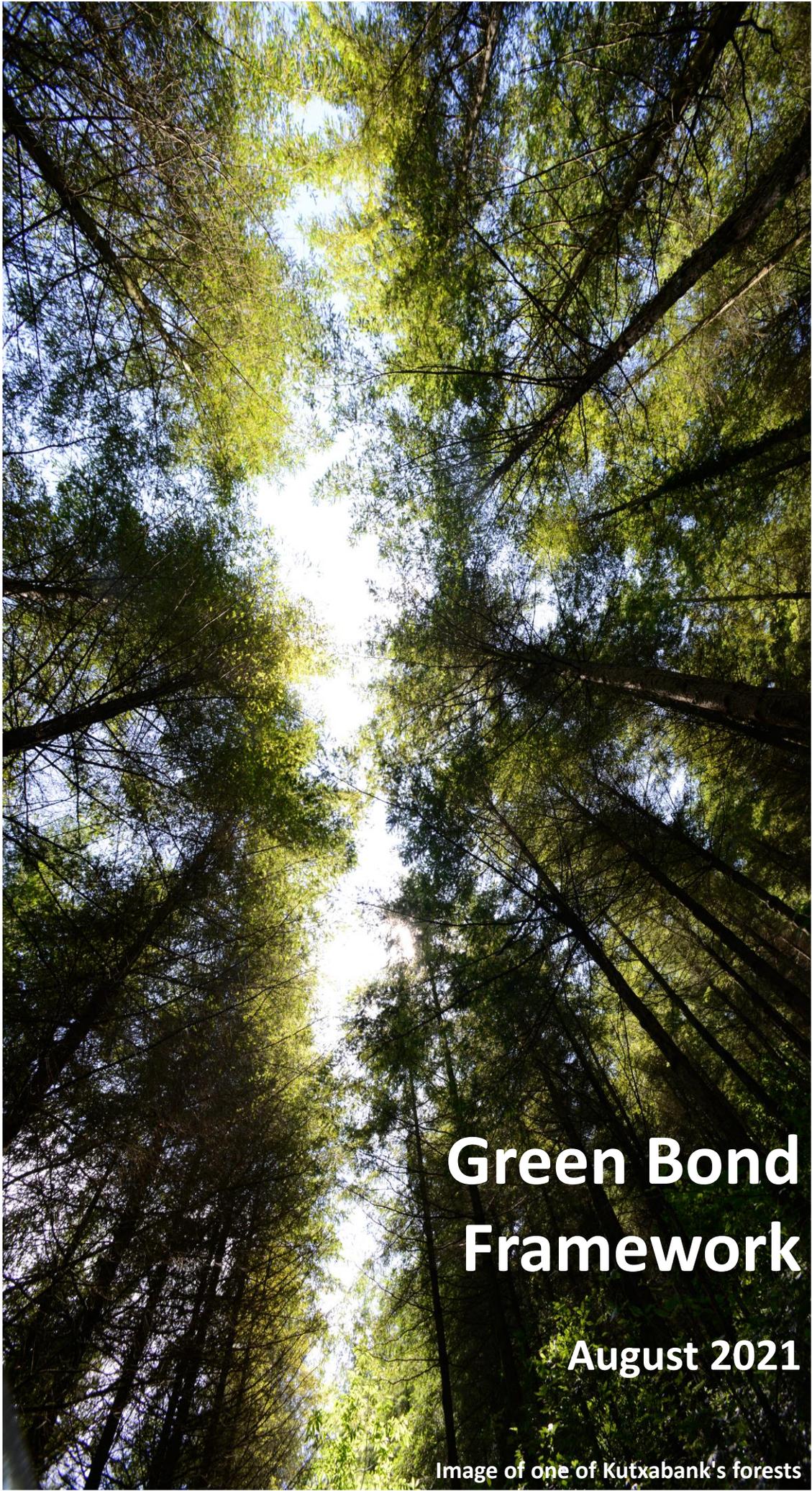




kutxabank



Green Bond Framework

August 2021



Image of one of Kutxabank's forests

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1. Background - 170 years creating economic and social value through a distinctive way of doing

1.1 Kutxabank Group overview

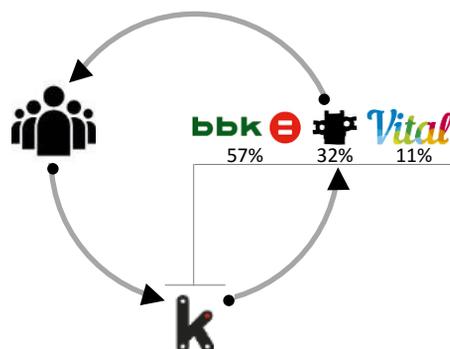
Kutxabank (“the Issuer or Kb”) is a retail-focused banking Group, concentrated in the region of the Basque Country and with selected presence in the rest of the Spanish market, especially in Madrid and Catalonia. Kb is owned by three Banking Foundations – bbk, Kutxa and Vital– promoting a firm sustainable approach to banking. Proceeds from Kb’s profitability serve the long-term viability of the business by strengthening the bank’s solvency and boosting socially cohesive and economically efficient projects.



Kb operates through local-customers proximity-oriented model that has led to its success in building strong franchises with remarkably high market shares. The Group also has significant specialised units that complement the banking business and provide the bank with a meaningful income diversification profile.

Chart 1. *Unequivocal social orientation*

**More than
€800 million
in dividends
since 2012**



2. Kutxabank's Sustainability Strategy

2.1 Main lines of work in sustainability

After 170 years of history, ESG principles are in the institution's DNA. Our corporate model is unique where 100% of the shareholders are banking foundations and our dividends serve entirely for the purpose of carrying out activities and projects of their respective Social Work. Kb's corporate model is based on a sustainable business model embedding ESG criteria and supported by a strong governance in line with market best practices.

Kutxabank collaborates with the achievement of the United Nations Sustainable Development Goals established in the 2030 Agenda and links them to the main strategic and action lines of its CSR Plan, highlighting the following six SDGs due to their greater capacity for direct management and capacity to influence:



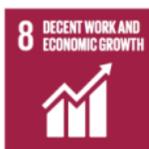
SDG 1: End poverty. End poverty in all its forms worldwide.

Commitment to the needs and expectations of clients with respect to the entity's products and services and the analysis of opportunities for improvement. Promoting the marketing of products with a social or sustainable purpose.



SDG 5: Gender equality. Achieve gender equality and empower all women and girls.

Ensure equal opportunities in access, promotion and job performance. Improve work-life balance.



SDG 8: Promote inclusive and sustainable economic growth, employment and decent work for all.

Fostering commitment to social development and promoting socially responsible investment.



SDG 12: Ensure sustainable consumption and production patterns.

Promote the reduction of waste generated. Implement the environmental variable in the purchase of products. Advance in the implementation of CSR criteria in the purchase and subcontracting of services. Sustainable banking office. Implement "production location" criteria in the selection of suppliers.

2. Kutxabank's Sustainability Strategy



SDG 13: Climate action. Adopt urgent measures to combat climate change and its effects.

Encourage the implementation of energy efficiency measures.



SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Also, Kb's business model works for the fulfillment of the following UN Sustainable Development Goals 2030: **SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all; SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable.**

The ESG Management at Kb is attached to the Chairman's Office, and reports to the CSR Committee, the Management Committee and the Strategy and Sustainability Committee. The purpose is to coordinate different areas in which ESG positioning will have an impact at corporate level: Business, Risk and Control, Management Control and Communication.

Chart 2. Kb's alignment with the SDG



Kb's business model works for the fulfillment of the UN Sustainable Development Goals 2030, highlighting:

Direct management and capacity to influence



And also





2. Kutxabank's Sustainability Strategy

During 2020, both on the part of the supervisors, as well as due to the development of the financial system and its reputational impact, the need to generate lines of progress has been especially focused on the environmental part, to analyze the incorporation of data to the entity's systems that allow generating the necessary indicators to define climate risk management policies, identifying impacts on physical and transition risks, for the subsequent definition of measures for management in the entity, as well as the identification of new business opportunities, in which the entity acts as a channel for financial flows towards projects of greater ESG value.

In this sense, the ESG Management has taken charge of the creation and coordination of the new PMO (project management office) for climate change, constituted as a transversal team in the entity to reinforce the necessary developments to comply with the new regulatory requirements on environmental issues. The group is made up of the following departments: Global Risk Control, Monitoring of Risk Models and Policies, Management Control, Capital Markets, Processes and Systems, Regulatory Compliance and ESG.

In addition, a working subgroup was formed, comprising Regulatory Compliance and the Group's units affected by the Disclosure and Taxonomy Regulations, to identify and develop the impacts marked in a cohesive manner.

2.2 Rationale for the issuance

At Kutxabank we believe green bonds are an effective tool to channel liquidity into assets and projects with a positive environmental and social impact. By issuing green bonds, we are able to align our funding plans with our strategic objectives in terms of sustainability. Furthermore, investors will be able to participate in Kutxabank long standing commitment to sustainability and our efforts to transform our business and balance sheet into a more sustainable one.



3. Kutxabank Green Bond Framework

Kutxabank has developed a Green Bond Framework (the “Framework”) under which the issuer can issue Green Bonds.

Green Bonds can be defined as fixed income instruments where the proceeds will be exclusively applied to finance and/or re-finance, in part or in full, new and/or existing green eligible projects (as defined in section “Use of proceeds”) and which are aligned with the four core components of this Framework.

Kutxabank’s Green Bond Framework follows the ICMA Green Bond Principles (“GBP”) which have four requirements:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This Framework has been approved by Kutxabank the 19th August 2021.

This Framework may be updated and amended from time to time in the manner described in this framework (Amendments to this Framework) below. Any such updated and amended Framework will be published on the issuer’s website¹ and will replace this Framework. Accordingly, any Green Bond then outstanding will be subject to any such updated and amended Framework as may be published from time to time.

Kutxabank will intend to regularly follow the evolving new standards of the European Commission in Sustainable Finance in order to reflect market best practices and related regulations with the EU GBS and EU Taxonomy Directive.

Kutxabank has developed this Green Bond Framework to define how Green Bonds are set up and is valid for Green Bonds to which eligible projects are allocated following the criteria defined herein.

The issuer has developed this Framework being coherent with Kutxabank strategic priorities of sustainable development, and believes that it contributes to its commitments and targets in terms of climate change mitigation and sustainable development.

¹ https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/fixed_income/sustainable-financing.

3. Kutxabank Green Bond Framework

3.1 Use of Proceeds

An amount equivalent to the net proceeds of any Green Bond issued under this Framework will be exclusively used to finance and/or refinance, in part or in full, new and/or existing loans, investments or projects that meet the eligibility criteria as outlined below (“green eligible projects”).

Financial and green eligibility criteria:

Eligible green projects are loans, investments or projects within Kb’s balance sheet for which the disbursement has occurred no more than two calendar years prior to the year of issuance of the green bonds or future disbursements within the next three years since the placement of the green bonds.

The green eligible projects will contribute to one or more of the six EU environmental objectives² while following the eligibility criteria below. Also, this criteria is currently taking into account the technical screening criteria defined by the EU Green taxonomy as of June 2021:

Green bond category for eligible projects	Eligibility criteria	EU environmental objective	SDG
Renewable energy 	<p>Green eligible projects that support the electricity generation from the following technologies: solar, wind, hydro, geothermal, hydrogen and bioenergy. It is included the acquisition, construction, operation, maintenance or repowering of facilities.</p> <p>Technical screening criteria:</p> <ul style="list-style-type: none"> Facilities operating with life cycle emissions below 100gCO₂e/kWh are eligible. Hydroelectric power shall include installations with a power density greater than 5 W/m². Manufacture of hydrogen with life cycle GHG emissions lower than 3tCO₂e/tH₂ is eligible. Facilities operating above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator set out in RED II increasing to 100% by 2050. Bioenergy can include high-efficiency biomass cogeneration, for which feedstock are limited to sources that do not deplete existing terrestrial carbon stocks or compete with food production. <p>Development, construction, equipment, operation and maintenance of new or additional Energy Transmission and Distribution networks (electricity only) from renewable sources, with average emissions intensity of the network under 100 gCO₂e/kWh or more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.</p>	Climate change mitigation	 

² 1. Climate change mitigation, 2. Climate change adaptation, 3. Sustainable use and protection of water and marine resources, 4. Transition to a Circular economy, waste prevention and recycling, 5. Pollution prevention and control and 6. Protection of healthy ecosystems

3. Kutxabank Green Bond Framework

Green bond category for eligible projects	Eligibility criteria	EU environmental objective	SDG
Clean transportation 	<p>Green eligible projects aimed to promote low carbon vehicles and railway infrastructure.</p> <ul style="list-style-type: none"> Rolling stock and infrastructure for electrified transportation systems, for public mass transportation and for freight transportation (electric transportation such as trains, subways, and trams). Fleet of vehicles, (including passenger cars, light commercial vehicles and large vehicles) emitting less than 50gCO₂/km until 2025 and 0gCO₂/km by 2026 onwards. Construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure. 	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>	 
Green buildings 	<p>Green eligible projects to promote the acquisition, development and construction of buildings and renovation projects on existing buildings:</p> <ul style="list-style-type: none"> Residential: loans or mortgages to finance the acquisition of homes built before 31 December 2020 with an EPC (Energy Performance Certificate) equal to label A and/or belonging to the top 15% most efficient buildings in a determined area³. Loans or mortgages to finance the acquisition, developments and/or construction of homes built after 31 December 2020 with the Primary Energy Demand (PED) at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an Energy Performance Certificate (EPC). Loans or investments for refurbished (residential) buildings with an energy efficiency improvement of at least 30%. 	<p>Climate change mitigation</p> <p>Adaptation to climate change</p>	 

Exclusionary Criteria:

Projects that support or promote the following activities will not be eligible under this Framework as green eligible projects:

- Exploration, research and exploitation of fossil fuels
- Nuclear power generation
- Alcohol, weapons, tobacco, gambling, or mining industries

³ In the Basque Country and Spain.

3. Kutxabank Green Bond Framework

3.2 Process for Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of Kutxabank’s Green Bond(s) are allocated to loans, investments or projects that meet the criteria set out above in section 3.1 Use of Proceeds.

The issuer will set up a Green Bond Committee (GBC) to carry out the evaluation and selection process.

Kb’s GBC will consult and request the participation of representatives from other areas of the Group in order to identify and recommend green eligible projects or if the GBC appreciates the need for additional knowledge or specific expertise.

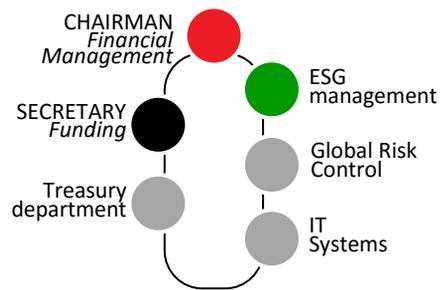
The GBC will be chaired by Kutxabank’s Finance Department and will meet on a regular basis, at least quarterly and will held record of its minutes. The GBC will review all proposed green eligible projects to determine their compliance with this Framework in order to approve and/or review the allocation of proceeds for Kb’s green bond issuance. The GBC will consult with other departments (as necessary) to identify and recommend eligible assets for inclusion as Eligible Use of Proceeds.

In the event that a loan does not meet the eligibility criteria, in the case if there are any early loan repayments, or if the loan matures before the maturity of the bond, GBC will replace such loans with new loans selected according to the eligibility criteria of the green bond. The same procedure will be followed in the event that any of the projects present a controversy that results in an unfavorable court decision or a significant regulatory fine. In these cases, the replacement of such loans with eligible green loans will take place within a maximum timeframe of 12 months.

The GBC will also be responsible for monitoring the management of proceeds and will approve the green bond reporting (as described in this Framework in sections 3.3 and 3.4 respectively).

Kutxabank strives to apply core minimum environmental and social requirements to all of its activities, including all activities which will be financed with the proceeds of the green bonds issued under this Framework. Kb commits to update the Green Bond Framework with the goal of adhere with the most recent best market practices.

Chart 3. The Green Bond Committee (GBC)





3. Kutxabank Green Bond Framework

3.3 Management of Proceeds

Kutxabank will monitor and track the net proceeds through its internal IT system while intending to designate sufficient green eligible projects to ensure the outstanding balance related to this portfolio equals the total balance of the green bond proceeds. Therefore, Kb will track the amount allocated to green eligible projects and will be documented through its internal systems.

Kutxabank commits on a best effort to allocate the total amount of green bonds issued to eligible projects within 24 months from the issuance date of each green bond.

Any unallocated proceeds from Kb's outstanding green bonds may temporarily be invested in accordance to Kb's investment guidelines in its treasury liquidity portfolio, in cash, deposits or money market instruments.

To manage this oversight, Kutxabank will establish a Green Bond Register.

The Green Bond Register will be reviewed by the GBC on regular basis (and at least on a quarterly basis) and will include relevant information such as details of the bonds issued (ISIN code, size, issue date and maturity date among other information) while also details of the green eligible projects, including the portfolio's amount and any other necessary information.

3. Kutxabank Green Bond Framework

3.4 Reporting

The GBC will review and approve the reporting of the green bonds issued under this Framework. Kb intends to publish this reporting on a yearly basis and will include both an allocation reporting and an impact reporting. The reporting will be published on Kutxabank’s website and remained available until the maturity of the green bonds issued under the Framework.

Allocation reporting

An allocation reporting will be available to investors until the proceeds have been fully allocated. This allocation reporting will be updated upon any material changes that would affect the green eligible projects.

The allocation report may include among others the following details:

- ✓ Amount of the Green Bond net proceeds
- ✓ Percentage of proceeds allocated for financing and refinancing
- ✓ The balance of unallocated proceeds at the reporting end-period (if any)
- ✓ The percentage of co-financing (if any)

Impact reporting

Kutxabank will provide a dedicated impact report with expected environmental impacts per category of projects until the proceeds have been fully allocated. Other data of the eligible projects may be provided to illustrate the positive impact. This report shall also include information on the methodology used to evaluate the impacts derived from the loans, projects and investments financed with the green bonds. Please find below some metrics that may be provided.

Eligible categories	Impact metrics
Renewable energy	<ul style="list-style-type: none"> ✓ Estimated annual GHG emissions reduced/avoided (in tons of CO2 equivalent) ✓ Expected installed capacity of renewable energy (MW)
Clean Transportation	<ul style="list-style-type: none"> ✓ Estimated annual GHG emissions reduced/avoided (in tons of CO2 equivalent) ✓ Kilometers of track electrified, kilometers of track built or renewed ✓ Number of electric vehicles financed
Green Building	<ul style="list-style-type: none"> ✓ Annual energy savings in MWh / year ✓ Reduction in annual energy consumption after renovation (%) ✓ Estimated annual GHG emissions reduced/avoided (in tons of CO2 equivalent / year)



4. External review

Green bond framework second party opinion

Kutxabank has commissioned Vigeo Eiris to conduct an external review of this Framework and has issued a Second Party Opinion. The Second Party Opinion will be made available on the issuer's website.

Verification of annual reports

Kutxabank shall request on an annual basis, until the maturity of the bonds, an assurance report confirming that an amount equal to the net proceeds of the green bonds has been allocated in compliance with all material respects of the criteria set forth in the Framework and the review of the impact reporting.



5. Amendments to this Framework

The Green Bond Committee will review this Framework on a regular basis and such review may result in this Framework being updated and amended. The updated Framework, if any, will be published on Kb's website and will replace this one.

6. Legal disclaimer

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