

# Instituto de Crédito Oficial

**Type of Engagement:** Annual Review

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**Engagement Team:**

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## Introduction

In June 2024, Instituto de Crédito Oficial (ICO) issued a social bond (the “2024 Social Bond”) and raised EUR 500 million to finance and refinance projects that are expected to create positive social impacts. In June 2025, ICO engaged Sustainalytics to review the projects financed with proceeds from the 2024 Social Bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether ICO complied with the reporting commitments in the ICO Social Bond Framework (the “Framework”).<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in March 2020.<sup>2</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and ICO's reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>SME lending (1) Economically underperforming regions</b>	<ul style="list-style-type: none"> <li>Loans to SMEs established in economically underperforming regions<sup>3</sup> of Spain</li> <li>To be eligible for the social bond proceeds, the loans funded by ICO's second-floor facilities must be made to enterprises meeting each of the following criteria:               <ol style="list-style-type: none"> <li>Be a micro, small or medium-size enterprise (SME), as defined by European Union's definition and categorization of SMEs<sup>4</sup></li> <li>Be located in an economically underperforming region of Spain, defined as regions with GDP per capita lower than Spain's national GDP per capita. Eligible regions are listed in the indicative table in Appendix 1 of the ICO's Framework.</li> <li>Not be engaged in any business activity described under the Exclusionary Criteria described in the Framework</li> </ol> </li> <li>Target populations:</li> </ul>	<ul style="list-style-type: none"> <li>Estimated jobs created or retained in the concerned area</li> <li>Number of SMEs financed</li> </ul>

<sup>1</sup> ICO, “Social Bond Framework”, (2020), at: [https://www.ico.es/documents/20124/39727/ICO+Social+Bond+Framework+\\_pdf/eed05f52-8425-e25d-9c3e-868b5766da80?t=1631617624178](https://www.ico.es/documents/20124/39727/ICO+Social+Bond+Framework+_pdf/eed05f52-8425-e25d-9c3e-868b5766da80?t=1631617624178)

<sup>2</sup> Sustainalytics, “Second-Party Opinion: ICO Social Bond Framework”, (2020), at:

<https://www.ico.es/documents/20124/39586/ICO+Social+Bond+Framework+Second-Party+Opinion+Final.pdf/2c86d1aa-3704-c6f9-693a-06229b4d7e1e?t=1620315424254>

<sup>3</sup> According to ICO's definition under Appendix 1 of the Framework

<sup>4</sup> ICO adheres to the EU's definition and categorization of SMEs described in Appendix 1 of this document.

	<ul style="list-style-type: none"> <li>○ MSMEs in line with the EU's standards</li> <li>○ Economically underperforming regions</li> </ul>	
<b>Social housing</b>	<ul style="list-style-type: none"> <li>• Loans dedicated to the development and provision of social housing, including: <ul style="list-style-type: none"> <li>○ Renovation, maintenance and improvements of social housing projects</li> <li>○ Provide social housing with adapted rents to disadvantaged targeted populations</li> </ul> </li> <li>• Targeted population: <ul style="list-style-type: none"> <li>○ Eligible beneficiaries according to socio-economic requirements set by regional governments<sup>5</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Number of beneficiaries among the target population</li> <li>• Number of residences</li> </ul>
<b>Access to essential services (1) Access to healthcare</b>	<ul style="list-style-type: none"> <li>• Loans dedicated to the development and provision of medical care and health services, including: <ul style="list-style-type: none"> <li>○ Construction, renovation or extension of multi-disciplinary public health centres</li> <li>○ Purchase of healthcare materials and access to mobility for healthcare professionals</li> <li>○ Equipment of medical and health establishments in the deployment of e-medicine</li> <li>○ Research and development to improve care and develop new treatments</li> <li>○ Training of doctors, midwives, pharmacists, dentists, healthcare executives and nurses</li> <li>○ Public infrastructure and equipment for the provision of emergency medical care and disease control services.</li> </ul> </li> <li>• Targeted populations: <ul style="list-style-type: none"> <li>○ Hospitals and healthcare open to all populations</li> <li>○ Senior healthcare centres and homes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Number of projects</li> <li>• Number of projects in areas with health offer shortages</li> </ul>
<b>Access to essential services (2) Access to Education</b>	<ul style="list-style-type: none"> <li>• Loans dedicated to the development and provision of education, Including: <ul style="list-style-type: none"> <li>○ Construction, renovation or extension of public kindergarten, primary and secondary education schools, and university buildings</li> </ul> </li> <li>• Targeted population: <ul style="list-style-type: none"> <li>○ Public education system open to all populations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Number of projects</li> <li>• Increase in school and university capacity</li> </ul>
<b>Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>• Loans dedicated to the development and maintenance of infrastructure improving access to:</li> </ul>	<ul style="list-style-type: none"> <li>• Number of water infrastructure projects built or upgraded</li> </ul>

<sup>5</sup> Socio-economic requirements may include income level, number of family members, ownership of other real estate assets, relevant immigrant background of the family, violence experienced by women in households, refugee or asylum status, etc.

<b>(1) Water and sanitation</b>	<ul style="list-style-type: none"> <li>○ Clean and drinking water</li> <li>○ Sanitation services</li> <li>• Targeted populations:             <ul style="list-style-type: none"> <li>○ Underserved areas</li> <li>○ Excluded and/or marginalized populations and/or communities</li> <li>○ All populations in Spain</li> </ul> </li> </ul>	
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### Issuer’s Responsibility

ICO is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2024 Social Bond. The work undertaken as part of this engagement included collection of documentation from ICO and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by ICO. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by ICO.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

### Conclusion

Based on the limited assurance procedures conducted,<sup>6</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. ICO has disclosed to Sustainalytics that the proceeds from the 2024 Social Bond were fully allocated as of April 2025.

### Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Expenditures to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Expenditures to determine if impact was reported in line with the KPIs outlined in the Framework.	ICO reported on at least one KPI per use of proceeds category.	None

<sup>6</sup> Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Appendices

### Appendix 1: Allocation Reporting

**Table 3: Allocation of Proceeds from the 2024 Social Bond**

<b>Use of Proceeds Category</b>	<b>Project Description</b>	<b>Number of Projects Financed</b>	<b>Amount Allocated (EUR million)</b>
<b>SME lending (1) Economically underperforming regions</b>	Loans to SMEs established in economically underperforming regions <sup>7</sup> of Spain	3,501	375.30
<b>Social housing</b>	Loans dedicated to the development and provision of social housing	12	54.66
<b>Access to essential services (1) Access to healthcare</b>	Loans for building several residential centres to provide accommodation and care for elderly individuals	1	15.00
<b>Access to essential services (2) Access to education</b>	Loans for the renovation of educational centres	1	6.24
<b>Affordable basic infrastructure (1) Water and sanitation</b>	Loans to improve living conditions by expanding and upgrading the city's water supply system and developing a wastewater collection and treatment system	2	48.80
<b>Total Amount Allocated</b>			<b>500.00</b>
<b>Total Proceeds Unallocated</b>			<b>0.00</b>
<b>Total Net Proceeds Raised</b>			<b>500.00</b>

<sup>7</sup> According to ICO's definition under Appendix 1 of the Framework

## Appendix 2: Reported Impact

**Table 4: Reported Impact from the 2024 Social Bond**

Use of Proceeds Category	Project Description	Location	Reported Impact
<b>SME lending (1) Economically underperforming regions</b>	Loans to SMEs established in economically underperforming regions <sup>8</sup> of Spain	Spain	<ul style="list-style-type: none"> <li>3,501 SMEs financed</li> </ul>
<b>Social housing</b>	Loans dedicated to the development and provision of social housing	Spain	<ul style="list-style-type: none"> <li>1,303 homes developed</li> </ul>
<b>Access to essential services (1) Access to healthcare</b>	Loans for building several residential centres to provide accommodation and care for elderly individuals	Spain	<ul style="list-style-type: none"> <li>7 elderly people centres</li> <li>1,039 beneficiaries (elderly people)</li> </ul>
<b>Access to essential services (2) Access to education</b>	Loans for the renovation of educational centres	Panama	<ul style="list-style-type: none"> <li>5 educational centres renewed</li> <li>369 beneficiaries (teachers trained)</li> <li>1,452 beneficiaries (students)</li> </ul>
<b>Affordable basic infrastructure (1) Water and sanitation</b>	Loans to improve living conditions by expanding and upgrading the city's water supply system and developing a wastewater collection and treatment system	Panama	<ul style="list-style-type: none"> <li>Volume of wastewater treated: 34,560 m<sup>3</sup>/day</li> <li>Number of beneficiaries: 83,100 inhabitants</li> </ul>
		Dominican Republic	<ul style="list-style-type: none"> <li>Volume of safe drinking water: 518,400 m<sup>3</sup>/day</li> <li>Number of beneficiaries: 850,000 inhabitants</li> </ul>

<sup>8</sup> According to ICO's definition under Appendix 1

## About Morningstar Sustainalytics

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