

Independent Verification

Statement

on the Report on the Allocation Report 2021 of Green Bonds of the Kingdom of Spain, prepared by the Directorate-General for the Treasury and Financial Policy July 2022

1. Introduction

The Kingdom of Spain (hereinafter, the "Issuer"), published in July 2021 its Green Bond Framework (hereinafter, "the Framework"), which is aligned with the four main components of the Green Bond Principles, issued by International Market Association (hereinafter, ICMA), 2021 version. The Framework obtained a Second Party Opinion (hereinafter, SPO), by Vigeo Eiris, dated July 2021

The Green Categories of eligible expenses contemplated by the Framework are:

- Renewable energy
- Clean transportation
- Sustainable management of water and wastewater
- Energy efficiency (including energy efficiency of buildings)
- Protection and restoration of biodiversity and ecosystems, as well as environmentally sustainable management of natural resources
- Prevention and control of pollution and circular economy
- Adaptation to Climate Change

The Issuer has included in the Framework its commitment to report annually, until the full allocation of proceeds from the issuance of the Green Bonds, on the allocation of resources to the Eligible Green Expenditures contemplated in the Framework.

In 2021, the Issuer issued, for the first time, a Green Bond, for an amount of 5,000 million euros, expiring in July 2042, consequently, the Issuer must prepare a report that reveals the information related to the allocation of these resources to the programs that make up the Eligible Green Expenditure published in July 2021, and updated in February 2022. In this sense, of the 13,750 million euros identified as Eligible Green Expenditure for the 2021 financial year emissions, the Treasury has allocated €5 billion to the category of Clean Transport, as established in the Framework, a category that, according to the Framework, contributes to the objective of mitigating climate change. Also, the 2021 Impact Report, a document prepared by the Directorate General of the Treasury and Financial Policy with the assistance and approval of the Working Group for the Structuring of the Sovereign Green Bond Issues of the Kingdom of Spain and the Promotion of Sustainable Finance (hereinafter the Working Group), establishes that this category also contributes to the objective of pollution control and prevention and circular economy.

Specifically, it has been decided to allocate these amounts to State transfers in favor of the railway infrastructure managers and administrators, Administrador de Infraestructuras Ferroviarias (hereinafter ADIF) and Adif Alta Velocidad (hereinafter ADIF AV); and the operator (Renfe Viajeros, Sociedad Mercantil Estatal, S.A., hereinafter RENFE) of services classified as Public Service Obligations by the competent authorities and provided on the Spanish railway network.

In this context, in May 2022, the Issuer, through the General Directorate of the Treasury and Financial Policy (hereinafter, the Treasury), engaged European Quality Assurance Spain S.L. (hereinafter, EQA), a verifier approved by the Climate Bonds Initiative (hereinafter, CBI), as an independent third party to provide an independent verification statement, with a limited level of assurance, on the allocation of resources made, in the period from 1 January 2021 to 31 December 2021, to Eligible Green Expenditure associated with the Kingdom of Spain's Green Bond Program; information contained in the Kingdom of Spain's Green Bond Allocation Report 2021, a document prepared by the Treasury.



About the Issuer:

- **Issuer:** Kingdom of Spain
- **Issuer location:** Spain

About the Verifier:

- **Verifier:** European Quality Assurance Spain S.L.
- **Contact:** calidad@eqa.es

About the Verification:

- **Type of assignment:** Limited Assurance
- **Date of issue:** 05 August 2022

Table of Contents

1. Introduction
2. Scope and Limitations
3. Verification Procedure
4. Responsibilities
5. Independence and Quality Control
6. Conclusion

[Annex 1: Detailed Findings](#)

[Annex 2: Summary of the 2021 Allocation](#)

[Liability Exemption](#)

2. Scope and Limitations

In compliance with the engagement entrusted to us, we hereby provide an independent verification statement with limited assurance¹ on disbursements made between January 1, 2021, and December 31, 2021, to eligible green projects, associated with the Green Bond Program of the Kingdom of Spain (hereinafter, the Selected Information), information contained in the 2021 Allocation Report of the Green Bond Program of the Kingdom of Spain, prepared by the Public Treasury.

EQA has verified the disbursements made in the 2021 period, to eligible green projects, based on the criteria established in the Framework.

It is not part of the scope of this declaration:

- Provide assurance or opinion on the public management of the resources obtained in the issuance of sovereign green bonds for the year 2021.
- Provide assurance or opinion on the alignment and/or compliance of the eligible green expenses that have received allocation, with the eligibility criteria established in the Green Bond Framework of the Kingdom of Spain, dated July 2021.
- Provide assurance or opinion on the environmental impact of eligible green expenses that have been allocated through resources obtained from the issuance of sovereign green bonds for the year 2021.
- Provide assurance or opinion on the performance of eligible green expenses financed and/or refinanced with resources obtained in the issuance of sovereign green bonds for the year 2021.
- Provide assurance or opinion on the pertinence or relevance of eligible green expenses in accordance with the climate objectives of the Kingdom of Spain.
- Carry out on-site visits to the projects that have been the subject of financing and/or refinancing through resources obtained in the issuance of sovereign green bonds for the year 2021.
- Any other theme included in the Framework for Green Bonds of the Kingdom of Spain, of July 2021 and in the 2021 Allocation Report of Green Bonds of the Kingdom of Spain, but not detailed in the contract signed between EQA and the Public Treasury.

The Allocation Report only contemplates eligible expenses included in the eligible green category of Clean Transportation. In this sense, the subcategories of eligible expenses implicit in the green category of eligible expenses for clean transport, detailed in the Framework of Green Bonds of the Kingdom of Spain, are the following:

¹ EQA's limited assurance process comprises reviewing the documentation related to the details of the projects financed/refinanced, including the project description and estimated and incurred costs of the projects provided by the Issuer. The Issuer is responsible for providing accurate information. EQA did not perform any onsite visits to the projects being assessed.

Green Sectors	Expenses / Eligible Green Projects	Example of eligible expenses	EU environmental objective	SGD
<p align="center">Clean Transportation</p>	<p>Eligible expenses aimed at reducing dependence on fossil fuel transport, such as aid for the development and maintenance of the rail system for the transport of goods and passengers, the development of low-carbon vehicles, aid for sustainable public transport and promotion of change towards more environmentally friendly modes of transportation.</p> <ul style="list-style-type: none"> - Land transport activities with zero direct emissions. - Until the end of 2025, emissions of less than 50gCo2/km for light vehicles. From 2026, zero specific CO2 emissions for such vehicles. 	<ul style="list-style-type: none"> • Eligible expenses dedicated to the improvement, maintenance, renovation, or development of the railway infrastructure. • Eligible expenses dedicated to promoting mobility with low carbon emissions. • Eligible expenses dedicated to the renewal, adaptation, and replacement of the automobile fleet in favor of vehicles with low carbon emissions. • Incentives for the acquisition of hybrid and electric cars by individuals and companies. • Eligible expenses in public infrastructure for electric vehicles. 	<p align="center">Climate change mitigation</p>	<p align="center">SGD 9 SGD 11 SGD 13</p>

Our verification has been carried out from 7 June 2022 to 19 July 2022.

3. Verification Procedure

EQA has conducted the review of the Selected Information in accordance with best practice as set out in the International Standard on Assurance Engagements other than Audit or Review of Historical Financial Information ISAE 3000 and the requirements of the International Standard UNE-EN ISO/IEC 17029 "Conformity assessment: General principles and requirements for validation and verification bodies", with the aim of expressing a conclusion with a limited level of assurance. These standards require us to plan and perform our work to obtain appropriate and sufficient evidence to provide a conclusion with a limited level of assurance.

The verification procedures for a limited assurance engagement are aimed at providing a certain level of assurance with respect to whether the Selected Information contains material misstatements. Given the nature of the engagement, the procedures are less thorough than reasonable assurance procedures.

EQA bases its verification procedure on the documentation and information provided by the Treasury related to the allocation of resources, carried out in the period from 1 January 2021 to 31 December 2021, to Eligible Green Expenditures associated with the Kingdom of Spain's Green Bond Program, information contained in the Allocation Report. Accordingly, EQA has assumed and relied on the accuracy and completeness, in all material respects, of the information provided by the Treasury.

Our limited assurance engagement on the Selected Information consisted of making inquiries, primarily of persons responsible for the preparation of the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These verification procedures include:

- Analysis of the documentation associated with the issue of Sovereign Green Bonds in 2021.
- Analysis and evaluation of the Selected Information, contained in section 3. Analysis of the 2021 Allocation, of the Allocation Report of the Funds Issued in 2021 of the Kingdom of Spain's Green Bond Program, a document prepared and provided by the Treasury.

- Review of the Allocation Report, with the intention of ensuring that the Selected Information is free of material errors, in accordance with the reports sent by the Ministry of Transport, Mobility and Urban Agenda (hereinafter, MITMA).
- Conducting interviews with Treasury staff responsible for preparing the Allocation Report.
- Interviews with key personnel from MITMA, the General State Comptroller (hereinafter, the IGAE), the Comptroller of the Ministry of Transport, Mobility and Urban Agenda (hereinafter, MITMA Comptroller), and key personnel from ADIF, ADIF AV and RENFE.
- Understanding of the systems and processes for monitoring and control of the Issuer's public expenditure (explained and defined in the different minutes of the meetings held).
- Identification of the areas most likely to be subject to error or fraud, and the performance of checks on these areas, according to limited assurance procedures.
- Identification and assessment of the risks associated with verification.
- Definition and establishment of the appropriate materiality figure based on the stipulations of the standards (ISAE 3000 and GA 47 ICJC).
- Design and execution of a sampling plan.
- Collection and evaluation of appropriate and sufficient evidence.
- Obtaining a certificate, issued by the Undersecretariat of the MITMA Intervention, accrediting the accounting of all recognized obligations of the different programs with RENFE, ADIF and ADIF AV.
- Obtaining certificates, issued by RENFE, ADIF and ADIF AV, confirming the receipt of resources, charged to each budget item considered in the Allocation Report.
- Obtaining the Letter of Representation, signed by the Treasury.
- Obtaining the Letter of Responsibility, signed by the Treasury.

4. Responsibilities

Issuer's Responsibility

For the purposes of this independent verification statement, the Issuer, through the Public Treasury, is responsible for preparing the 2021 Green Bond Allocation Report of the Kingdom of Spain, in which the Selected Information is included, using the mechanisms and procedures necessary to ensure that the information is free from material error, whether due to fraud or to error. Consequently, the accuracy, completeness and reliability of the information provided and compiled is the responsibility of the Treasury.

EQA's Responsibility

EQA's responsibility is limited to providing an independent verification statement and, based on the work performed and procedures applied, expressing a conclusion, with a limited level of assurance, as to whether the Selected Information contains material misstatements.

EQA is not responsible, and will not be liable, if any of the opinions, findings, or conclusions it has set out in this statement are not correct due to incorrect or incomplete data provided by the Treasury.

Our conclusion, with a limited level of assurance, relates only to the Selected Information contained in the Kingdom of Spain Green Bonds Allocation Report 2021, a document prepared by the Treasury.

5. Independence and Quality Control

As a verification and certification body, EQA maintains a management system in place to ensure impartiality, objectivity, and technical competence both in the management of the body and in its verification activities. EQA is accredited for certification, inspection, and verification in accordance with ISO 17021-1, ISO 17065, ISO 17020, ISO 17029 and ISO 14065. In this verification process, EQA has applied the requirements described in ISO 17029.

The EQA assessment team has complied with the requirements of independence, impartiality, and other ethical requirements, basing its actions on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality, and professional behavior.

The EQA assessment team has exercised its professional judgment and maintained professional skepticism throughout the verification pursuant to ISAE 3000.

6. Conclusion

Based on the procedures applied and the evidence collected, no issues have come to our attention that lead us to think that the Selected Information, contained in the 2021 Green Bond Allocation Report of the Kingdom of Spain, prepared by the Public Treasury of the Kingdom of Spain; related to disbursements made between January 1, 2021 and December 31, 2021 to eligible green projects; contains material errors or has not been prepared, in all its significant aspects, pursuant to the commitments set forth in the Green Bond Framework of the Kingdom of Spain, of July 2021.



Ignacio Martínez

General Manager

EQA

August 5, 2022.

Annex 1: Detailed Findings

Criteria	Procedure performed	Factual findings	Errors or exceptions identified
<p>Reports</p>	<ul style="list-style-type: none"> ▪ Analysis of the documentation associated with the issue of Sovereign Green Bonds in 2021. ▪ Analysis and evaluation of the Selected Information, contained in section 3. Analysis of the 2021 Allocation, of the Allocation Report of the Funds Issued in 2021 of the Kingdom of Spain's Green Bond Programme, a document prepared and provided by the Treasury. ▪ Review of the Allocation Report, with the intention of ensuring that the Selected Information is free of material errors, in accordance with the reports sent by the Ministry of Transport, Mobility and Urban Agenda (hereinafter, MITMA). ▪ Conducting interviews with Treasury staff responsible for preparing the Allocation Report. ▪ Interviews with key personnel from MITMA, the General State Comptroller (hereinafter, the IGAE), the Comptroller of the Ministry of Transport, Mobility and Urban Agenda (hereinafter, MITMA Comptroller), and key personnel from ADIF, ADIF AV and RENFE. ▪ Understanding of the systems and processes for monitoring and control of the Issuer's public expenditure (explained and defined in the different minutes of the meetings held). ▪ Identification of the areas most likely to be subject to error or fraud, and the performance of checks on these areas, according to limited assurance procedures. ▪ Identification and assessment of the risks associated with verification. ▪ Definition and establishment of the appropriate materiality figure based on the stipulations of the standards (ISAE 3000 and GA 47 ICJC). ▪ Design and execution of a sampling plan. ▪ Collection and evaluation of appropriate and sufficient evidence. ▪ Obtaining a certificate, issued by the Undersecretariat of the MITMA Intervention, accrediting the accounting of all recognised obligations of the different programmes with RENFE, ADIF and ADIF AV. ▪ Obtaining certificates, issued by RENFE, ADIF and ADIF AV, confirming the receipt of resources, charged to each budget item considered in the Allocation Report. ▪ Obtaining the Letter of Representation, signed by the Treasury. ▪ Obtaining the Letter of Responsibility, signed by the Treasury. 	<p>The Selected Information, included in the 2021 Green Bonds Allocation Report, does not have any material errors.</p>	<p>None</p>

Annex 2: Summary of 2021 Allocation

The Kingdom of Spain's Green Bond Allocation Report 2021 discloses the allocation to Eligible Green Expenditure made in the period from 1 January 2021 to 31 December 2021 with proceeds from the 2021 Green Bond issue:

Green category of eligible expenses	Eligible Green Expenditure	Allocated Expenditure in 2021 ²				Total (in €)
		(in €)				
		2018	2019	2020	2021	
Clean Transport	RENFE for the compensation of Public Service Obligations	786,729,045	828,567,026			1,615,296,071
	ADIF for investments in the conventional network	281,856,854	204,550,000			486,406,854
	Contribution of assets to ADIF	418,000,000		276,865,275	752,536,000	1,447,401,275
	ADIF AV asset contribution	311,573,950	311,573,950	311,573,950	466,173,950	1,400,895,800
	ADIF AV for network management				50,000,000	50,000,000
TOTAL						5,000,000,000

² As set out in section 3.1 of the Framework, published in July 2021, for each issue, only those expenses planned for the current year or executed in the previous two years, or in the previous three years when this refers to the issuance of a new benchmark, will be taken into account. In the case of the 2021 Green Bond issue, which represents a new benchmark, eligible expenditures of the years 2018, 2019, 2020 and 2021 have been considered.

Liability Exemption

Transparency in the relationship between EQA and the Issuer: EQA has not executed assignments for the Directorate General of the Treasury and Financial Policy so far, and there is no established relationship (financial or otherwise) between EQA and the Treasury.

This independent verification statement issued by EQA provides a conclusion, with a limited level of assurance, on the Selected Information contained in the 2021 Allocation Report of Green Bonds of the Kingdom of Spain, a document prepared by the Treasury. Accordingly, EQA has assumed and relied on the accuracy and completeness in all material respects of the information provided or made available by the Treasury. The accuracy, completeness and reliability of the information provided and compiled is the responsibility of the Treasury, therefore, EQA in this statement does not warrant that the information presented is complete, accurate or up to date and accepts no liability whatsoever for errors or omissions.

This independent assurance statement, with a limited level of assurance, should in no way be construed as a financial or accounting audit report.

Providing this opinion does not mean that EQA certifies the tangibility, excellence or irreversibility of the projects associated with the Eligible Green Expenditures that have been allocated with resources from the Sovereign Green Bonds. Furthermore, EQA has not carried out any physical inspection of the projects associated with the Eligible Green Expenditures.

EQA provides no guarantees regarding the financial performance of the Issuer or the bonds, the environmental footprint of the bonds or the fulfilment of the commitments made by the Issuer, with the Issuer being fully responsible for certifying and ensuring compliance, implementation and monitoring of the commitments made in the Kingdom of Spain's July 2021 Green Bond Framework.

This independent verification statement shall not be construed or considered to be a representation, warranty or recommendation by EQA, express or implied, as to the suitability of any investment decision or any type of business transaction. Accordingly, this statement does not constitute investment advice, financial advice or a prospectus and does not represent an assessment of the economic and/or financial performance of the Kingdom of Spain. Consequently, EQA is not responsible for the consequences of third parties using this opinion for investment decisions or any type of business transaction.

EQA is not responsible for any use of this statement outside the scope of our engagement.

EQA shall not be liable for any loss incurred because of information or data provided by the Issuer.

In the event of any discrepancy between the English and Spanish versions of this statement, the Spanish version prevails.

Restriction of distribution and use of this statement: at the discretion of the Issuer.



European Quality Assurance Spain S.L. - EQA is an international environmental, social, and corporate governance (ESG) certification and verification body, whose purpose is to instill trust on the market regarding the integration of sustainability factors in the strategy and operation of organizations.

EQA is the first Spanish verifier approved by **Climate Bond Initiative - CBI**.

EQA operates globally and provides **Verification Services for Sustainable Financial Instruments, Impact Verification, and the Verification of Socially Responsible Investments**. It also provides verification services with regards to Climate Change, Corporate Social Responsibility, Compliance and R&D&I, inter alia.

EQA's policies and procedures support **excellence, quality, and independence**. It undertakes to provide its customers with high added value products and services for stakeholders because of its technical expertise and scientific research in collaboration with a great network of scientific experts, universities, and research centres across the world.

For more information, please visit: <https://eqa.es/>

