

Kingdom of Spain Green Bond Investor Presentation

May 2024

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1. Green Bond Framework

Green bonds' environmental objectives

Through the **issuance of green bonds**, Spain expects to finance public expenditure programs that **contribute to achieving several environmental objectives**



Environmental objectives

- 1 Climate change **mitigation**
- 2 **Adaptation** to climate change
- 3 **Sustainable use** and protection of **water** and maritime resources
- 4 Transition to a **circular economy**
- 5 **Pollution prevention** and control
- 6 Protection and **recovery of biodiversity** and ecosystems

The eligible projects will also contribute substantially to the achievement of the following United Nations' **Sustainable Development Goals**:



Governance

The Spanish Government decided to establish an inter-ministerial **Working Group (WG)** to coordinate the structuring and monitoring of Spain’s sovereign green bond program. This WG operates **under the mandate of the Governmental Delegated Commission for Economic Affairs**



Green Bond Framework: Overview

The Kingdom of Spain's green bond framework is fully aligned with the **Green Bond Principles of the International Capital Markets Association (ICMA-2021)**



Use of Proceeds

All designated eligible green projects provide clear environmental benefits



Process for Project Evaluation and Selection

Only projects aligned with Spain's green goals



Management of Proceeds

Proceeds will be appropriately tracked by the Spanish Treasury in accordance with its fund management policy



Reporting

Reports on the allocation and impact on an annual basis with a high level of transparency

+ 2 recommendations

1

Publication of a **GBF explaining alignment with GBP** and Spain's overarching sustainability strategy

2

External reviews: pre-issuance assessment (SPO on the GBF) and post-issuance assessment (verification of allocation)



Spain will look for the best way to **incorporate the EU Green Bond Standard** content to the framework (including the implementation acts of the Taxonomy of Sustainable Finance), once it has been published and developed

Green Bond Framework: Use of Proceeds

An amount equivalent to the net proceeds obtained through the issuance of green bonds will be allocated to expenditures **aligned with Spain's environmental objectives**



Categories

1. Renewable Energy
2. Clean Transportation
3. Sustainable water & wastewater management
4. Energy efficiency
5. Protection & restoration of biodiversity, ecosystems & environmentally sustainable management of natural resources
6. Pollution prevention and control and circular economy
7. Adaptation to climate change



Type of Expenditures

1. Capital expenditures
2. Current Expenditures
3. Transfers & subsidies
4. Tax benefits



Period

Expenditures planned for:

- The **current fiscal year**
- Executed in the **two previous years** (up to three for a new benchmark)















Exclusions

- Fossil fuels
- Nuclear energy generation by fission
- Energy generation with emissions above 100 gCO₂/kWh
- Intensive livestock farming
- Alcohol and tobacco industries
- Gambling
- Arms production and contracts
- Mining

Green Bond Framework: Use of Proceeds - (Categories 1)

The projects selected for the Kingdom of Spain's sovereign green bonds will fall under the **eligible expenditure categories**, contributing to environmental objectives and Sustainable Development Goals









Eligible categories	EU taxonomy categories	Sustainable Development Goals
 <p>Renewable Energy</p>	<ul style="list-style-type: none"> Climate change mitigation 	 
 <p>Clean Transportation</p>	<ul style="list-style-type: none"> Climate change mitigation 	  
 <p>Sustainable water & wastewater management</p>	<ul style="list-style-type: none"> Sustainable use and protection of water and marine resources Pollution prevention and control 	
 <p>Energy efficiency</p>	<ul style="list-style-type: none"> Climate change mitigation 	 

Check examples of expenditure items



Green Bond Framework: Use of Proceeds - (Categories 2)

The projects selected for the Kingdom of Spain’s sovereign green bonds will fall under the **eligible expenditure categories**, contributing to environmental objectives and Sustainable Development Goals

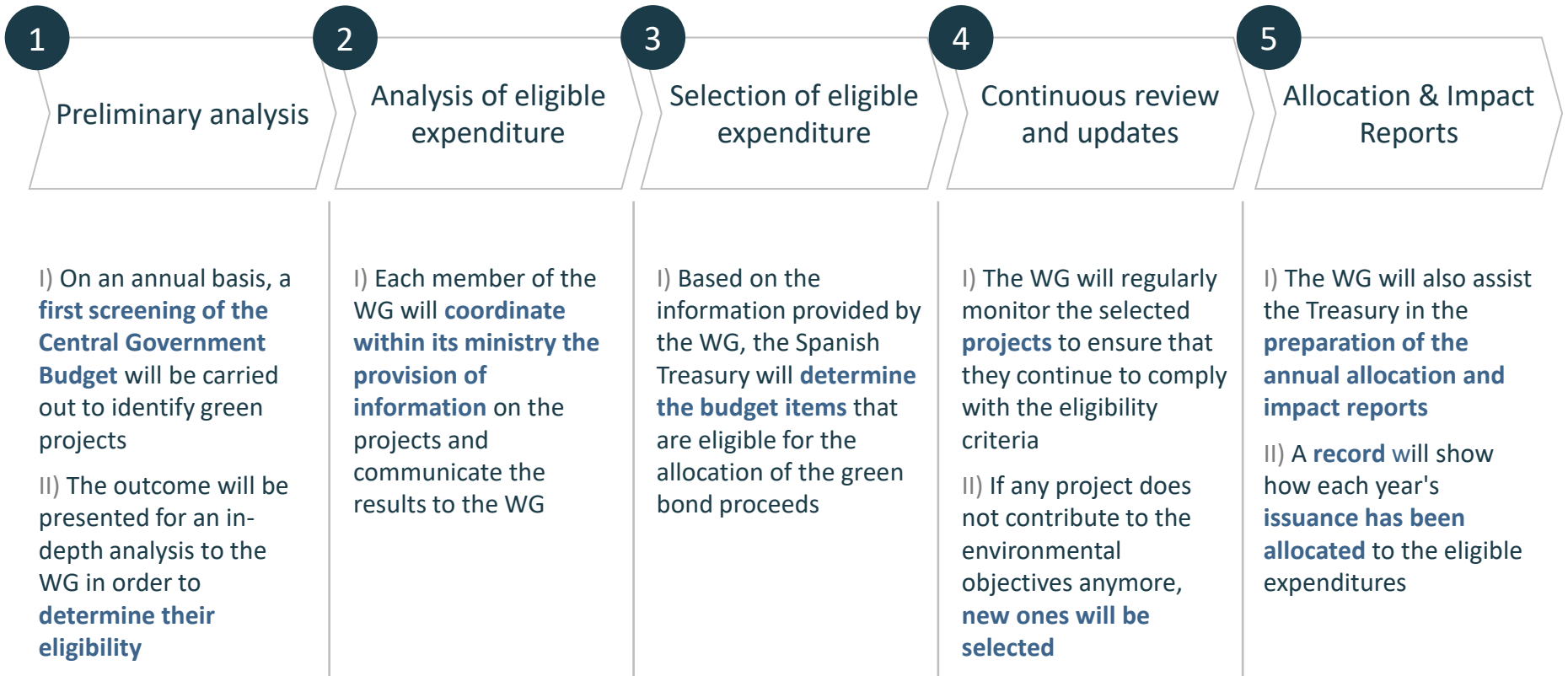
Eligible categories	EU taxonomy categories	Sustainable Development Goals
 <p>Protection and restoration of biodiversity and sustainable management of natural resources</p>	<ul style="list-style-type: none"> • Climate change mitigation • Pollution prevention and control 	
 <p>Pollution prevention and control and circular economy</p>	<ul style="list-style-type: none"> • Transition to a circular economy • Pollution prevention and control 	 
 <p>Adaptation to climate change</p>	<ul style="list-style-type: none"> • Adaptation to climate change • Protection and restoration of biodiversity and ecosystems 	 

Check examples of expenditure items



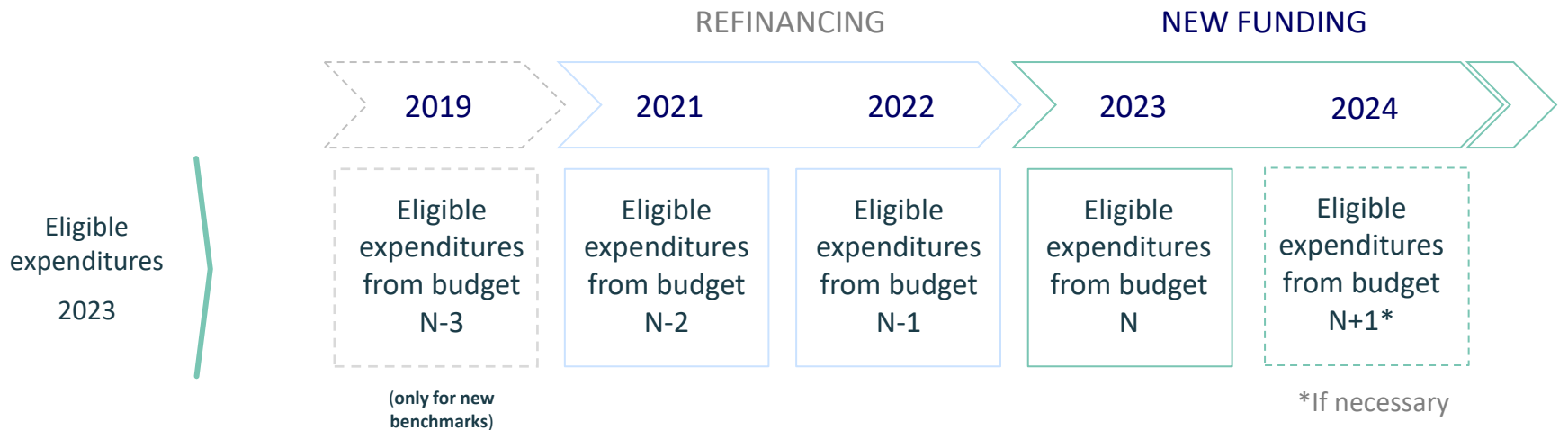
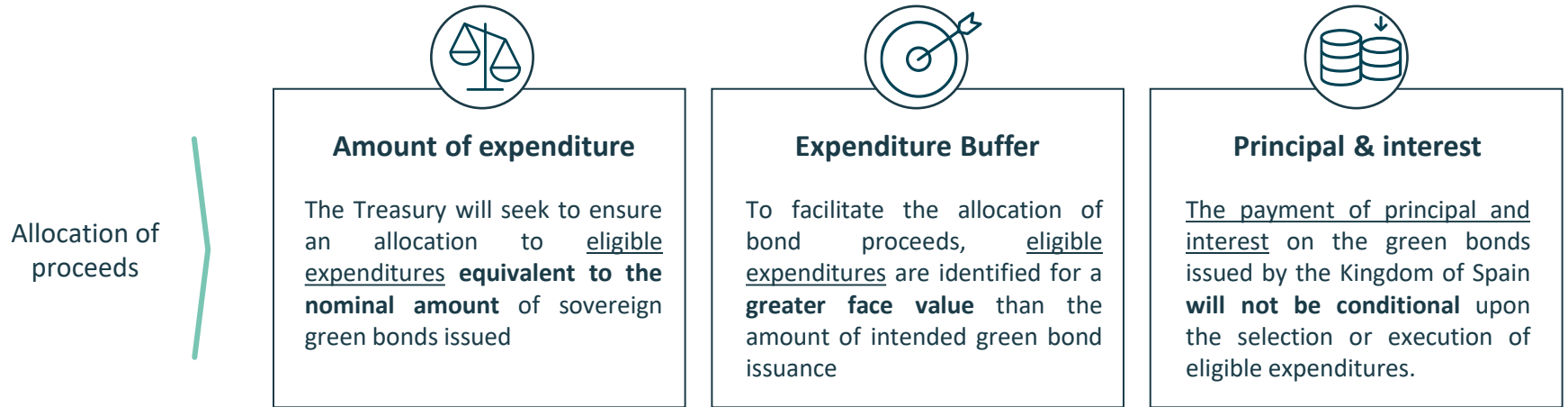
Green Bond Framework: Evaluation and selection of eligible budget items

The Working Group will assist the Treasury in the process of evaluating and selecting the eligible expenditure, based on ongoing cooperation between ministerial departments



Management of Proceeds

Green bond proceeds will form part of Spain's funding program like any other conventional Treasury's bond. The funds will be managed by the Spanish Treasury in accordance with its fund management policy



External verification

To fully comply with the highest markets standards, the green bond documents published on the Treasury's website will be **verified by independent auditors**

1 Green bond framework Second Party Opinion

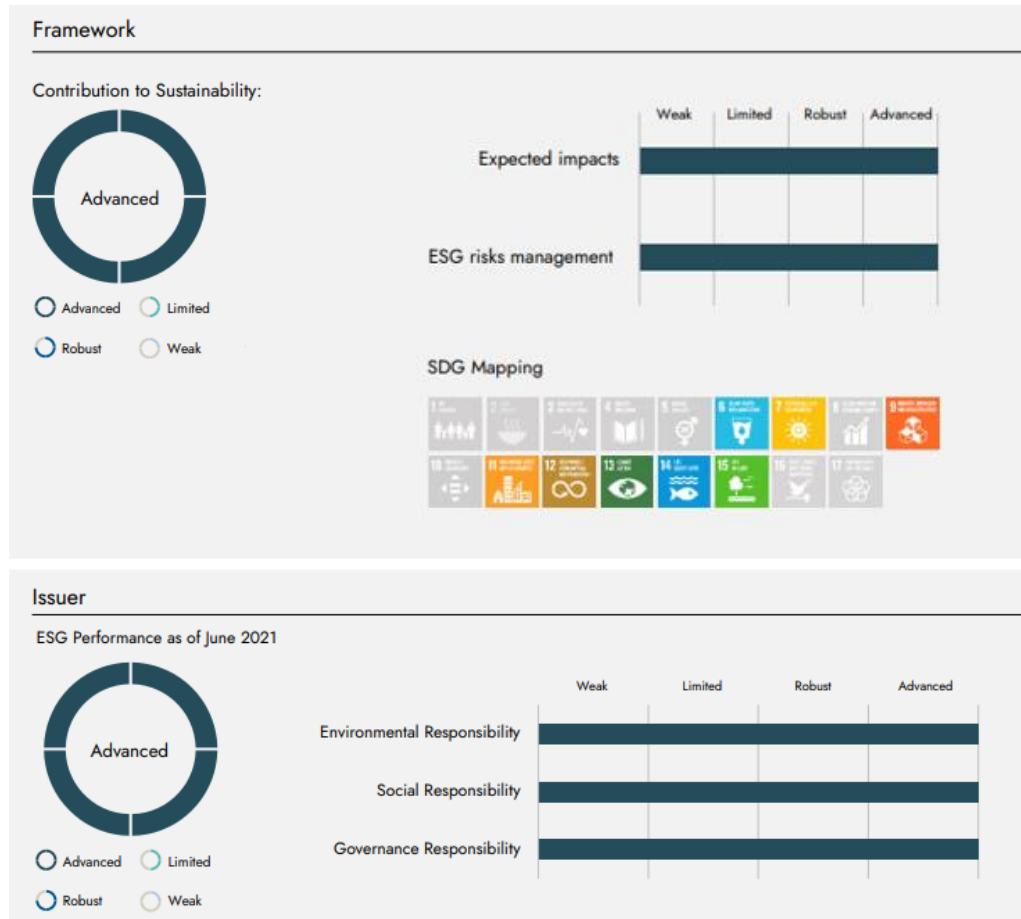
- **VE Vigeo Eiris** has carried out an external review and evaluation of the Green Bond Framework
- **The goal of this review** is to assess the consistency of the framework and its alignment with the ICMA's Green Bond Principles, taking into consideration best market practices
- **The second party opinion** is published on the Treasury's website
- **If the framework content is modified**, the second party opinion will also be updated

2 External verification of annual reports

- **An independent entity** will also carry out a verification and assessment of the information contained in the annual reports regarding allocation
- If necessary, this will also be done when circumstances require confirmation of the **effectiveness of such allocation**, in accordance with the criteria set forth in the green bond framework

External verification: Second Party Opinion 1/2

According to the second party opinion (SPO) by Vigeo Eiris, Spain's Green Bond Framework meets the highest possible standards and gets the highest rating ever given to a European sovereign by Vigeo Eiris



In its *second party opinion*, V.E underlines that:

- ✓ Spain's green bond framework is aligned with the **four main components of ICMA's 2021 Green Bond Principles**
- ✓ Spain's framework is considered as advanced and coherent with Spain's **environmental policies**

External verification: Second Party Opinion 2/2

According to the second party opinion (SPO) by Vigeo Eiris, Spain's Green Bond Framework meets the **highest possible standards** and gets the **highest rating ever given to a European sovereign by Vigeo Eiris**

1 Use of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices
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2 Evaluation and Selection of Green Eligible Expenditures

Not Aligned	Partially Aligned	Aligned	Best Practices
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3 Management of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices
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4 Monitoring & Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices
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In its *second party opinion*, V.E states that:

- ✓ Spain's green bond framework **is aligned** with **best market practices as identified by V.E**
- ✓ Spain's green bond framework gets the **highest possible rating** in the four main components of ICMA-2021 principles

2. Eligible expenditures for 2024

Green Eligible Expenditures 2022-2024 - Remarks on the selection process

01

For the **period 2022-2024** we have identified **EUR 12.5 bn** of central government green eligible expenditures, though some items from the years 2022 and 2023 will be allocated to 2023 issuances.

02

The figure for 2024 is provisional and should be confirmed once 2024 budget execution is available, in Q1 2025.

03

These figures only reflect **green expenditures eligible for the framework in accordance with best market practices**: it does not include all government green expenditures over the same period.

- More specifically **it does not include**:

- ✓ Expenses that may be financed by NGEU or any other EU funds/programs.
- ✓ Expenditures financed by regional and local government, that issue their own green and sustainable bonds.
- ✓ Expenditures financed by other green financing instruments.
- ✓ Expenditures whose monitoring/reporting is difficult to perform or with an eligibility that would not correspond to market best practices.
- ✓ Green expenditures financed by specific taxes or income sources.

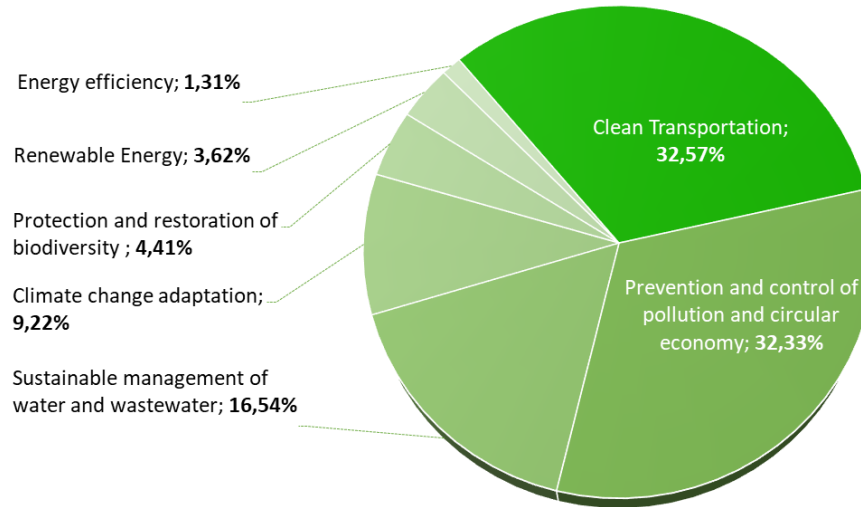
04

These eligible expenditures are **complemented by EUR 28 bn of green investments** foreseen in the Spanish **Recovery, Transformation and Resilience Plan** and **31 bn in the addendum**.

Green Eligible Expenditures - Period 2022-2024 (eligible for 2024 issuances)

- ❖ The Treasury has committed to disclose the breakdown of green **eligible expenditures per year** and to update the information annually.
- ❖ Per our green bond framework, only t-2 years can be considered for the Treasury’s green bond taps
- ❖ This slide presents the split by year, green category and Ministry of the expenditures eligible for any reopening of our green bond in 2023.

Breakdown by Green Category



Breakdown by Ministerial department & year

	Eligible expenditures (EUR million)			
	2022	2023	2024	Total
Ministry for the Ecological Transition & Demographic Challenge	817,34	739,23	924,02	2.480,59
Ministry of Economy, Trade and Enterprise	41,58	114,11	97,47	253,16
Ministry of Transport, Mobility and Sustainable Mobility	1.759,61	2.832,07	3.126,25	7.717,93
Ministry of Science, Innovation and Universities	310,03	356,03	404,86	1.070,92
Ministry of Industry and Tourism	0,12	0,15	0,15	0,41
Ministry of Agriculture, Fisheries and Food	273,76	391,51	286,08	951,34
Total	3.202,43	4.433,09	4.838,82	12.474,34

3. Issuance and reporting

Issuance and reporting- Reporting

In its Green Bond Framework, The Spanish Treasury has committed to **publish a report on the allocation and impact of sovereign green bond proceeds** on an annual basis



Allocation Report

- Will provide Information on the **allocation of funds raised** through the issuance of sovereign green bonds
- All allocation reports will be **verified by a specialized independent third party**

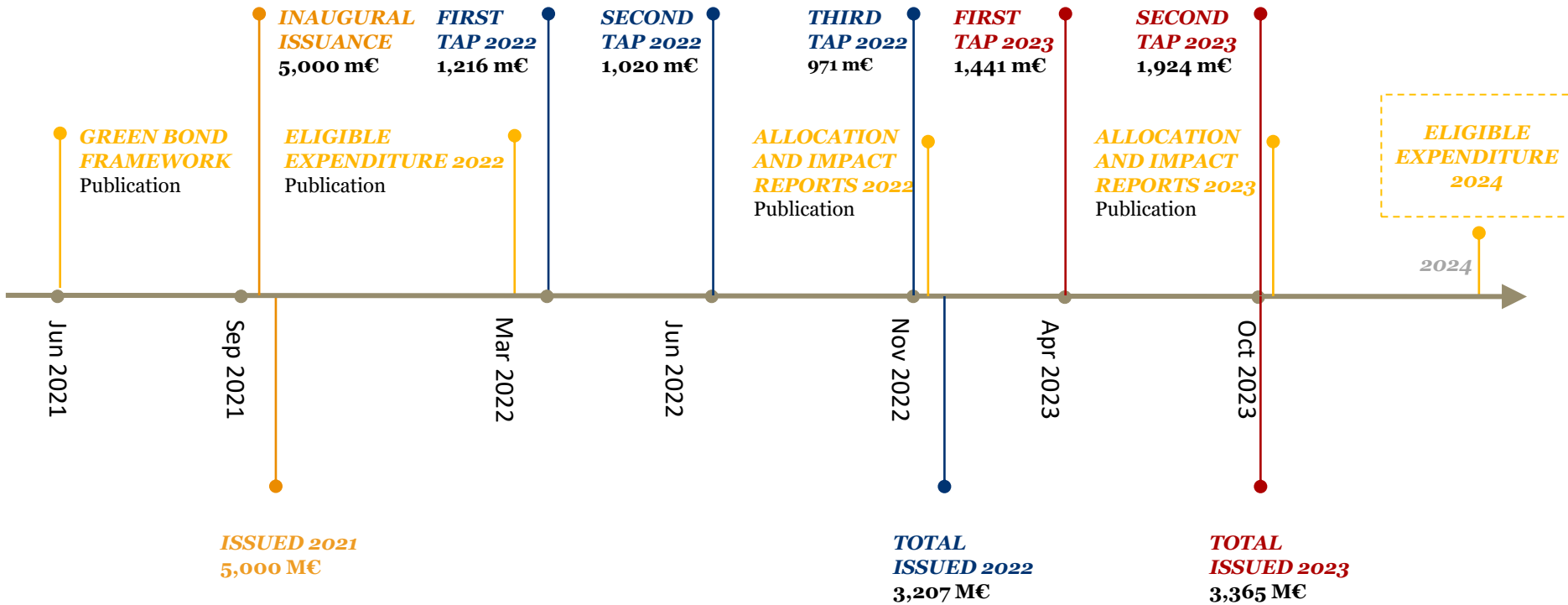


Impact Report

- Will provide information on **environmental impacts**, including indicators and the methodologies and assumptions used

Issuance and reporting- Calendar of events to date

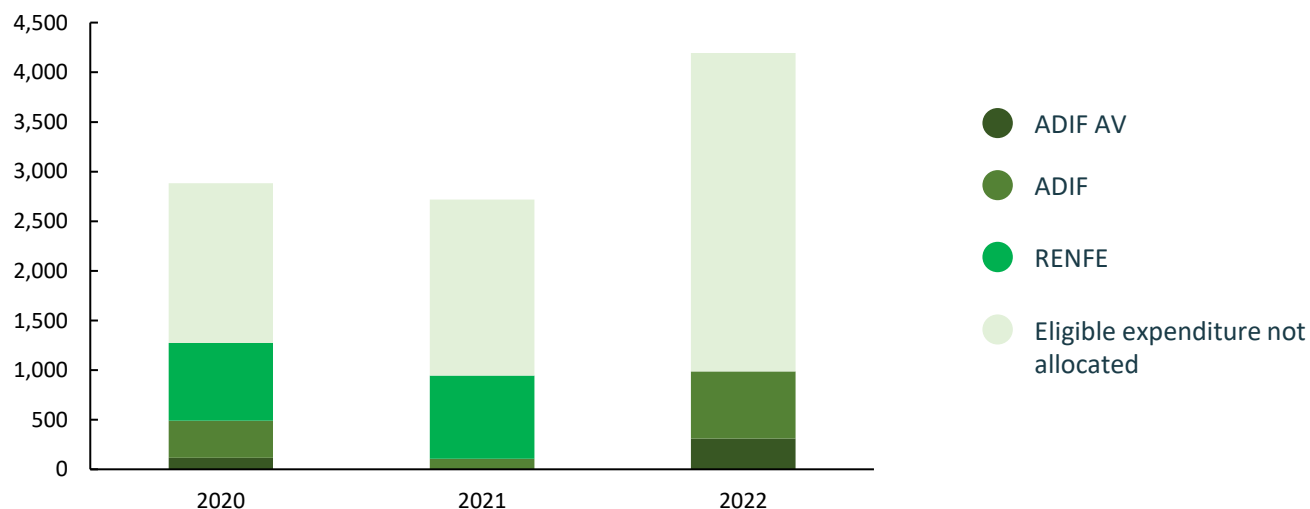
Since the inaugural issuance in September 2021, the **Spanish Treasury has tapped five times the green bond to an outstanding of 11,572 M€**, to provide it with liquidity and to answer to the high demand from investors



Issuance and reporting- Allocation report 2022

All the funds raised in 2022 (3,207 M€) have been allocated to the **category of Clean transportation**, which contributes to the objectives of **climate change mitigation** and **pollution prevention and control**.

Allocation of eligible expenditure for 2022 issuances (M€)



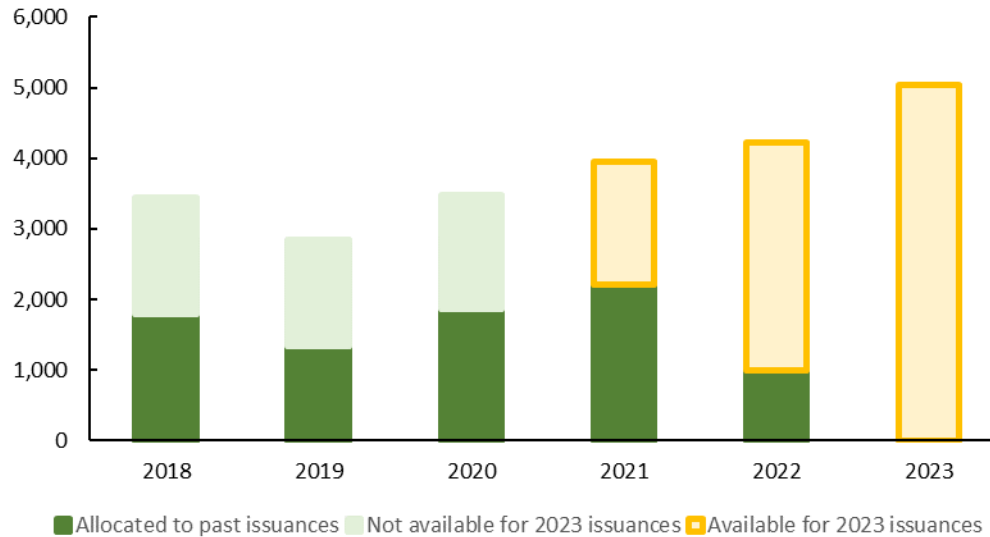
	2020	2021	2022	Total
Renfe	781.85	838.47	0.00	1,620.31
Adif	372.98	106.14	677.24	1,156.36
Adif AV	118.85	0.00	311.57	430.42
Gasto elegible asignado en 2022	1,273.68	944.61	988.81	3,207.10
Gasto elegible no asignado en 2022	1,607.80	1,773.65	3,202.43	6,583.88
Gasto elegible	2,881.48	2,718.26	4,191.24	9,790.98

Source: Tesoro Público

Issuance and reporting- Allocation report 2022

The allocation only represents a share of the eligible expenditures, and some of the amounts will still be eligible for 2023 issuances. **The eligible expenditures have been updated** with the 2023 budget execution.

Impact of the allocation on the eligible expenditure (in M€)




	2018	2019	2020	2021	2022	2023	Total
Available for 2023 issuances	0.00	0.00	0.00	1,736.65	3,241.56	5,037.96	10,016.16
Allocated to past issuances	1,798.16	1,344.69	1,862.12	2,213.32	988.81	0.00	8,207.10
Not available for 2023 issuances	1,649.66	1,501.49	1,607.80	0.00	0.00	0.00	4,758.95
Gasto elegible	3,447.82	2,846.18	3,469.92	3,986.97	4,191.24	4,433.09	22,375.22

Source: Tesoro Público

Issuance and reporting- impact report, indicators for 2022

The impact report goes beyond the framework's commitments, including **environmental impact indicators for all the allocated funds** and widening the scope, addressing both **mitigation** and **pollution prevention and control**

MAIN OUTPUT AND IMPACT INDICATORS							
 SUSTAINABLE TRANSPORT	OUTPUT INDICATORS				IMPACT INDICATORS		
	Rail built or renovated (km)	Rail electrified (km)	Trains-km benefited from reduced prices	Users - km (millions)	Emissions avoided Co2 (millions of tons)	Emissions avoided Nox (thousands of tons)	Emissions avoided PM10 (tons)
Transfers to RENFE for the compensation of Public Service Obligations				9.600	1,78	10,34	356,1
Transfers to the Railway Infrastructure Managers for the development of the infrastructure	129,8	1,1			1,41	14,09	407
Transfers to railway Infrastructure Managers to setoff prices reductions			14.266.419		1,42	14,8	417

Legal notice

This Green Bond Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell bonds issued by the Kingdom of Spain, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of the Kingdom of Spain, and nothing contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. Any decision to purchase any bonds issued by the Kingdom of Spain should be made solely on the basis of the information to be contained in the Offering Circular, produced in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.

It is the Issuer's intention to apply the proceeds of those bonds for projects that contribute to the fulfillment of the environmental objectives described in the Green Bond Framework. Nevertheless, no representation is made as to the suitability of any Spanish sovereign green bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Spanish sovereign green bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such Spanish sovereign green bonds and its purchase of Spanish sovereign green bonds should be based upon such investigation as it deems necessary. The Kingdom of Spain has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with Spanish sovereign green bonds. In addition, each environmentally focused potential purchaser of the Spanish sovereign green bonds should be aware that Eligible Green Projects may not deliver the environmental or sustainability benefits anticipated.

Furthermore, no assurance can be given that the use of proceeds from the Spanish sovereign green bonds for any Eligible Green Expenditures will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required or intended to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any projects or uses, the subject of or related to, any Eligible Green Expenditures.

While it is the intention of the Kingdom of Spain to apply the proceeds of any bonds issued as Spanish sovereign green bonds for Eligible Projects, there can be no assurance that such Eligible Projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Project as intended. In addition, there can be no assurance that Eligible Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. Any such failure will not constitute an Event of Default under the Spanish sovereign green bonds.

No representation or assurance is given as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of Spanish sovereign green bonds. For the avoidance of doubt, any such opinion or certification is not incorporated in this Offering Circular. Any such opinion or certification is not a recommendation by the Issuer, any Manager or any other person to buy, sell or hold any such securities and is current only as of the date it was issued. As at the date hereof, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein.

A failure of the bonds issued as Spanish sovereign green bonds to meet investor expectations or requirements as to their "green", "sustainable" or equivalent characteristics including the failure to apply proceeds for Eligible Projects, the withdrawal of a third party opinion, the Spanish sovereign green bonds ceasing to be listed or admitted to trading on any stock exchange or securities market as aforesaid or the failure by the Issuer to report on the use of proceeds or Eligible Projects as anticipated, may have a material adverse effect on the value of such bonds and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the bonds as a result of the bonds not falling within the investor's investment criteria or mandate).