework, including the use of proceeds, process for project selection, the management of proceeds, and reporting.

3.1. USE OF PROCEEDS

The net proceeds of the green, social or sustainability bond will be allocated to finance or refinance, in whole or in part, new or existing eligible projects or activities (as specified below in point 3.1.1.), that are eligible as recognized in the 2018 GBP, 2018 SBP and 2018 SBG.

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

✚ 3.1.1. - Eligibility Criteria

To be eligible for loans financed through the green, social or sustainability bond proceeds, the projects or activities funded must take place in Spain and meet one or more of the following eligibility criteria:

SUSTAINABLE AGRICULTURE

The criteria to select projects in this category will include -among others- practices in which a range of stakeholders are involved, ensuring greater efficiency in the use of resources and more sustainable management of natural and human-created processes, increasing biodiversity and agriculture productivity and resilience to climate change. FAO's *Climate smart agriculture*² approach and practices will be taken into consideration in order to comply with this Framework. Other references will be the management categories and practices defined by the European Union in its final *Taxonomy*³.

1- Reduce methane or Green House Gas (GHG) emissions resulting from agriculture.

2- Support the adoption of management practices that increase the efficiency in the use of resources and/or decrease the GHG emissions of core agricultural inputs and processes, such as irrigation, warehousing, transportation, crop protection and reduction of fertilizers' use, collecting and re-using agricultural waste, and rehabilitating degraded lands, as defined by the EU Taxonomy and/or FAO's "Climate smart agriculture" criteria.

RENEWABLE ENERGY

1- Generate electricity from renewable sources such as solar power, wind power, geothermal, hydropower. Geothermal projects will be limited to a maximum threshold of 100gCO₂/kWh".

2- Develop, produce, or distribute bio-based fuels that achieve at least a 50% reduction in GHG emissions as compared to fossil fuels used in transport, heating, or electricity generation.

3- Develop or operate transmission infrastructure and systems that (a) facilitate the inclusion of renewable energy into the grid, (b) support the distribution of bio-fuels (same emissions reduction criteria applied as above), (c) are wholly dedicated to energy from renewable sources, or (d) improve existing systems to facilitate the integration of energy from renewable sources into the grid.

4- Manufacture components or equipment whose sole purpose is use in renewable energy technologies, such as those linked to wind power, solar panels

ENERGY EFFICIENCY

1- Develop or use products/technologies that reduce the energy consumption of the underlying asset/system.

2- Manufacture components whose sole purpose is use in energy efficiency products/technologies.

² <http://www.fao.org/climate-smart-agriculture/knowledge/practices/en/>

³ Still pending final decision by EU institutions. The Taxonomy Technical Report published by the EU Technical Expert Group on June 2019 is the current reference document (see pages 126-127): (https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf)

3- Acquisition of buildings or equipment that increases the efficiency in the use of resources and/or reduces GHG emissions

4- Buildings Energy Efficiency.

Taking into consideration European and Spanish Energy Efficiency regulation (which considers different climate regions and EPCs categories), CRN will assess Energy Performance Certificates (EPCs) as established in applicable legislation (Directive 2010/31/UE and Spanish Royal Decree 235/2013 which required the requirement for EPCs from 1st June 2013 on), in order to evaluate the degree of energy efficiency. The main objective of the internal framework of CRN will be to focus on its lending activities in either financing new buildings that must be among the best performing in terms of energy efficiency, or financing an appropriate upgrade in the efficiency of the existing stock of buildings.

To this end, the “Buildings Energy Efficiency” sub-category will only include loans financing:

- The construction or acquisition of residential units (buildings/apartments/houses) that represent the top performing in terms of energy efficiency. CRN has decided to include only those units within the “A” and “B” categories, which are well below the 15% best performing threshold of the total stock (see appendix 2).
- The retrofitting of residential units that after renovation have achieved at least a 30% improvement in energy performance. CRN will also include those loans granted to owners-associations of residential blocks (“*Comunidades de propietarios*”) to implement new complementary insulation and/or change in centralized heating that achieve at least a 30% improvement in energy efficiency for the whole building.

SUSTAINABLE FOREST MANAGEMENT

Companies whose projects may qualify for this category should present the endorsement of an official forest certification (such as PEFC *Programme for the Endorsement of Forest Certification*) to be eligible.

- 1-** Certified forest operations for working forest (timber producing activities).
- 2-** Conservation projects whose aim is to increase or improve the forested land (without involving timber extraction).

WASTE MANAGEMENT

1- Build, develop or use technology/equipment and processes that increases efficiency in the use of resources or that reduces waste production, such as waste-reducing technology in the industrial sector or reducing harvest waste in agriculture. An example of such an activity is the repurposing of wasted human food as animal feed. Landfilling or incineration will be excluded.

- 2-** Projects that generate inputs from used materials, such as recycling and circular economy processes.

AFFORDABLE HOUSING

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

SOCIAL INCLUSION

- 1-** Construct cultural facilities such as community centers for socially/economically marginalized groups such as physically or mentally disabled populations.
- 2-** Provide job training programmes or facilities to youth, unemployed, physically or mentally disabled populations, or any other socially/economically marginalized groups.
- 3-** Improve the teaching and use of languages, including minority regional languages, immigrant languages, and Spanish language learning activities for immigrants.
- 4-** Provide affordable housing / care to the elderly either in the form of old age residences or day-care centers or similar facilities or services.

EDUCATION

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

ECONOMIC INCLUSION

- 1-** Provide microfinance loans or loans to increase financial inclusion that (a) are less than EUR 25,000 in size, or (b) are granted to individuals through branches of Caja Rural de Navarra located in villages with a population below 3,000 and with average annual income below that of the regional average.
- 2-** Provide micro enterprise financing and lending to micro-entrepreneurs, as per the definition specified by the European Union (EU). The EU defines a micro-enterprise as an organisation that meets two of the following three criteria- (a) has fewer than 10 employees; (b) has a balance sheet below EUR 2 million; (c) has a turnover below EUR 2 million.
- 3-** Provide financing and lending to Small and Medium Enterprises (SMEs), as per the definition specified by the EU. The EU defines a SME as an organisation that meets two of the following three criteria- (a) have fewer than 250 employees; (b) have a balance sheet below EUR 43 million; (c) have a turnover below EUR 50 million.

▼ 3.1.2.-Exclusionary Criteria

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

- Large scale hydro projects (i.e. projects that have an installed capacity greater than 20 MW of electricity).
- Technology and equipment for large scale hydro projects.
- Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated.
- Fossil-fuel power generating facilities.

- Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas.
- Landfilling or incineration as waste management practices.
- Payday loans and predatory lending activities.
- Lending to micro-enterprises or SMEs that (a) manufacture alcohol, or (b) are wholesalers of alcoholic beverages.
- Lending to micro-enterprises or SMEs that (a) manufacture tobacco products, or (b) are wholesalers of tobacco products.
- Lending to micro-enterprises or SMEs that own or operate gambling establishments/activities.
- Lending to micro-enterprises or SMEs that are involved in (a) the manufacture of weapons and small arms, or (b) the retail sale and distribution of weapons and small arms, or (c) the production of products and services supporting the manufacture or retail sale of weapons and small arms.
- Lending to micro-enterprises or SMEs that are involved in the extraction, refining, or transportation of fossil fuels.
- Lending to micro-enterprises or SMEs that are involved in the production or refining of palm oil.

3.1.3.-Framework alignment

ALIGNMENT WITH THE ICMA, “GBP 2018”, “SBP 2018” AND “SBC 2018”

The GBP and SBP are “*voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance*”.

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

ALIGNMENT WITH THE EU-GREEN BOND STANDARDS (EU-GBS)

In June 2019, the Technical Expert Group (TEG) has published a draft EU Taxonomy which is the first EU-classification system for environmentally-sustainable economic activities. The TEG has also published a report on the EU Green Bond Standard (EU GBS), a voluntary standard built on best practice.




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



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




ALIGNMENT WITH THE UN-SDG (SUSTAINABLE DEVELOPMENT GOALS)




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

Alignment with the principles, standards and objectives stated above are detailed in the next table:

STANDARD	SUSTAINABLE AGRICULTURE	
SDG	2. NO HUNGER 	<ul style="list-style-type: none"> End hunger, achieve food security and improved nutrition and promote sustainable agriculture. <p>2.4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</p>
	6. CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"> Ensure availability and sustainable management of water and sanitation for all. <p>6.5. By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</p>
	12. RESPONSIBLE CONSUMPTION 	<ul style="list-style-type: none"> Ensure sustainable consumption and production patterns. <p>12.2. By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>
GBP	<ul style="list-style-type: none"> Environmentally sustainable management of living natural resources and land use. Sustainable water and wastewater management. 	
SBP	<ul style="list-style-type: none"> Food security. 	
EU TAXONOMY	<ul style="list-style-type: none"> Sustainable use and protection of water and marine resources. Climate change 	

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


STANDARD	ENERGY EFFICIENCY	
SDG	7. RENEWABLE ENERGY 	<ul style="list-style-type: none"> • Ensure access to affordable, reliable, sustainable and modern energy for all. <p>7.2. By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>7.3. By 2030, double the global rate of improvement in energy efficiency</p>
	9. INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"> • Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. <p>9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increases resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.6.-By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>
GBP	<ul style="list-style-type: none"> • Energy efficiency. • Pollution prevention and control • Clean transportation. • Green buildings. 	
EU TAXONOMY	<ul style="list-style-type: none"> • Climate change mitigation. 	






STANDARD	SUSTAINABLE FOREST MANAGEMENT	
SDG	6. CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"> • Ensure availability and sustainable management of water and sanitation for all. <p>6.6. By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p>
	12. RESPONSIBLE CONSUMPTION 	<ul style="list-style-type: none"> • Ensure sustainable consumption and production patterns. <p>12.2. By 2030, achieve the sustainable management and efficient use of natural resources.</p>
	15. LIFE ON LAND 	<ul style="list-style-type: none"> • Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat. <p>15.2. By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</p>
GBP	<ul style="list-style-type: none"> • Environmentally sustainable management of living natural resources and land use. 	
EU TAXONOMY	<ul style="list-style-type: none"> • Climate change mitigation. • Protection of healthy ecosystems . 	

STANDARD	WASTE MANAGEMENT	
SDG	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.6.. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p>
	12. RESPONSIBLE CONSUMPTION 	<ul style="list-style-type: none"> • Ensure sustainable consumption and production patterns. <p>12.2. By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>
GBP	<ul style="list-style-type: none"> • Pollution prevention and control. • Eco-efficient and/or circular economy adapted products, production technologies and processes 	
EU TAXONOMY	<ul style="list-style-type: none"> • Climate change mitigation. • Waste prevention and recycling, pollution prevention and control. • Transition to a circular economy 	

STANDARD	AFFORDABLE HOUSING	
SDG	10. REDUCED INEQUALITIES 	<ul style="list-style-type: none"> • Reduce inequality within and among countries. <p>10.2.. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p> <p>10.4.. Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p>
SBP	<ul style="list-style-type: none"> • Affordable housing 	

STANDARD	SOCIAL INCLUSION	
SDG	8-GOOD JOBS AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <p>8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>
	10. REDUCED INEQUALITIES 	<ul style="list-style-type: none"> Reduce inequality within and among countries. <p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.1.-By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p> <p>11.4.-Strengthen efforts to protect and safeguard the world's cultural and natural heritage.</p>
SBP	<ul style="list-style-type: none"> Employment generation including through the potential effect of SME financing and microfinance Socioeconomic advancement and empowerment. Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services). 	

STANDARD	EDUCATION	
SDG	4. QUALITY EDUCATION 	<ul style="list-style-type: none"> Ensure availability and sustainable management of water and sanitation for all. <p>4.1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.</p> <p>4.3. By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p>4.4. By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>4.5.- By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.</p>
SBP	<ul style="list-style-type: none"> Socioeconomic advancement and empowerment. 	

STANDARD	ECONOMIC INCLUSION	
SDG	1-END POVERTY 	<ul style="list-style-type: none"> • End poverty in all its forms everywhere <p>1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p>
	8-GOOD JOBS AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> • Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <p>8.1. Sustain per capita economic growth in accordance with national circumstances and, developed countries.</p> <p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour -intensive sectors.</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small-and medium sized enterprises, including through access to financial services</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p>
	9. INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"> • Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. <p>9.2. Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.</p> <p>9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.</p> <p>9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increases resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	10. REDUCED INEQUALITIES 	<ul style="list-style-type: none"> • Reduce inequality within and among countries. <p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
	11. SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient and sustainable. <p>11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p>
SBP	<ul style="list-style-type: none"> • Employment generation including through the potential effect of SME financing and microfinance • Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services). 	

3.2. PROJECT EVALUATION AND SELECTION PROCESS

The loans financed through the proceeds will be evaluated for financial viability by the Credit Risk department, and for alignment with the eligibility criteria by the Sustainability Committee. The Sustainability Committee will consist of representatives from the primary departments involved in lending activities (Corporate and SME departments, Institutional Clients department, Housing department, Commercial and Marketing department and the Risk department) together with the Treasury and Capital Markets department, Legal and Reporting and Human Resources department).

3.3. MANAGEMENT OF PROCEEDS

The proceeds from the bond will be allocated directly to existing or new loans; CRN has confirmed that at the time of issue, it expects to have a sufficient number of existing loans to utilize the entire proceeds of the green, social or sustainability bond. Caja Rural de Navarra will also manage any potential unallocated funds within its liquidity book in line with the standard processes of the Treasury department which include internal ESG guidelines (see Appendix 3). Liquidity will be managed mainly by investing in OECD sovereigns and sub-sovereigns.

Caja Rural de Navarra runs a Sustainability Committee in which several key areas of the organization are involved. This Committee has established an internal process to manage the allocation of net proceeds to eligible loans. CRN's internal system classifies and tags all green, social and sustainable loans as either green, social or sustainable by the nature of the client, or green, social and sustainable by the purpose of the loan. Loans that tagged as green, social or sustainable by their purpose are categorized into a spreadsheet where each green, social or sustainable loan is a separate line item, and each eligible category is marked by a separate column. Each green, social or sustainable loan is then matched to an eligible category described under the Use of Proceeds section of this framework (section 3.1). Loans that comply with multiple sustainable categories will be assigned only to one primary eligible category, avoiding any duplicity. This reporting will also be publicly available on Caja Rural de Navarra's website.

3.4. REPORTING

Allocation Reporting

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

This disclosure will be made in a separate section in the ongoing reporting to investors, which will also be publicly available on CRN's annual report will include a special section on allocation of bond proceeds. This annual report will be audited by the external auditor.

Impact Reporting

Where feasible, Caja Rural de Navarra commits to reporting on Key Performance Indicators (KPIs) in aggregate form for each eligible category. This disclosure will be made in a separate section in the ongoing reporting to investors, which will also be publicly available on Caja Rural de Navarra's website. Please see Appendix 1 for a full list of KPIs. It also commits to making its best efforts to improve KPI reporting over time. This impact report will be verified by a third party as recommended by the EU-Green Bond Standards.

APPENDIX 1 – LIST OF KPIs

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

APPENDIX 2 – BUILDINGS ENERGY EFFICIENCY

BUILDING ENERGY EFFICIENCY IN SPAIN

The energy performance certificates (EPCs), in Spanish “Certificado de eficiencia energética” became compulsory from 1st June 2013 on, for any buildings-related transaction (both acquisition and rent).

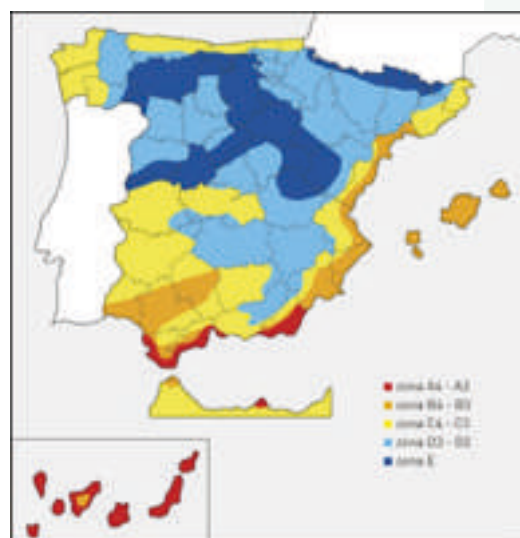
Building construction regulations have been redefined every five to eight years, requiring an increasing level of insulation and a focus on sustainable living comfort.

The Directive 2010/31/EU was amended at Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 and countries have to transpose the new elements into national law within 20 months. In Spain this transposition has not been approved yet, although higher standards for new buildings and renovations have been imposed by Royal Decree (RD 732/2019 published in December 2019, and with entry into force from July 2020).

Nevertheless, on February 2019 the Government approved the national integrated climate and energy plan (“Plan Nacional Integrado de Energía y Clima 2021-2030, PNIEC”). It targets a 21% reduction in greenhouse gas emissions (level ref. 1990, +18% at 2017) and a 42% share of renewable energies in terms of primary energy consumption (which means a 74% share of electricity generation). It also implies an improvement in energy efficiency of almost 40%. PNIEC foresees housing rehabilitation at 120,000 homes per year, and 11.6€ billion and 32,4€ billion in public and private investment respectively.

Moreover, a new update of the rules regarding buildings construction is expected in the coming months. This could make “near zero” building emissions compulsory (see below).

Nowadays, both building and energy efficiency regulations consider different climate regions throughout Spain. The country suffers rather unequal weather in the Atlantic area, the South Mediterranean coast, the islands, and the mountainous regions. The first step to categorize buildings energy efficiency consists of considering its climatic region. In Spain these are:



To define an EPC, a certified external technical advisor is required to:

- Measure surfaces, heights, windows, roofs, define the type of materials, etc ...
- Document (by photography) the building and often also its main construction features.
- Check heating and cooling, self-energy contributions, types of internal and external energy sources
- Obtain the EPC levels using the software approved by the Ministry of Industry.
- The report must detail some measures to reduce the energy consumption.
- The technician has to register the report at its region's Industry public services.

The law sets up the criteria to define each EPC according to the energy efficiency performance of the residential unit being assessed:

Energy performance certificate and indexes for private dwelling








EPC			INDEX*		
A			C1	<	0.15
B	0.15	≤	C1	<	0.50
C	0.30	≤	C1	<	1.00
D	1.00	≤	C1	<	1.75
E	1.75	≤	C1		
			C2	<	1.00
F	1.75	≤	C1		
	1.00	≤	C2	<	1.50
G	1.75	≤	C1		
	1.50	≤	C2		

*C1 o C2 depends on the dwelling is a tenement or a detached house

The statistics of EPC at Spain, published as of Dec-2018⁴ data, are shown in the following figures, both for new houses (from 2013 onwards) and for the entire existing building stock:

Table I: Registered new houses, clasifiedby emission

Clasification

	NUMBER OF HOUSES				PERCENTAGE			
	SPAIN	NAVARRRE	BASQUE COUNTRY	RIOJA	SPAIN	NAVARRRE	BASQUE COUNTRY	RIOJA
	8,583	617	498	72	14.7%	36.0%	28.6%	29.6%
	17,282	459	452	63	29.7%	26.8%	26.0%	25.6%
	10,907	367	236	47	18.7%	21.4%	13.6%	19.3%
	10,497	189	360	33	18.0%	11.0%	20.7%	13.6%
	9,691	76	162	28	16.6%	4.4%	9.3%	11.5%
	365	4	21	-	0.6%	0.2%	1.2%	0.0%
	927	1	10	-	1.6%	0.1%	0.6%	0.0%
Total	58,252	1,713	1,739	243				

⁴ <https://energia.gob.es/desarrollo/EficienciaEnergetica/CertificacionEnergetica/Documentos/Documentos%20informativos/informe-seguimiento-certificacion-energetica.pdf>

Table II: Registered existing houses, clasifiedby emission

Clasification.	NUMBER OF HOUSES				PERCENTAGE			
	SPAIN	NAVARRRE	BASQUE COUNTRY	RIOJA	SPAIN	NAVARRRE	BASQUE COUNTRY	RIOJA
A	9,531	127	184	137	0.3%	0.3%	0.1%	0.5%
B	29,300	246	182	164	0.8%	0.5%	0.1%	0.6%
C	153,623	3,021	1,183	1,303	4.3%	6.6%	0.9%	4.8%
D	468,74	9,460	17,372	4,604	13.9%	20.7%	12.5%	17.1%
E	1,862,089	22,870	72,431	16,138	52.0%	50.0%	52.2%	60.0%
F	421,032	5,221	23,891	2,562	11.8%	11.4%	17.2%	9.5%
G	635,686	4,812	23,474	2,003	17.8%	10.5%	16.9%	7.4%
Total	3,579,435	45,757	138,717	26,911				

The regions where Caja Rural de Navarra operates are Pais Vasco, Navarra and La Rioja.

ACQUISITION OF RESIDENTIAL UNITS

The table II above shows the distribution of EPC in the building stock of the Spanish regions in which Caja Rural de Navarra operates (Navarre, Basque Country and Rioja). A and B EPC certificates represent less than 2% of total residential certificates of the existing building stock (although in new units sold after 1st June of 2013 its penetration is much higher, as the requirement to provide an EPC entered into force in that year). According to international market practices, energy efficient houses should be within the 15% best performing at each country. Caja Rural de Navarra considers EPC categorized as "A", "B" as the selection criteria for energy efficient mortgages, which is clearly within the 15% threshold.

RETROFITTED RESIDENTIAL UNITS

As explained above, the design of new buildings has to comply with the regulation (including insulation criteria) applicable at each point in time. Since 2006, energy requirements become precise and ambitious. However, more than half of the Spanish building portfolio was built before 1980:

BUILDING YEAR	TOTAL	TYPE OF BUILDING		USE	
		DETTACHED	FLAT BUILDING	HOME	SECONDARY HOUSING
<1900	1,324,752	1,572,823	1,383,251	19,120,417	5,524,683
1900-1940	1,631,322				
1941-1960	2,975,327				
1961-1980	8,662,208				
1981-2007	6,266,212	5,306,257	12,597,490		
2008-2019	4,216,174	3,570,645	3,601,603		
TOTAL	25,075,995	10,449,725	17,582,344	19,120,417	5,524,683

When the owners of a building decide to upgrade the residential unit involving an increase in energy efficiency of at least 30%, the loan financing the energy efficiency improvement falls within our eligible criteria.

NEAR ZERO ENERGY BUILDINGS (NZEB)

Buildings are central to the EU's energy efficiency policy, as they account for nearly 40% of final energy consumption. In Spain, the government states that 20% of primary energy is consumed at homes. The Energy Performance of Buildings Directive (Directive 2010/31/EU) requires Member States to establish minimum requirements for the energy performance of newly constructed buildings and existing buildings undergoing major renovations. It also requires member countries to ensure that by 31 December 2020 all new buildings are nearly zero-energy buildings (NZEB).

The European goal in buildings energy efficiency is the NZEB. The EU Commission recommendation (EU-2016/1318) establishes the requirements for the different climate regions. The recommendation states *"a NZEB ...means a building that has a very high energy performance, as determined in accordance with Annex I. The nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby"*.

Annex I of the EU Commission recommendation sets different climate types. Regarding "Oceanic" and "Continental", the ones to be applied in our banking area, the following definitions are fixed:

i. Oceanic:

a. Offices: 40-55 kWh/(m².y) of net primary energy with, typically, 85-100 kWh/(m².y) of primary energy use covered by 45 kWh/(m².y) of on-site renewable sources;

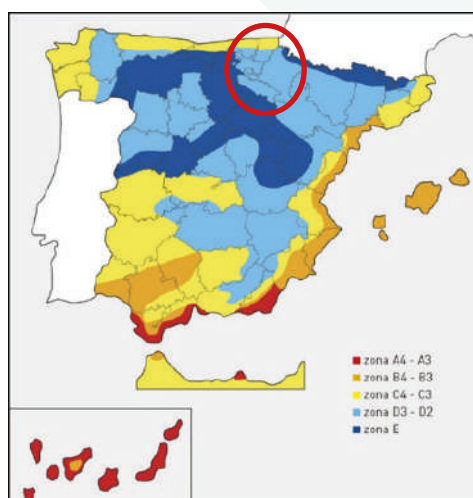
b. New single family house: 15-30 kWh/(m².y) of net primary energy with, typically, 50-65 kWh/(m².y) of primary energy use covered by 35 kWh/(m².y) of on-site renewable sources.

ii. Continental

a. Offices: 40-55 kWh/(m².y) of net primary energy with, typically, 85-100 kWh/(m².y) of primary energy use covered by 45 kWh/(m².y) of on-site renewable sources;

b. New single family house: 20-40 kWh/(m².y) of net primary energy with, typically, 50-70 kWh/(m².y) of primary energy use covered by 30 kWh/(m².y) of on-site renewable sources.

Caja Rural de Navarra has its activity in both climate regions (D3-D2 for Continental and C4-C3 for Oceanic), as the below map shows:



The Spanish Royal Decree 732/2019 sets maximum primary energy consumption per regions (A-E) that will become compulsory for new building permits applications from July 2020 and establishes the NZEB thresholds in the country:

NEW RESIDENTIAL BUILDING	CLIMATE REGION				
	A	B	C	D	E
Total primary energy Consumption kW.h/y, m2	50	56	64	76	86
Non-renewable energy Consumption kW.h/y, m2	25	28	32	38	43

NZEB is not strictly a new way to measure an EPC index. Its aim is to set some rules to establish the target to be achieved by new buildings in order to attain the highest degree of environmental requirements. An equivalence from NZEB EU Commission recommendations and the Spanish EPC system can be calculated through maximum amounts in each EPC category:

OCEANIC:

	kW.h/m2		CO2/m2	
	Dettached	Flat building	Dettached	Flat building
A	35.8	24.2	8.1	5.4
B	58.1	39.2	13.1	8.8
C	90	60.7	20.3	13.7
D	138.4	93.4	31.1	21
E	254.1	200	58.3	45.9
F	305	226	73.4	55
G	>305	>226	>73.4	>55

CONTINENTAL:

	kW.h/m2		CO2/m2	
	Dettached	Flat building	Dettached	Flat building
A	54.6	37.5	12.2	8.4
B	84	57.7	18.8	12.9
C	125.3	86.1	28.1	19.3
D	186.6	128.2	41.8	28.7
E	339.1	271.9	74.7	59.9
F	417.1	318.1	91.9	71.8
G	>417.1	>318.1	92	>71.8

CRN is well aligned with current best market practices and will assess the implementation of the EU Taxonomy, as well as national energy efficiency legislation, in order to continuously adapt its energy efficiency framework.

APPENDIX 3 – ESG FRAMEWORK TREASURY PORTFOLIO

INTRODUCTION: Purpose of the ESG criteria for the Treasury Portfolio of Caja Rural de Navarra

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

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

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

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

OVERALL DESCRIPTION OF THE FRAMEWORK

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

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

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

Investments may be made in **Governments** that are part of the European Union (EU)⁵ and/or OECD (“Organization for Economic Cooperation and Development”)⁶ and that do not apply in practice the death penalty. Membership of the EU and/or OECD ensures a commitment to the rule of law and the protection of human rights, as well as democratic, open, transparent and free-market economies.

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

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

⁵ See European Union membership criteria: https://ec.europa.eu/neighbourhood-enlargement/policy/conditions-membership_en

⁶ See OECD membership criteria: <https://tuac.org/news/oecd-membership-and-the-values-of-the-organisation/>

MEMBER COUNTRIES OF THE EUROPEAN UNION AND OECD

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

EXCLUSIONARY CRITERIA

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

- a.** Exclusion due to controversial sectors: Companies with relevant income from:
 - Controversial weapons
 - Gambling
 - Pornography
 - Tobacco
- b.** Exclusion due to serious negative environmental impacts: Companies involved in important controversies in environmental aspects such as water polluting emissions and/or soil, air, noise or treatment of polluting waste.
- c.** Exclusion due to serious negative social impacts: Companies with significant involvement in controversies or incidents in social aspects such as human rights, labor rights, health and safety at work or projects with relevant negative impact on communities.
- d.** Exclusion for reasons related to governance practices. Companies with significant involvement in controversies or incidents in the sphere of corporate governance, corruption and bribery, money laundering and/or tax evasion.
- e.** Exclusion of issues from Governments whose judicial system applies in practice the death penalty.

BEST IN CLASS APPROACH

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

Using data from Bloomberg (companies whose equity is quoted in the Eurostoxx 600), we have developed the following table that includes the ESG valuation by sector. This allows Caja Rural de Navarra to compare this score against the ESG valuation of each security within its Treasury portfolio⁷:

SECTOR	EUROSTOXX ESG	PORTFOLIO CRN ESG
COMMUNICATIONS	31.13	43.37
CONSUMER DISCRETIONARY	41.77	36.33
CONSUMER STAPLES	42.56	46.28
ENERGY	48.50	57.68
FINANCIALS	38.88	45.73
HEALTH CARE	33.08	41.95
INDUSTRIALS	41.88	52.26
MATERIALS	49.70	50.21
TECHNOLOGY	37.58	46.99
UTILITIES	54.19	62.62

Methodology followed to assign assets to sectors:

- a.** Securities within Eurostoxx 600: they have been assigned to the sectors in which they are included in the index.
- b.** Securities outside Eurostoxx 600: will be assigned to the sectors that CRN has internally defined, based on their main activity.

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

⁷ As of June 2019

NON-ANALYZED ISSUERS

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

SECURITIES ISSUED WITH ESG LABEL

Those securities issued with a “ESG Label” (Third-party opinion)^a, even if the issuer itself is not individually analyzed by Bloomberg or does not comply with the “Best in class” approach, will be considered to meet the ESG investment criteria of Caja Rural de Navarra.

As a reference, the following table shows, as of 31st December 2018, the bond and equity portfolio of CRN, classified according to its ESG Criteria valuation:

	BOND PORTFOLIO	%	ESG CRITERIA COMPLIANT	ESG CRITERIA NON-COMPLIANT	EXCLUSIÓN CRITERIA NON-COMPLIANT	BEST IN CLASS CRITERIA NON-COMPLIANT	NON ANALYZED BY BLOOMBERG
RETAINED SECURITIES	575,479,047	15.90%	575,479,047				
NATIONAL GOVERNMENTS	1,879,345,000	51.93%	1,879,345,000				
REGIONAL GOVERNMENTS	163,552,000	4.52%	163,552,000				
AGENCIES/DEVELOPMENT BANKS/ STATE-OWNED COMPANIES	100,564,000	2.78%	87,264,000	13,300,000.00	13,300,000.00		
FINANCIALS (EQUITY QUOTED)	569,091,802	15.72%	510,841,802	58,250,000.00		58,250,000.00	
FINANCIALS (EQUITY NON-QUOTED)	33,831,844	0.93%		33,831,843.57			33,831,843.57
CORPORATES (EQUITY QUOTED)	175,411,100	4.85%	148,675,000	26,736,100.00		26,736,100.00	
CORPORATES (EQUITY NON-QUOTED)	122,000,506	3.37%		122,000,506.56			122,000,506.56
TOTAL	3,619,275,299	100%	3,365,156,849.34	254,118,449.22	13,300,000.00	84,986,100.00	155,832,349.22
DEGREE OF COMPLIANCE WITH CRN'S ESG CRITERIA			92.98%	7.02%	0.37%	2.35%	4.31%

Notes:

- 99.63% of the portfolio meets the exclusionary criteria.
- 4.31% of the portfolio is invested in securities whose issuers are not analysed by Bloomberg.
- 2.35% of the portfolio is invested in securities whose issuers do not meet the ESG - Best in class criteria (i.e., they are below its sector average).
- CRN's “ESG Compliant portfolio” covers 92.98% of the overall portfolio.

^a The ESG Label includes, among others, bonds compliant with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, as well as those aligned with United Nations' SDGs, Climate Bond Initiative and the European Union's regulations.