

SUSTAINABILITY POLICY

ICO



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I. OBJECTIVE

For ICO Group, sustainability is a basic guiding pillar of its actions, in line with article 2 of ICO's statutes, both in its assets and liabilities operations, as well as its internal management of the organisation, and from the perspective of governance and Corporate Social Responsibility (ESG - CSR). Therefore, it involves all areas of the organisation and its activity, acting as a foundation of management that allows it to fulfil its mission as a public and promotional bank.

With this policy, ICO conveys the coherence that exists between the management of its operations and the needs of society and the environment, and publicises its commitment to sustainability.

In this sense, this Sustainability Policy establishes a general framework for action that is complemented by the rest of the internal policies that govern ICO's activity, and in particular:

- Environmental Policy
- Direct Financing Policy.
- CSR Policy
- Equality Plan
- Code of Ethics and Conduct
- Internal Code of Conduct in the Stock Market

II. ICO's MISSION

ICO is a bank and corporate State-owned entity whose purpose, as expressed by its statutes is "sustaining and promoting economic activities that contribute to growth and to **improving the distribution of national wealth** and, in particular, promoting those activities that merit promotion because of their **social**, cultural, innovative or **ecological importance**."

In this context, the ICO Group considers that sustainability in its environmental, social or governance aspects is a basic guiding pillar of its actions, due to the growing interrelationship with its mission and objectives.

Firstly, this mission is reflected in its lending activity as a bank for financing and promoting business activities that foster a solid, competitive and sustainable business fabric. ICO plays a key role and is a reference point in the financing of all Spanish companies, particularly SMEs, the self-employed and entrepreneurs, promoting their growth in Spain, internationalisation in third markets and contributing to the generation of employment and social welfare.

Moreover, because of its public nature and its vocation to serve society, ICO considers those financing operations that have a positive impact on people, the climate and the environment to be a priority.

Secondly, as an instrument for financing economic policy, ICO will act following the fundamental lines established by the competent Government bodies and subject to the rules and decisions adopted by its General Board.

Within these two functions, the role that ICO will have to play as an instrument of support for Spanish and European energy and climate policy is particularly relevant. As is happening in the rest of the financial sector, especially by other promotional banks, progress will be made in aligning ICO's balance sheet, operations and activity with its climate action, thus taking advantage of the opportunities it offers both for the Spanish economy and for the financial sector itself.

Thus, ICO will actively contribute to the decarbonisation of the Spanish economy through the decarbonisation of its own portfolio. Furthermore, this will enable it to limit the risks and fully exploit the opportunities arising from the ecological transition process, thus contributing to the rest of the financial sector and society.

Thirdly, as a State Financial Agency, ICO also contributes to social, economic and environmental development by managing various official financing instruments on behalf of the State which are dependent on various Ministries. In this sense, with the instrumentation and management of a variety of funds and instruments, ICO promotes the internationalisation of the company in third countries by managing funds dependent on the Secretariat of State for Trade (FIEM, CARI), promotes cooperation for development by managing funds dependent on the Spanish Agency for Cooperation for Development (FONPRODE, FCAS), and contributes to the financial sustainability of the Autonomous Communities and local entities by managing funds dependent on the Ministry of Finance (Territorial Funds of the Autonomous Communities and Local Governments).

III. COMMITMENT TO SUSTAINABILITY

ICO promotes growth by financing business activities that contribute to the generation of employment and economic development, both in Spain and in third countries, **aligning itself with the 17 Sustainable Development Goals of the United Nations' Agenda 2030, with the Paris Climate Agreement (COP 21), and with the United Nations' Guiding Principles on Business and Human Rights**, all of which have been signed by Spain and implemented at

European and national level.

In line with these guidelines, ICO expresses its commitment to:

- The promotion of a sustainable business fabric that generates employment, social welfare and positive environmental impact.
- The integration of Corporate Social Responsibility into ICO, as the backbone of the whole organisation, as well as transparency and good governance, and the promotion of sustainability in all business activities within its reach and over which it can exert an influence.
- Respect for Human Rights and the preservation of the surroundings, the environment and biodiversity, in the framework of its activity as financier and along its value chain.
- The fight against climate change, the promotion of a low-carbon economy model and the mobilisation of resources, financing and investment towards sustainable activities, aiming to play a particularly active role in the field of renewable energies and energy efficiency and saving projects.
- The promotion of proper management of financial risks arising from climate change, and the social and environmental impacts associated with its activity.

To carry out these commitments, ICO will work in partnership and collaboration with other multilateral and regional investment and development banks and counterpart promotional banks in third countries and at EU level, sharing good practices and management models with the private credit institutions that it supports and complements in its work to make business financing more dynamic.

Through public-private partnerships, ICO will seek to maximise the positive impacts generated in its activity and to work in harmony with the financial sector, capital markets, civil society and the third sector for a more sustainable economic model and compliance with global sustainability agendas.

For these purposes, ICO has signed the Spanish Collective Commitment to Climate Action¹, under which the signatories commit to:

- Reduce the carbon footprint of their portfolios by prioritising the necessary actions with special attention to the sectors with the greatest impact.
- Engage their customers in the transition to a low-carbon economy.
- Join efforts and work together to develop the capacities and methodologies needed to measure climate impact and align with global and national climate objectives.

¹ Signed by ICO on 9 December 2019 within the framework of COP25 in Madrid, along with the Asociación Española de Banca (AEB), CECA and a score of Spanish financial institutions. <https://s1.aebanca.es/wp-content/uploads/2019/12/spanish-collective-commitment-to-climate-action.pdf>

- Develop, together with governments, scenario experts and stakeholders, specific road maps by sector and geography that are clear, feasible, and contribute to the objective of keeping the temperature increase well below 2°C with respect to pre-industrial levels, aiming for 1.5°C.
- Establish and publish portfolio alignment goals and objectives, specific to each sector and scenario-based, before December 2022.
- Publish and implement, together with its customers and from December 2020, measures to support and accelerate the transition of society and business models towards low-carbon economy and technology adapted to climate change.

IV. RESPONSIBLE LENDING STATEMENT

The activity of the financial sector and ICO's role as stated-owned bank must contribute to and encourage the successful transition to a low-carbon economy and the achievement of the Paris Agreements and Agenda 2030.

ICO is aligned with the European guidelines on sustainable finance and considers all those operations that contribute most to sustainable economic development to be a priority. In this sense, ICO identifies the business activities and projects that have the greatest positive social and environmental impact both in Spain and in third countries.

For this purpose, ICO defines the Group's activity and financing objectives, giving priority to:

- **Sustainability:** Climate Change and the environment (reducing emissions, renewable energy, energy efficiency and transition, waste treatment and reduction, water management...); sustainable infrastructures and circular economy.
- **Competitiveness:** Digital transformation, innovation and technological development.
- **Supplementary funding for SMEs,** for entrepreneurship and Start-ups, and **for the growth and internationalisation** of Spanish companies.
- **Social welfare and development** by financing employment-generating activities and participating in public and private initiatives that promote social inclusion and the reduction of inequalities.

ICO will align its **lending with the SDGs and develop metrics and indicators** to report on its contribution to Agenda 2030, highlighting the SDGs especially related to its activity. In addition, in order to provide information to its stakeholders and contribute to the implementation of a common language on sustainability that promotes the reorientation of capital flows towards these activities, **ICO will identify the green projects it finances in accordance with the**

European Union Taxonomy or internationally recognised standards. It will also ensure adequate management of the risks and impacts of the projects it finances by applying recommendations, international performance rules or standards, such as the **Equator Principles**.

Furthermore, insofar as ICO wishes to be a relevant actor in the implementation of the various instruments and policies within the Multiannual Financial Framework of the European Union, it undertakes to adopt the necessary measures to develop a methodology to identify, quantify and measure the impact of its activity on sustainability in a coordinated manner and in line with the regulations established in the framework of the EU.

ICO considers it essential that the management of risks associated with projects consider the assessment of environmental and social impacts as well as those related to climate change and human rights. This allows for improved financial results, minimising costs to people and the environment, and contributing to the achievement of global sustainability commitments.

As a financier, ICO will work together with the project promoters, and with the other banks participating in each operation, to identify, assess and manage environmental, social and climate risks, as well as their monitoring, throughout the project's life cycle.

In this regard, ICO is committed to maintaining and reviewing its financing and risk policies to ensure the improvement of due diligence processes and guarantee that best practices are applied.

ICO will assess the recommendations of the **Task Force on Climate-related Financial Disclosure (TCFD)** in the financing of projects and with particular regard to the transition and physical risks that could be related.

In this regard, and within the framework of the agreements signed with other financial institutions on sustainability, ICO is committed to measuring and reducing its portfolio's carbon footprint.

■ IV.1. Exclusion of activities

Based on the principles of action, detailed in this policy, and in order to lead the transition toward a sustainable economic model in partnership with other financial institutions or promotional banks, ICO will not finance the following activities:

- Illegal activities according to the legislation applicable to the operation in question or according to international agreements and conventions.
- Projects that could result in the violation of human rights or the limitation of individual

rights and freedoms. Nor will it finance those projects that do not comply with national, European, or local environmental legislation, or IFC standards or OECD guidelines where this is a better reference.

- Projects that do not respect labour rights in general and in particular rights on child labour, discrimination and forced labour, on the basis of the fundamental conventions of the International Labour Organization (ILO).
- Activity linked to pornography and/or prostitution
- Lethal weapons, munitions and dual-use goods, except for the financing of the manufacture and marketing by an EU or NATO country of parts, components and subsystems intended for non-lethal defence equipment. Exceptionally, when it is considered to be in the national interest, and after consultation with the Ministry concerned and after justification and approval by ICO's General Board, dual-use goods may be financed with third countries.
- Companies on the relevant sanctions lists, in accordance with the Policy on Prevention of Money Laundering and Terrorist Financing.
- Projects that may generate negative social, environmental or climate impacts, where the promoter does not adopt the necessary measures for their adequate management and mitigation.
- Projects that do not comply with the social and environmental standards that ICO has established in its internal procedures or do not meet the criteria and limitations established in ICO's direct financing policy.
- ICO's direct financing policy may establish additional conditions to those provided for in this section with regard to sustainability, whether based on European commitments, the application of international standards or other specific conditions that may be agreed.

IV.2. ICO and its commitment to SMEs: financing, awareness and alignment

The objectives set at global level require the commitment of small and medium-sized enterprises in order to be achieved. The Agenda 2030 and the Paris Climate Agreements require the active participation of SMEs, which in Europe represent more than 98% of the total business fabric.

Disinformation and limited economic and human resources represent a barrier to the alignment of these small and medium enterprises with the SDGs and Agenda 2030. In order to meet

these challenges, companies will have to incorporate changes in their management systems to enable the transformation to a low-carbon and sustainable economic model in the long term.

ICO is aware of this situation and has a key role to play as a reference in the financing of all Spanish companies, and particularly of SMEs, the self-employed and entrepreneurs. On the basis of this relationship, ICO, with the necessary collaboration and coordination with the financial entities collaborating in the credit lines and with other *collaborating agents in matters of sustainability*, is committed to promoting actions of information, dissemination, guidance and support that smooth this transition towards the new economic paradigms represented by the SDGs and the Paris Climate Agreements.²

V. COMMITMENT TO SUSTAINABLE DEVELOPMENT OF FINANCIAL MARKETS

To finance its activity, ICO issues bonds on the capital markets. Over the years, ICO's vocation of public service and its commitment to the long-term and sustainable development of the economy has generated confidence in the financial markets which has enabled it to finance its activity successfully.

ICO has been a pioneer in Spain in issuing **social bonds**, in which it is already a reference point, and with which it has obtained funds to promote business activity in the most disadvantaged areas nationally, and to influence the creation and maintenance of employment.

In 2019, ICO was also recognised for its first **green bond** issue to finance projects related to renewable energy, energy efficiency, clean transport, pollution prevention and control, and sustainable management of natural resources.

ICO is involved in the sustainable evolution of capital markets, working alongside the main associations, such as the **International Capital Market Association (ICMA)**, in the implementation of standards and principles that contribute to directing capital flows efficiently and transparently towards sustainable development.

In this regard, it should be noted that the ICO has been the only national promotional bank in Europe and the only Spanish entity that is part of the ICMA's Advisory Committee for social and green bond principles, which accredits the prestige and recognition that its work as a responsible bond issuer has generated.

ICO is committed to following this line of action that aims to provide value through the

² In this line ICO has already created a web space together with the Spanish Global Compact Network to involve Spanish SMEs in the achievement of the Agenda 2030 <https://icopymeods.ico.es/#/>

development of sustainable financial instruments, to exerting influence so that all the actors in the markets are united in responsible investment and to promoting partnerships and synergies that allow the redirection of capital flows to sustainable and low-carbon investments.

Finally, it should be noted that for ICO, transparency and communication with its investors is the key to building confidence that the funds obtained through ICO issues will be used to promote and finance business projects and public-private partnership initiatives that contribute to sustainability, both in Spain and abroad.

VI. ICO's COMMITMENT TO ITS EMPLOYEES

ICO's most important asset is its human and intellectual capital, committed professionals who drive the organisation every day towards achieving its mission in an environment of collaboration and trust.

As regards the relationship with the professionals who make up its organisation, ICO expressly commits to:

- The Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities between men and women and the fight against all forms of discrimination.
- The conciliation of work, family and personal life.
- Professional development and training
- Workplace health and safety
- Balancing professional activity with respect for the environment.
- The inclusion of groups with functional diversity in social and work contexts.
- Corporate volunteering to be developed through collaboration agreements with social entities.

ICO has the "**EFR**" **family-responsible company seal**, which certifies that it has an effective model for managing its balancing processes. This certification is based on evaluation and continuous improvement and promotes the application of conditions of flexibility, harmony between family and professional life, equal opportunities, communication channels with employees and quality at work.

ICO undertakes to expressly inform and train its employees on the sustainable management of its activity, in all its facets; environmental, social, human rights and climate.

ICO has established a **Management by Objectives System** in which the variable remuneration of all its staff and senior management is directly linked to specific sustainability objectives. This facilitates the express alignment of the organisation with the commitments made in this area and guarantees progress in the established lines of action.

VII. GOOD GOVERNANCE AND TRANSPARENCY

■ VII.1. Corporate governance and compliance

The bases of corporate governance in the ICO Group, and in particular the functions, responsibilities and powers of the governing bodies and decision-making committees, as well as their appointment and functioning, are set out in the internal regulations, decision-making procedures or the corresponding by-laws of ICO or its subsidiaries.

In the development of its activity ICO complies with the provisions of its by-laws, internal regulations, procedures and the applicable legislation. Where convenient and appropriate, it adheres to standards or good practices that go beyond those required by the applicable regulations.

The **General Board** provides the guidelines for sustainability. As the highest decision-making body, it is committed to independence and impartiality in its decision-making. It has four **independent directors** among its ten members, who do not belong to the public sector but are not linked to the financial sector either. In addition, these directors have double voting rights for decisions relating to financial transactions involving the assets and liabilities of ICO's business.

All members of the board must meet requirements of commercial and professional integrity and must always act in the interest of the institution and in accordance with a set of referred principles of impartiality and confidentiality, avoiding actual and potential conflicts of interest, both direct and indirect.

The internal control systems address and ensure the prevention of money laundering and the financing of terrorism, corruption and fraud and the protection of personal data, and regulate the use of privileged information through the **Code of Ethics and Conduct** and the **Internal Regulations of Conduct in the Securities Market**. ICO is a signatory to the **10 Principles of the Global Compact** and is committed to fighting corruption in all its forms, including

extortion and bribery.

ICO has a **Code of Ethics and Conduct** which defines and develops the basic foundations of ethical behaviour and the necessary action guidelines expected from its directors, managers, and employees in the relations established with ICO staff, customers, suppliers, and third parties. These guidelines include mandatory rules on the acceptance of gifts, invitations or benefits.

ICO is committed to the OECD recommendation on public integrity to promote accountability and the general interest, through the proper management of conflicts of interest, the introduction of transparency measures in lobbying activities, ensuring in all cases, transparency and the participation of all interested parties. The Direct Funding Policy will establish the conditions and limitations in this respect.

■ VII.2. Responsible public procurement

ICO, as a public entity, is subject to the law on public sector contracts. By virtue of these regulations and in application of the principles that govern its activity, the contracting of ICO, in addition to being a purchasing procedure, serves as an instrument to implement both European and national policies in social, environmental, innovation and development matters, as well as the promotion of SMEs and the protection of competition.

ICO is committed in its tendering processes to efficiency in public spending and respect for the principles of equal treatment, non-discrimination, transparency, proportionality and integrity.

Social responsibility criteria are incorporated into its contracting, in which for the awarding of the contract the socially responsible practices of its suppliers are evaluated, especially those oriented towards the creation of long-term employment, the establishment of equality and conciliation policies among its staff, the contracting of people at risk of social and labour exclusion, and respect for the environment.

ICO attaches particular importance to suppliers' compliance with human rights, labour and environmental regulations. ICO has appropriate measures in place to combat corruption, fraud and favouritism, as well as to prevent, detect and effectively resolve conflicts of interest that may arise in tendering procedures.

ICO requires from its suppliers quality certifications, environmental and social labels and seals to accredit the sustainability of the products and services they offer, which is an effective instrument to evaluate and guarantee these aspects.

As a public business entity, part of its contracting is subject to centralised purchasing

processes, according to Order EHA/1049/2008, of 10 April, which makes it compulsory to contract through the Directorate General for Rationalisation and Centralisation of Public Procurement. This contracting complies with the standards and principles outlined above.

In addition, the ICO Group promotes the social and labour integration of groups at risk of exclusion by contracting goods or services through Special Employment Centres.

■ VII.3. Internal management

ICO has at its facilities the necessary means to segregate and recycle the waste generated in the development of its activity and seeks to use ecological and recycled materials.

It also carries out periodic awareness campaigns on the consumption of light, water and paper in order to ensure the responsible use of these resources by employees in the workplace and to transfer these habits to the personal sphere. In this process, employees are invited to suggest improvements that allow for a more efficient use of resources.

A relevant objective for ICO is to avoid and reduce greenhouse gas emissions as much as possible. This is achieved through the implementation of energy saving measures, and the use of energy from renewable sources in the heating and air conditioning of its offices. In addition, in order to reduce its carbon footprint per employee, it promotes the use of alternative means to travel, such as video conferencing, and seeks to minimize travel as much as possible.

■ VII.4. Communication and transparency

For ICO, dialogue with its stakeholders in relation to sustainability is a fundamental key for its business and activity. ICO informs its stakeholders of its activities and its financing in a transparent manner and maintains open channels of communication to obtain comments and contributions, which enable it to continue improving its sustainability management, identify business opportunities and avoid or identify risks.

ICO provides its stakeholders with all relevant information regarding its organisational structure and activity, and it prepares its reports in accordance with internationally recognised standards, such as the Global Reporting Initiative (GRI), under which it prepares its sustainability report. In addition, and in accordance with the provisions of the Transparency Law, it provides direct access to the Transparency Portal of the Government of Spain so that interested parties can consult the information and data available.

Finally, ICO reiterates its commitment to continue incorporating the best practices in good governance, transparency and internal management, as well as in improving its information, indicators and reporting, especially those related to sustainability and its contribution to the achievement of the SDGs, the Paris Climate Agreements and the impact of its activity.

VIII. SCOPE, COVERAGE AND REVISION

ICO's General Council approved this Sustainability Policy at its meeting of 27 February 2020 in order to make known the commitments of ICO in this matter. It will be published on ICO's website and will be available to all interested parties.

This Policy has been prepared by the Instituto de Crédito Oficial, and is applicable to its activity and management practices. For the rest of the entities of the ICO Group, Axis and the ICO Foundation, given the different activities they develop and the rules that regulate them, this document will serve as a reference for questions common to ICO's functioning.

ICO's Management assumes the commitment of keeping the Sustainability Policy updated, reviewing it when there are modifications in the management of ICO's activities, or facts that force its adaptation to the current reality. In any case, the update will be made at least every three years.



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