

Second-Party Opinion

Caja Rural de Navarra Sustainability Bond Framework



Evaluation Summary

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



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



PROJECT EVALUATION / SELECTION Caja Rural de Navarra’s internal process in evaluating and selecting projects is managed by the Sustainability Committee, which will consist of representatives from the Risk Management, Capital Markets, Human Resources, Regulatory Compliance, Social Action and Marketing departments. CRN has in place an environmental and social risk management process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers the environmental and social risk management process to be adequate and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Caja Rural de Navarra’s processes for management of proceeds is handled by the Sustainability Committee. CRN expects to allocate all proceeds at issuance to existing loans. In the event of unallocated funds, CRN will invest unallocated proceeds in its liquidity book, which will mainly be invested in OECD sovereigns and sub-sovereigns. This is in line with market practice.



REPORTING Caja Rural de Navarra intends to report on allocation of proceeds on its website, on an annual basis, until full allocation. Allocation reporting will disclose outstanding amount of its loan book, outstanding number of loans and number of borrowers. In addition, Caja Rural de Navarra is committed to reporting on relevant impact metrics. Both the allocation of proceeds and impact reporting will be third-party verified. Sustainalytics views Caja Rural de Navarra’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Pamplona, Spain

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¹ This document is an update of a Second-Party Opinion Caja Rural de Navarra Sustainability Bond Framework, originally published on March 6, 2020, to which Sustainalytics has made revisions.

Introduction

Caja Rural de Navarra (“CRN”, or the “Bank”) is a credit cooperative specialized in retail and regional banking, operating through a network of 252 branches in the region of Navarre, the Basque Country and La Rioja.

Caja Rural de Navarra Sustainability Bond Framework (the “Framework”) was developed in March 2020 and updated in December 2021. Under the Framework, CRN intends to issue multiple Green, Social and/or Sustainability Bonds and other financial instruments and use the proceeds to finance and or refinance, in whole or in part, existing and future loans directed towards impact-driven green and social projects. The Framework defines eligibility green criteria in the following five areas:

1. Sustainable Agriculture
2. Renewable Energy
3. Energy Efficiency
4. Sustainable Forest Management
5. Waste Management

The Framework defines eligible social categories in the following four areas:

1. Social Housing
2. Social Inclusion
3. Education
4. Economic Inclusion

CRN engaged Sustainalytics to review the Caja Rural de Navarra Sustainability Bond Framework, dated December 2021, 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 2021 (SBP).² This Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CRN’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CRN representatives have confirmed (1) they understand it is the sole responsibility of CRN to ensure that the information provided is complete, accurate or 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.

² 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/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Caja Rural de Navarra Sustainability Bond Framework is available on Caja Rural de Navarra’s website at: <https://www.cajaruraldenavarra.com/en/information-investors>

⁴ 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.

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

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Caja Rural de Navarra Sustainability Bond Framework

Sustainalytics is of the opinion that the Caja Rural de Navarra Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of CRN's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Sustainable Agriculture, Renewable Energy, Energy Efficiency, Sustainable Forest Management, Waste Management, Affordable Housing, Social Inclusion, Education and Economic Inclusion – are aligned with those recognized by the GBP and SBP. Projects are due to take place in Spain, primarily in the regions of Navarre, Basque Country and La Rioja.
 - The Bank intends to issue loans, both in the form of project loan financing and general-purpose loans for pure-play companies that derive at least 90% of their revenue for activities that align with the eligibility criteria. While Sustainalytics recognizes that the GBP and SBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending, Sustainalytics views the established revenue threshold as ensuring that proceeds will be directed to environmental and social activities that generate positive impacts.
 - Within the Sustainable Agriculture category, CRN has confirmed that it intends to invest in EU Organic certified farms, with a focus on reducing GHG emissions from agriculture, decreasing core agricultural inputs and implementing sustainable farming practices, in accordance with the Food and Agriculture Organization's Climate Smart Agriculture approach.⁵
 - Sustainalytics recognizes the reduction of GHG emissions from agricultural facilities as delivering environmental benefits and considers it to be in alignment with market practice. For Sustainalytics' assessment of EU Organic certification, see Appendix 1.
 - Regarding Renewable Energy, CRN may use proceeds to provide loans to finance the acquisition, construction, operation, maintenance or repowering of renewable electricity production from solar, wind, hydro, geothermal, hydrogen and biomass cogeneration projects. In addition, CRN may also finance projects related to the development, operation or maintenance of electricity transmission and distribution networks as well as the manufacture of renewable energy technologies.

⁵ FAO, "Climate Smart Agriculture", (2020), at: <http://www.fao.org/climate-smart-agriculture/en/>

- Eligible electricity generation facilities include only those operating with lifecycle emissions below 100 gCO₂e/kWh.
 - All hydroelectric projects will have a power density greater than 5 W/m₂ and will be subject to an environmental and social risk assessment that confirms no significant environmental risks or controversies associated with the projects. The Framework further defines an exclusionary criterion to avoid investments in hydroelectric projects over 20 MW installed capacity.
 - Eligible hydrogen manufacture projects will have a life cycle GHG emission less than 3tCO₂e/tH₂, and in addition, involve only hydrogen manufacture through electrolysis powered by renewables, or steam methane reformation where methane input is sourced from biogas or renewable natural gas.
 - Eligible biomass cogeneration facilities will have more than 80% of GHG emission reduction relative to fossil fuel comparator set out in Renewable Energy Directive II, with an aim to increase to 100% by 2050. CRN has confirmed with Sustainalytics that feedstock used in the biomass cogeneration will be sourced from agricultural waste such as straw or wood pellets from PEFC certified sources. See Appendix 2 for Sustainalytics' assessment of PEFC certification.
 - Sustainalytics considers investments in the above-mentioned electricity generation projects as aligned with market practice.
- Eligible projects related to electricity transmission and distribution networks will have average emissions intensity from the network below 100 gCO₂e/kWh, or over 67% of the newly enabled generation in the system having emissions below 100 gCO₂e/kWh measured on a lifecycle basis across a rolling five-year period. Sustainalytics notes positively that CRN will exclude investments in transmission infrastructure where over 25% or more of electricity comes from fossil-fuel sources and considers investments in this category as aligned with market practice.
- Regarding manufacture of renewable energy technologies, CRN will only finance projects that align with Technical Screening Criteria of the EU Taxonomy.⁶
- As part of the Energy Efficiency category, CRN intends to finance the development, manufacture or acquisition of technologies that aim to reducing energy consumption of the underlying asset or system, with the exclusion of any technology related to fossil-fuel powered equipment or operations. Sustainalytics encourages the Bank to report on estimated or achieved energy savings, where feasible. In addition, CRN may also finance the construction of new green buildings or the acquisition or renovation of existing buildings, with the following eligibility criteria:
 - Eligible new buildings will have a Primary Energy Demand (PED) that is at least 10% lower than the Nearly Zero-Energy Building (NZEB) requirements.
 - For acquisition of existing buildings, the buildings will have an Energy Performance Certificate (EPC) level A, or alternatively, fall within the top 15% of the national or regional building stock as measured using PED. Renovations to existing buildings will result in at least 30% reduction in PED.
 - Sustainalytics highlights the alignment of the above-mentioned criteria with the Technical Screening Criteria of the EU Taxonomy⁷ and considers them to be aligned with market practice.
- Sustainable Forest Management may include financing of certified forestry operations for timber production and conservation projects that aim at increasing or improving forested land.
 - CRN has indicated that forestry projects for timber production must be certified under FSC or PEFC. For Sustainalytics' assessment of these certifications please refer to Appendix 2.
- CRN has confirmed that all conservation projects will be PEFC certified, thereby ensuring that sustainable forest management plans are applied. Sustainalytics views the above-mentioned

⁶ As defined in sub-category 3.1 "Manufacture of renewable energy technologies" of the Annexes of the Commission Delegated Regulation 04.06.2021 supplementing Regulation (EU) 2020/852, available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

⁷ As defined in sub-category 7.1, 7.2 and 7.7 of the Annexes of the Commission Delegated Regulation 04.06.2021 supplementing Regulation (EU) 2020/852, available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

- sustainable forestry certifications to be credible and the investments under this category as aligned with market practice.
- Under Waste Management, CRN intends to finance the development or use of technology or processes that reduce waste or generate outputs from used materials through recycling and circular economy processes.
 - Waste reduction projects may involve the financing of technologies to reduce waste in the industrial sector or reducing harvest waste in agriculture through activities such as repurposing wasted human food for animal feed. Sustainalytics notes that landfilling, incineration and projects related to fossil fuel operation or carbon-intensive activities will be excluded.
 - Projects that involve the manufacture of new products from used materials will exclude plastic production.
 - Sustainalytics views these investments as aligned with market practice and encourages the Bank to report on the specific companies, projects or assets that are financed within this category and their associated positive environmental outcomes.
 - In the Affordable housing category, CRN may use proceeds to finance social housing projects or provide social housing mortgages for disadvantaged populations defined according to regional government criteria on the basis of income level, number of family members, number of aged or disabled people within the household, relevant immigrant background of the family, violence experienced by women in households, and single-parent households.⁸
 - CRN has confirmed that social housing projects financed have rent caps in accordance with local government regulations,⁹ to ensure continued affordability.
 - Regarding social housing mortgages, CRN has confirmed to Sustainalytics that it offers very low interest rates for disadvantaged populations in accordance with the Government of Spain's voluntary Code of Good Practices for the banking sector.¹⁰ In addition, CRN has responsible lending practices in place to mitigate the risk of predatory lending. For additional details, see Section 2.
 - Sustainalytics is of the opinion that CRN's investments under the Affordable Housing category are aligned with market practice.
 - As part of the Social inclusion category, CRN aims to provide loans to construct free of cost, public or subsidized facilities including cultural facilities such as community centers for physically or mentally disabled populations; job training programs or facilities for young, unemployed, physically or mentally disabled or other marginalized populations; the teaching and use of languages for immigrants; and affordable housing or care for the elderly. Sustainalytics views these investments as aligned with market practice.
 - Within the Education category, CRN intends to finance the construction of buildings or lab facilities in schools and university campus buildings at any public and non-profit university campus. All projects financed under this category will be available for public access either free of cost or at subsidized rate for vulnerable populations. This is aligned with market practice.
 - Regarding Economic inclusion, CRN can use proceeds to provide microfinance loans to individuals,¹¹ micro-entrepreneurs¹² and Small and Medium Enterprises (SMEs).¹³

⁸ The target population is defined according to the criteria set by regional governments in Navarre, Basque Country and La Rioja. For additional detail, see the following links : http://www.navarra.es/home_es/Temas/Vivienda/Ciudadanos/Censo+de+vivienda/Que+es+el+censo/, <https://www.larioja.org/vivienda/es> , https://www.etxebide.euskadi.eus/x39-contgen/es/contenidos/informacion/presentacion_etxebide/es_etxebidecont/presentacion.html

⁹ Rent caps for the three local governments can be found in the following links: Navarra: http://www.navarra.es/NR/rdonlyres/97342072-2D36-4498-AC02-E8895639770A/469078/preciosalquiler.pdf?_x_tr_sch=http&_x_tr_sl=auto&_x_tr_tl=en&_x_tr_hl=en-US&_x_tr_pto=nui ; La Rioja: <https://www.larioja.org/vivienda/es/precios-maximos-vpo> ; Basque Country:

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

¹⁰ In accordance with the Royal Decree-Law 6/2012, amended several times since then. For additional information, see:

<https://www.cajaruraldenavarra.com/sites/default/files/files/codigo-de-buenas-practicas-para-la-reestructuracion-viable-de-las-deudas-con-garantia-hipotecaria-sobre-la-vivienda-habitual.pdf>

¹¹ To be eligible, (a) loans have to be 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.

¹² Micro-entrepreneurs as per the definition of the 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.

¹³ SMEs defined according to EU criteria 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.

- Regarding microfinance loans to individuals, CRN has confirmed to Sustainalytics that it offers very low interest rates to the target population which includes individuals in rural areas with average annual incomes below the regional average. CRN also offers further reductions in interest rates and fees to specific groups within the target population such as young people, retired citizens, self-employed, customers with a close relationship with the Bank and for those availing small loans for sustainable end-uses. In addition, CRN has responsible lending practices in place to mitigate the risk of predatory lending. For additional details, see Section 2. Given this context, Sustainalytics considers microfinance loans to the target individuals with preferential interest rates and adequate responsible lending policies as aligned with market practice.
 - Regarding the financing of micro, small and medium enterprises, the Framework states that CRN will "strive to prioritise" investments in (i) SMEs suffering from economic and/or pandemic related shocks or (ii) SMEs located in rural, remote areas¹⁴ with a reduced access to finance and physical infrastructure. Sustainalytics notes that CRN does not guarantee that the investments will be towards (i) and (ii) and considers this to be a limitation of the Framework.
 - CRN has defined Framework level exclusionary criteria to exclude investments in fossil-fuel power generation, agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas, payday loans and predatory lending activities and micro-enterprises or SMEs involved in alcohol, tobacco, gambling, weapons, extraction, refining, or transportation fossil fuels and production or refining of palm oil. Sustainalytics views this to be in alignment with market practice.
- Project Evaluation and Selection:
 - CRN's internal process in evaluating and selecting projects is managed by the Sustainability Committee, which consist of representatives from the Risk Management, Capital Markets, Human Resources, Regulatory Compliance, Social Action and Marketing departments. Loans financed through the proceeds will first be assessed for financial viability by the Credit Risk department and then for eligibility criteria by the Sustainability Committee.
 - CRN has in place an environmental and social risk management process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional details, see Section 2
 - Based on the clear allocation of responsibility and risk management practices, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - CRN's processes for management of proceeds is handled by the Sustainability Committee.
 - CRN's internal IT system classifies projects as eligible according to the nature of the client or by the purpose of the loan. Eligible loans are thereafter assigned to one primary eligible category, avoiding duplicity.
 - CRN has communicated to Sustainalytics that it expects to allocate all proceeds within 12 months of issuance.
 - In the event of unallocated funds, CRN will invest unallocated proceeds according to standard processes of its Treasury department, which will mainly include investments in OECD sovereigns and sub-sovereigns.
 - Based on internal tracking, timeline for full allocation and the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CRN intends to report on allocation of proceeds, on its website, on an annual basis until, full allocation.
 - Allocation reporting will disclose outstanding amount of its loan book, outstanding number of loans and number of borrowers.
 - In addition, Caja Rural de Navarra is committed to reporting on relevant impact metrics, such as reduction in energy consumption, area of land reforested, or number of disadvantaged families housed in social housing etc.

¹⁴ CRN defines such regions as those outside the EU definition for urban centers. For more information on the EU definition of urban centres, see: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Urban_centre

- Both the allocation of proceeds and impact reporting will be third-party verified. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Caja Rural de Navarra Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of CRN

Contribution of Framework to Caja Rural de Navarra’s sustainability strategy

Sustainalytics is of the opinion that CRN demonstrates a commitment to sustainability with a focus on growing its sustainable lending lines. The Bank has developed a loan book which seeks to promote financing lines that generate positive social and environmental impact in the areas encompassed in the Framework.

As disclosed in its 2020 CSR Report and Non Financial Statements,¹⁵ CRN’s sustainable farming line totaled EUR 108.4 million, spreading across 1,653 loans to 1265 borrowers in 2020. The Bank’s loans to fund Renewable energy projects reached EUR 30.4 million in 2020. With regard to energy efficiency, CRN provided loans totaling EUR 593.4 million in the same year for energy efficiency projects such as less polluting vehicles, industrial facilities modernization and environmental footprint reduction, energy-efficient buildings and European SmartEnCity project.¹⁶ In addition, the Bank has financed EUR 1.3 million in 2020 to support forestation, reforestation and the development of forestry plantations. CRN’s sustainable loan portfolio also includes EUR 21.6 million dedicated to waste management projects including recycling of industrial waste, manufacturing of commercial products from recycled materials, and clean-up of industrial waste.¹⁷

Regarding social housing, CRN has provided mortgages to both individuals and developers in order to enable low-income people to access affordable protected housing or regulated price housing. CRN’s total investment in this segment was EUR 595.8 million in 2020, including 7,047 loans to 6,998 individuals and 49 legal entities. The social inclusion lending line, with loans amounting to EUR 56.4 million in 2020, involved a wide range of socio-cultural programs targeting young people, people with disability, immigrants, the gypsy community, young people, drug users and the elderly unemployed. For education, CRN financed EUR 26.7 million in new buildings, equipment, infrastructure as well as international scholarships for university students and professional training in 2020. Additionally, CRN has developed a lending line dedicated to economic inclusion through small loans to entrepreneurs and SMEs. During the COVID-19 pandemic, the Bank has provided companies, especially SMEs, EUR 808 million of financing to support and maintain their economic activities and jobs under different government schemes.¹⁸

Sustainalytics is of the opinion that the Caja Rural de Navarra Sustainability Bond Framework is aligned with the Bank’s overall sustainability strategy and will further the Company’s action on the development of its sustainable credit line. CRN has communicated to Sustainalytics that it has developed internal targets for growing its sustainable lending lines, which are not yet publicly available. Sustainalytics encourages the Bank to disclose these targets and report on their progress publicly to further strengthen its environmental and social strategy.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use and biodiversity issues associated with large-scale infrastructure development, risks that loans to financed programmes do not reach targeted groups, and risks of predatory lending.

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

¹⁵ Caja Rural de Navarra, “CSR Report and Non-financial Statements”, (2020), at: <https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/MemoriaRSC/2020-rsc-report-cajaruraldenavarra.pdf>

¹⁶ SmartEnCity, at: https://smartencity.eu/news/detail/?rx_call=238

¹⁷ Caja Rural de Navarra, “CSR Report and Non-financial Statements”, (2020), at: <https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/MemoriaRSC/2020-rsc-report-cajaruraldenavarra.pdf>

¹⁸ Ibid.

- Spain's environmental legislation requires private and public entities to be in alignment with regulations concerning environmental issues, which includes environmental impact assessments, waste, biodiversity protection and environmental responsibility.¹⁹ Specifically, CRN's environmental management aligns with Spanish Law 21/2013, which incorporates the basic legislation governing the environmental assessments of plans, programmes and projects.²⁰
- Regarding the risks that loans to financed programmes do not reach vulnerable groups, CRN implements the government's criteria and methodology to target its intended population groups. In addition, the Bank has in place a Code of Conduct applicable to all its employees to behave in an ethical manner.²¹
- CRN has in place a CSR strategy which outlines CRN's commitment to identify, evaluate and manage the ESG risks associated with its portfolio. ESG risks are actively incorporated and managed within the Bank's strategy and operations. The Bank also collects detailed ESG related information on its portfolio to ensure that its products and services are aligned with its sustainability commitments.²²
- CRN's exclusionary criteria restrict the use of sustainability bond proceeds from financing payday loans or predatory lending activities. In addition, CRN complies with the Spanish government's Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect the most vulnerable mortgage debtors,²³ under which CRN commits to provide low interest rate for the borrower under difficulties.²⁴

In addition to the above risk mitigation policies, procedures and legislation, CRN is committed to Do No Significant Harm Criteria as outlined by the current EU Taxonomy and its further updates. Based on these policies, standards and assessments, Sustainalytics is of the opinion that CRN has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

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

Importance of fostering affordable housing in the Basque Country, La Rioja and Navarre

Spain has comparatively low social housing coverage in Europe, with less than one social dwelling for every 100 inhabitants.²⁵ In addition, the social rental housing in Spain only accounts for 1.1% of its total housing stock.²⁶ Considering the increasing demand for rental houses especially among young people, Spain would need to increase the existing stock of social rental housing significantly. In response to the shortage of social housing, the central government of Spain issued a State Housing Plan 2018-2021.²⁷ In the Basque country, the housing plan is committed to guarantee the social function of housing and improve the housing situation of the general public and people with greater difficulties in particular, such as young people, the elderly, and disadvantaged groups.²⁸ In La Rioja, the plan seeks to facilitate access to decent and adequate housing.²⁹ In Navarre, the plan focuses on two strategic objectives, one is to ensure the region has a stock of housing at

¹⁹ Thomson Reuters Practical Law, "Environmental law and practice in Spain: overview", (2020), at: [https://uk.practicallaw.thomsonreuters.com/0-521-6274?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhpc=1](https://uk.practicallaw.thomsonreuters.com/0-521-6274?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhpc=1)

²⁰ Government of Spain, "Environmental Policy", at:

<https://www.lamoncloa.gob.es/lang/en/espana/stpv/spaintoday2015/environment/Paginas/index.aspx>

²¹ Caja Rural de Navarra, "CSR Report and Non-financial Statements", (2020), at:

<https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/MemoriaRSC/2020-rsc-report-cajaruraldenavarra.pdf>

²² CRN's CSR strategy has been shared with and reviewed by Sustainalytics confidentially.

²³ Government of Spain, "Government approves urgent measures to protect most vulnerable mortgage debtors", (2012), at:

https://www.lamoncloa.gob.es/lang/en/gobierno/councilministers/Paginas/2012/20121115_mortgagedebtors.aspx

²⁴ Caja Rural de Navarra, "Medidas Urgentes de Protección de Deudores Hipotecarios Sin Recurso", at:

<https://www.cajaruraldenavarra.com/sites/default/files/files/codigo-de-buenas-practicas-para-la-reestructuracion-viable-de-las-deudas-con-garantia-hipotecaria-sobre-la-vivienda-habitual.pdf>

²⁵ Housing Europe, "The State of Housing in Europe", (2021), at: https://www.stateofhousing.eu/The_State_of_Housing_in_the_EU_2021.pdf

²⁶ Ibid.

²⁷ Gobierno de España, "Plan Estatal de Vivienda 2018-2021", (2018), at: https://www.boe.es/diario_boe/txt.php?id=BOE-A-2018-3358

²⁸ Euskadi, "Plan Director de Vivienda 2018-2020", (2018), at: https://www.euskadi.eus/web01-a2etxebi/es/contenidos/informacion/2018_20_0/es_def/index.shtml

²⁹ Gobierno de La Rioja, "Plan de Vivienda 2018-2021 en La Rioja", (2018), at: <https://www.larioja.org/vivienda/es/plan-vivienda-2018-2021-rioja>

affordable prices, allowing access for people who have the need, the other is to acknowledge that a significant part of Navarre's population encounters difficulties when buying a house.³⁰

Additionally, at the national level, a significant share of the building stock is not adapted to the needs of the ageing population. It is estimated that 60% of people over 65 still live in buildings with no lift. The central government is hence committed to facilitate the access to decent and adequate housing for the elderly and the disabled by promoting residential complexes with adapted common facilities and services.³¹

Sustainalytics highlights the contribution of CRN's Sustainability Bond Framework in improving access to affordable housing through social housing projects and providing affordable housing to disadvantaged groups such as the elderly, which is aligned with Spain's public policy for the housing sector.

Importance of improving buildings' energy performance in Spain

The building sector is the second largest energy consumer in Spain, accounting for 31.4% of final energy consumption in the country as of 2018.³² Decarbonizing the building sector therefore is crucial to the low carbon transition in Spain. The EU has put in place related guidelines, including the Energy Performance of Buildings Directive³³ and the Energy Efficiency Directive³⁴ to improve building energy efficiency. In compliance with the EU guidelines, Spain has developed its Long-term Strategy for Energy Renovation in the Building Sector in Spain to regulate and improve building energy performance.³⁵ However, 58% of the building stock in Spain was built before the first regulation introducing minimum criteria in energy efficiency was implemented.³⁶ In addition, 55% of the Spanish building stock is built prior to 1980 and 21% of the buildings are more than 50 years old, underlining the need for refurbishment.³⁷

Based on the above, Sustainalytics is of the opinion that CRN's loans for energy efficient buildings and building renovation has a key role in driving the decarbonization of the building stock in Spain and supports Spain's long-term energy strategy.

Importance of economic inclusion in Spain

In Spain small and medium-sized enterprises represent 99.7% of all non-financial corporations.³⁸ In 2018, SMEs generated 71.9% of total employment in Spain which exceeds the EU average, and micro-enterprises alone fulfilled 38.7% of the total employment.³⁹ SMEs are key contributors to Spain's economic growth and job creation. In 2020, Spain's economy shrank by 11% due to the global COVID-19 pandemic and the continued restrictions throughout Spain to stop the spread of the virus threatens the survival of many SMEs.⁴⁰ As Spain's economy recovers, supporting SMEs to keep up production and employment will be imperative. According to the European Commission, one of the most pressing issues for SMEs is access to finance.⁴¹

In this context, Sustainalytics views positively CRN's efforts to prioritize SMEs that have been affected by the pandemic or have limited access to financial and physical infrastructure.

Alignment with/contribution to SDGs

The Sustainable Development Goals were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond issued under the Caja Rural de Navarra Sustainability Bond Framework are expected to advance the following SDGs and targets:

³⁰ Gobierno de Navarra, "Plan de Vivienda de Navarra 2018-2028", (2018), at:

http://www.gobiernoabierto.navarra.es/sites/default/files/plan_vivienda_2018_2028.pdf

³¹ Gobierno de España, "Plan Estatal de Vivienda 2018-2021", (2018), at: <https://www.boe.es/buscar/pdf/2018/BOE-A-2018-3358-consolidado.pdf>

³² "Spain: Energy Profile" (2021), at: <https://www.odyssee-mure.eu/publications/efficiency-trends-policies-profiles/spain-country-profile-english.pdf>

³³ European Commission, "Energy Performance of Buildings Directive", at:

https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en?redir=1

³⁴ European Commission, "Energy Efficiency Directive", at:

https://ec.europa.eu/energy/topics/energy-efficiency/targets-directive-and-rules/energy-efficiency-directive_en?redir=1

³⁵ 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

³⁶ European Commission, "EU Buildings Factsheets", at: https://ec.europa.eu/energy/eu-buildings-factsheets_en

³⁷ Ibid.

³⁸ OECD, "Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard", at:

<https://www.oecd-ilibrary.org/sites/5673c2aaen/index.html?itemId=/content/component/5673c2aa-en#section-d1e177030>

³⁹ European Commission, "2019 Small Business Act Fact Sheet Spain", at:

<https://ec.europa.eu/docsroom/documents/38662/attachments/27/translations/en/renditions/native#:~:text=2019%20SBA%20Fact%20Sheet%20%E2%80%94%20Spain%203%20million,SMEs%2C%20promote%20shopping%20to%20tourists%20and%20boosting%20e-commerce3>

⁴⁰ El País, "Spain's economy shrank 11% in 2020, in biggest drop since Civil War", at: https://english.elpais.com/economy_and_business/2021-01-29/spains-economy-shrank-11-in-2020-in-biggest-drop-since-civil-war.html

⁴¹ European Commission, "Internal Market, Industry, Entrepreneurship and SMEs", at: https://ec.europa.eu/growth/smes_en

Use of Proceeds Category	SDG	SDG target
Sustainable Agriculture	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Forest Management	15. Life and Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Waste Management	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Social Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Social Inclusion	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Education	4. Quality Education	4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
Economic Inclusion	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion


CRN has developed the Caja Rural de Navarra Sustainability Bond Framework under which it may issue sustainability bonds and use the proceeds to finance sustainable agriculture projects, renewable energy projects, energy efficiency projects, sustainable forest management projects, waste management projects, social housing projects, social inclusion projects, education projects and economic inclusion projects. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The Caja Rural de Navarra Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Caja Rural de Navarra Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 4, 8, 9, 10, 11, 12, and 15. Additionally, Sustainalytics is of the opinion that CRN has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Caja Rural de Navarra is well-positioned to issue sustainability bonds and that that Caja Rural de Navarra Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

Appendices

Appendix 1: Overview of EU Organic certification

	EU Organic
Background	The EU Organic Farming is a European wide label organized under the European Commission's Regulation 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
Verification of standards and risk mitigation	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.
Performance display	
Qualitative considerations	Basis in European regulations provides cross-country uniformity and a legislated compliance regime. Focused on environmental factors, with lesser consideration for social impacts.

Appendix 2: Overview of the Forestry Certifications

	Forest Stewardship Council (FSC) ⁴²	Programme for the Endorsement of Forest Certification (PEFC) ⁴³
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements
Types of standards/benchmarks	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) 	<ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards

⁴² Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-11112.pdf>

⁴³ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

	<ul style="list-style-type: none"> Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source) 	<ul style="list-style-type: none"> Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement
Governance	<p>The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p>
Scope	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁴⁴ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
Chain-of-Custody	<ul style="list-style-type: none"> The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards CoC standard includes procedures for tracking wood origin CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC 	<ul style="list-style-type: none"> Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC Only accredited certification bodies can undertake certification CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials The CoC standard includes specifications for the physical separation of certified and non-certified wood The CoC standard includes specifications about procedures for dealing with complaints related to participant's chain of custody
Non-certified wood sources	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, Wood harvested in violation of traditional and civil rights, Wood harvested in forests where high conservation values are threatened by management activities, 	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> operations and harvesting, including land use conversion, management of areas with designated high environmental and cultural values, protected and endangered species, including CITES species, health and labour issues, indigenous peoples' property, tenure and use rights, payment of royalties and taxes. genetically modified organisms,

⁴⁴ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

	<p>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, Wood from management units in which genetically modified trees are planted.</p>	<p>forest conversion, including conversion of primary forests to forest plantations.</p>
<p>Accreditation/verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
<p>Qualitative considerations</p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁴⁵ and both have also faced criticism from civil society actors.^{46,47} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

⁴⁵ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁴⁶ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁴⁷ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Caja Rural de Navarra
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Caja Rural de Navarra Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 3, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories – Sustainable Agriculture, Renewable Energy, Energy Efficiency, Sustainable Agriculture, Waste Management, Affordable Housing, Social Inclusion, Education and Economic Inclusion – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG 4, 8, 9,10, 11, 12, and 15.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Sustainable agriculture, Waste management |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Social inclusion, Education, Economic inclusion |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Caja Rural de Navarra's internal process in evaluating and selecting projects is managed by the Sustainability Committee, which will consist of representatives from the Risk Management, Capital Markets, Human Resources, Regulatory Compliance, Social Action and Marketing departments. CRN has in place an environmental and social risk management process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers the environmental and social risk management process to be adequate and the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Caja Rural de Navarra's processes for management of proceeds is handled by the Sustainability Committee. CRN expects to allocate all proceeds at issuance to existing loans. In the event of unallocated funds, CRN will invest unallocated proceeds in its liquidity book, which will mainly be invested in OECD sovereigns and sub-sovereigns. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |

- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Caja Rural de Navarra intends to report on allocation of proceeds on its website, on an annual basis, until full allocation. Allocation reporting will disclose outstanding amount of its loan book, outstanding number of loans and number of borrowers. In addition, Caja Rural de Navarra is committed to reporting on relevant impact metrics. Both the allocation of proceeds and impact reporting will be third-party verified. Sustainalytics views Caja Rural de Navarra’s allocation and impact reporting as aligned with market practice. Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Sustainability Bond financed share of total investment
- Other (please specify): number of loans and number of borrowers (individuals and enterprises)

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |
| | Number of houses complying with the minimum energy efficiency requirement |
| | Area of land reforested (hectares or acres) |
| | Number of people employed by micro-enterprises or SMEs |

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify):
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Allocation reporting and impact reporting

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

-
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
 - iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

