

CAJA RURAL DE NAVARRA SUSTAINABILITY BOND

FRAMEWORK OVERVIEW AND SECOND OPINION BY
SUSTAINALYTICS

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TABLE OF CONTENTS

FRAMEWORK OVERVIEW AND SECOND OPINION BY SUSTAINALYTICS	1
1. Introduction	3
2. Company profile	3
3. Framework overview	4
3.1 Use of Proceeds	4
3.2 Project Evaluation and Selection Process	7
3.3 Management of Proceeds	7
3.4 Reporting	8
4. Sustainalytics' Opinion	9
Conclusion	11
APPENDICES	12
Appendix 1: List of KPIs	12
Appendix 2: Alignment with Green Bond Principles	13
Appendix 3: European Union Framework for Rural Development Programmes	18
SUSTAINALYTICS	20

1. INTRODUCTION

Caja Rural de Navarra has engaged Sustainalytics to provide a second opinion on its sustainability bond issuance and the bond's environmental and social credentials. As part of this engagement, Sustainalytics held conversations with various members of Caja Rural de Navarra's management team to understand the sustainability impact of their lending, and planned use of proceeds for the bond issuance. Sustainalytics also reviewed relevant public and internal documents. This document contains two sections: Framework Overview – summary of the Caja Rural de Navarra Sustainability Bond framework; and Sustainalytics' Opinion – an opinion on the framework.

2. COMPANY PROFILE

Caja Rural de Navarra is a cooperative, regional and retail focused bank that provides banking and financial services in northern Spain: Basque Country, Navarre and La Rioja. It was established in 1910 as the central institution for local co-operatives of the region; since 1946, it has evolved to become a regional co-op bank, with its customers now based both in rural and in urban areas. Its customer segments include individuals, retailers, Small and Medium Enterprises (SMEs), large corporates, and institutions. It offers a range of products and services- mortgage and consumer loans, financing for businesses, demand and time savings products, investment services, guarantees, debit and credit cards, and also engages in insurance brokerage activities.

Additionally, Caja Rural de Navarra is a part of the Caja Rural Group, a financial group for Spanish cooperative banking institutions, whose model is based on the European cooperative credit movement. In its 2015 Annual Report, Caja Rural de Navarra discloses that as a cooperative bank that is a member of the Caja Rural Group, it is subject to Spanish legal acts and the Caja Rural Group's articles of association. In accordance with these, Caja Rural de Navarra maintains a Social Welfare Fund, to which it donates ten percent of its annual profits. The objective of the Social Welfare Fund is to "promote the cooperative model and foster relationships between cooperative entities," and to develop social and environmental initiatives that are beneficial to the community it serves. These social and environmental standards also serve as a broad sustainability framework for Caja Rural de Navarra's existing portfolio of loans; the strategy for loan origination has priorities that are coherent and complementary with those of the Social Welfare Fund. These priorities include social housing, entrepreneurship, sustainable agriculture, renewable energy, SMEs and micro finance, and social inclusion. Additionally, Caja states it regularly tracks its loans to ensure adherence to this sustainability framework. The tracking is based on internal guidelines, or officially defined external criteria (as is the case with social housing and SME financing).

Furthermore, the legal structure of Caja Rural de Navarra is that of a "Credit cooperative," i.e. borrowers are also shareholders ("cooperative members") of the bank. The borrowers are able to take part in the corporate governance of Caja through a democratic, co-operative process managed through governing bodies (General Assembly and Board of Directors). The borrowers' inputs are then used to determine the strategy of the bank, grounding it in an approach that engages stakeholders.

To maintain its identity as a European cooperative grounded in the success of local communities, and to extend the track record of its Social Welfare Fund to its lending portfolio, Caja Rural de Navarra is planning to issue a sustainability bond. The bond will finance lending to projects or activities focused on sustainable agriculture, renewable energy, energy efficiency, sustainable forest management, waste management, social housing, education, and economic inclusion that are eligible according to the Use of Proceeds criteria outlined in the Framework Overview.

3. FRAMEWORK OVERVIEW

Caja Rural de Navarra is issuing a sustainability bond to finance lending to projects or activities that are focused on environmental sustainability and creating social impact in local communities. The projects funded through the bond will align with Caja's internal sustainability principles as reflected in its Social Welfare Fund, and its core identity as a local and regionally focused cooperative. The following section summarises Caja's sustainability bond framework, including the use of proceeds, process for project selection, the management of proceeds, and reporting.

3.1 Use of Proceeds

The proceeds of the sustainability bond will be allocated towards lending to projects or activities that are eligible as per the criteria specified below.

Eligibility Criteria

To be eligible for loans financed through the sustainability bond proceeds, the projects or activities funded must meet one or more of the following eligibility criteria:

1. CATEGORY: SUSTAINABLE AGRICULTURE

- i. Reduce methane or Green House Gas (GHG) emissions resulting from agriculture or livestock management. Examples of qualifying projects include management of manure using bio-digesters, and the use of rangeland management techniques.
- ii. Develop or operate agricultural, food production, or food processing facilities (such as buildings and equipment) that have reduced GHG emissions.
- iii. Produce or use equipment/technologies that decrease the GHG emissions of core agricultural inputs and processes, such as irrigation, warehousing, transportation, crop protection, fertilizers, and animal feed.
- iv. Develop or operate infrastructure/services/processes that reduce waste and post-harvest losses, including through increasing the efficiency of food resource use. An example of such an activity is the repurposing of wasted human food as animal feed.

- v. Improve or reduce the depletion of existing carbon pools. Examples of qualifying projects/activities include reducing fertilizer use, collecting and re-using agricultural waste, and rehabilitating degraded lands.

2. CATEGORY: RENEWABLE ENERGY

- i. Generate electricity from renewable sources such as solar power, wind power, geothermal, hydropower.
- ii. Develop, produce, or distribute bio-based fuels that achieve at least a 50% reduction in GHG emissions as compared to fossil fuels used in transport, heating, or electricity generation
- iii. Develop or operate transmission infrastructure and systems that (a) facilitate the inclusion of renewable energy into the grid, (b) support the distribution of bio-fuels (same emissions reduction criteria applies as above), (c) are wholly dedicated to energy from renewable sources, or (d) improve existing systems to facilitate the integration of energy from renewable sources into the grid
- iv. Manufacture components whose sole purpose is use in renewable energy technologies

3. CATEGORY: ENERGY EFFICIENCY

- i. Develop or use products/technologies that reduce the energy consumption of the underlying asset/system
- ii. Manufacture components whose sole purpose is use in energy efficiency products/technologies

4. CATEGORY: SUSTAINABLE FOREST MANAGEMENT

- i. Execute the afforestation (including development of plantations) of non-forested land
- ii. Reforest previously forested land

5. CATEGORY: WASTE MANAGEMENT

- i. Develop or use technology/equipment that increases resource use efficiency to decrease waste, or that reduces waste production

6. CATEGORY: AFFORDABLE HOUSING

- i. Provide social housing mortgages to disadvantaged populations, as defined by the requirements set by regional governments. These requirements can include criteria such as income level, number of family members, number of aged/disabled people within the family, relevant immigrant background of the family, violence experienced by women in households, and single parent households.
- ii. Provide affordable housing in the form of old age residences to the elderly

7. CATEGORY: SOCIAL INCLUSION

- i. Construct cultural facilities such as community centers for socially/economically marginalized groups such as physically or mentally disabled populations.
- ii. Provide job training programmes or facilities to youth, unemployed, physically or mentally disabled populations, or any other socially/economically marginalized groups
- iii. Improve the teaching and use of languages, including minority regional languages, immigrant languages, and Spanish language learning activities for immigrants.

8. CATEGORY: EDUCATION

- i. Construct buildings or lab facilities in schools. Examples of school buildings include (but are not limited to) gyms, computer labs, libraries, vocational school buildings.
- ii. Construct university campus buildings or facilities at any public and non-profit university campus.

9. CATEGORY: ECONOMIC INCLUSION

- i. Provide microfinance loans or loans to increase financial inclusion that (a) are less than EUR 25,000 in size, or (b) are granted to individuals through branches of Caja Rural de Navarra located in villages with a population below 3,000 and with average annual income below that of the regional average (EUR 18,213¹)
- ii. Provide micro enterprise financing and lending to micro-entrepreneurs, as per the definition specified by the European Union (EU). The EU defines a micro-enterprise as an organisation that meets two of the following three criteria- (a) has fewer than 10 employees; (b) has a balance sheet below EUR 2 million; (c) has a turnover below EUR 2 million
- iii. Provide financing and lending to Small and Medium Enterprises (SMEs), as per the definition specified by the EU. The EU defines a SME as an organisation that meets two of the following three criteria- (a) have fewer than 250 employees; (b) have a balance sheet below EUR 43 million; (c) have a turnover below EUR 50 million

¹Source : Navarra Statistical Institute <http://www.navarra.es/AppsExt/GN.InstitutoEstadistica.Web/informacionestadistica.aspx?R=1&E=3>

Exclusionary Criteria

Caja Rural de Navarra has developed a list of exclusionary criteria for the proceeds of this sustainability bond. Caja Rural de Navarra commits itself to not knowingly be involved in financing any of the following projects/activities through the proceeds of this sustainability bond:

1. Large scale hydro projects (i.e. projects that generate greater than 20 MW of electricity)
2. Technology and equipment for large scale hydro projects
3. Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated
4. Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas
5. Payday loans and predatory lending activities
6. Lending to micro-enterprises or SMEs that (a) manufacture alcohol, or (b) are wholesalers of alcoholic beverages
7. Lending to micro-enterprises or SMEs that (a) manufacture tobacco products, or (b) are wholesalers of tobacco products
8. Lending to micro-enterprises or SMEs that own or operate gambling establishments/activities
9. Lending to micro-enterprises or SMEs that are involved in (a) the manufacture of weapons and small arms, or (b) the retail sale and distribution of weapons and small arms, or (c) the production of products and services supporting the manufacture or retail sale of weapons and small arms.
10. Lending to micro-enterprises or SMEs that are involved in the extraction, refining, or transportation of fossil fuels.
11. Lending to micro-enterprises or SMEs that are involved in the production or refining of palm oil.

3.2 Project Evaluation and Selection Process

The loans financed through the proceeds will be evaluated for financial viability by the Credit Risk department, and for alignment with the eligibility criteria by the Sustainability Committee. The Sustainability Committee will be coordinated by the Treasury department, and will consist of representatives from the primary departments involved in lending activities (Corporate department, Institutional Clients department, Housing department, and the Risk department).

3.3 Management of Proceeds

The proceeds from the bond will be placed in Caja Rural de Navarra's treasury and managed by the Treasury and Capital Markets department. The proceeds from the bond will be allocated directly to existing or new loans. Caja has confirmed that at the time of issue, it expects to have a sufficient number of existing loans to utilize the entire proceeds of the sustainability bond, and that this number of loans also comply with the exclusionary criteria above established for the amount of the proceeds of the bond.

Caja has also disclosed that book liquidity of any potential unallocated funds will be managed in line with the standard processes of the Treasury department. Liquidity will be managed mainly by investing in OECD sovereigns and sub-sovereigns.

Caja Rural de Navarra has disclosed to Sustainalytics that its Treasury and Capital Markets department (in collaboration with other relevant departments) has established an internal process to manage the allocation of net proceeds to eligible loans. Caja's internal system classifies and tags all sustainable loans as either sustainable by the nature of the client, or sustainable by the purpose of the loan. Loans that are tagged as sustainable by their particular purpose are categorized into a spreadsheet where each sustainable loan is a separate line item, and each eligible category is marked by a separate column. Each sustainable loan is then matched to an eligible category described under the Use of Proceeds section of this framework (section 3.1). Loans that are matched to multiple eligible categories will be assigned a primary eligible category. All other eligible categories will not be used for allocation, avoiding any duplicity. The rationale for selecting the primary eligible category will be transparently outlined in a separate section in the ongoing reporting to investors. This reporting will also be publicly available on Caja Rural de Navarra's website.

3.4 Reporting

Allocation Reporting

Caja Rural de Navarra has confirmed that on an annual basis, it will disclose the allocation of proceeds to each eligible category outlined in the framework. Specifically, it will disclose the following information- (i) the outstanding amount of its loan book, disaggregated by eligible categories; (ii) the outstanding number of loans, disaggregated by eligible categories; and (iii) number of borrowers (individuals and enterprises), disaggregated by eligible categories.

This disclosure will be made in a separate section in the ongoing reporting to investors, which will also be publicly available on Caja Rural de Navarra's website. Additionally, Caja Rural de Navarra has confirmed that its annual report will include a special section on allocation of bond proceeds. This annual report will be audited by the external auditor.

Impact Reporting

Where feasible, Caja Rural de Navarra has committed to reporting on Key Performance Indicators (KPIs) in aggregate for each eligible category. This disclosure will be made in a separate section in the ongoing reporting to investors, which will also be publicly available on Caja Rural de Navarra's website. Please see Appendix 1 for a full list of KPIs. Where feasible, Caja Rural de Navarra has committed to reporting on Key Performance Indicators (KPIs) in aggregate for each eligible category. It has also committed to making its best efforts to improve KPI reporting over time. At the date of issuing of this report, Caja Rural de Navarra has confirmed the availability of most KPIs on Affordable Housing and Economic Inclusion.

4. SUSTAINALYTICS' OPINION

The role of cooperative lending in advancing the Sustainable Development Goals through rural socio-economic development: The Sustainable Development Goals (SDGs) were set in September 2015 through a multi-stakeholder partnership, and form an agenda for achieving sustainable development by the year 2030. These goals are widely considered to be the next step to the Millennium Development Goals (MDG), which were time-bound to 2015. Unlike the MDG's, the SDGs emphasize the elimination of inequality and disparity in opportunity globally, in both developed and developing countries.

In particular, the SDGs emphasize the importance of rural socio-economic development in achieving its second goal of "Zero Hunger". This goal aims to "end hunger, achieve food security and improved nutrition, and promote sustainable agriculture" by 2030.² Key targets associated with this goal include doubling agricultural productivity of small-scale food producers, ensuring sustainable food production systems, strengthening capacity of agricultural ecosystems to adapt to climate change, and increasing investment in rural infrastructure.

Credit cooperatives play a significant role in promoting rural socio-economic development and advancing the SDG described above. The value of co-operatives is derived from their ability and willingness to offer credit to financially excluded or underserved populations that do not have collateral to secure loans. Such lending fosters both economic and social development of rural or underserved regions by growing economic activity, developing infrastructure, and creating social networks.³

Caja Rural de Navarra's lending to eligible projects described in the framework is focussed in the rural towns of Navarra, La Rioja, and Alava provinces. These towns have a population under 3,000 inhabitants, an average annual income that is less than the regional average of EUR 18,213, and are traditionally not served by other financial service providers due to their remote nature. By serving these rural and remote towns, Caja Rural de Navarra is playing a key role in promoting their socio-economic development, and in advancing the second "Zero Hunger" SDG. The Sustainable Agriculture eligibility criteria in particular is well aligned with the targets of the second SDG described above.

Alignment with rural development priorities in Spain: Of the total land area covered by Spain (approximately 505,991 km²), 80% is rural. According to the European Commission's National Rural Development Programme (NRDP) for Spain, Spanish rural areas are challenged by a high youth unemployment rate of over 50%, making socio-economic development of rural areas an important national priority.⁴

² Sustainable Development Goals <https://sustainabledevelopment.un.org/?menu=1300>

³ The Role of Co-operative Banking Systems in the European Union-27: An Analysis of the Spanish Case, http://www.agriculturaits.cz/cz/pdf_files/vol_42_3_pdf/melian.pdf

⁴ European Commission, Factsheet on 2014-2020 National Rural Development Programme for Spain, http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/es/factsheet_en.pdf

The NRP for Spain is based on the European Union's (EU) rural development framework that outlines 6 common European priorities for rural development (see Appendix 3 for details)⁵. Of these 6 European priorities, 3 are particularly relevant to the regional context of Navarra and La Rioja. These 3 priorities are reflected in the Regional Rural Development Programmes for Navarra and La Rioja, and are outlined in Table 1.

Table 1: European rural development priorities relevant to regional context of Navarra and La Rioja

Rural Development Priority	Region
Promoting resource efficiency and a low-carbon economy in agriculture and forestry	Navarra
Increasing the use of innovative and efficient farm technologies to enhance the competitiveness of rural agriculture	Navarra, La Rioja
Restoration of agricultural and forestry ecosystems	Navarra, La Rioja

As per the European Commission factsheet on Navarra's Rural Development Programme, agriculture and livestock management are two important industries for the region.⁶ This makes increasing the competitiveness of the agricultural sector while simultaneously enhancing its sustainability an important regional challenge for Navarra. A relevant example is the use of irrigation in agriculture; 13.5% of utilised agricultural area in Navarra is irrigated. Shifting to more efficient irrigation systems is an important objective for agriculture in Navarra in order to both increase competitiveness and maintain resource efficiency.⁷ Similarly, as 42.1% of Navarra is identified as forest area, sustainable forest management is an important objective for the region. Given this scenario, using the bond proceeds to lend according to the eligible categories of Sustainable Agriculture and Sustainable Forest Management is well aligned with Navarra's rural development priorities.

The rural development challenges faced by La Rioja also have a distinct context. In La Rioja, the small size of farmlands (50% of the farms are sized at less than 5 hectares) poses a challenge to the competitiveness of the agricultural sector.⁸ This has made promoting the use of innovative farm technologies a necessity. In addition, La Rioja has a higher proportion of ageing population than the national and EU average, marking the need for targeted social inclusion activities.⁹ Given this context, using the bond proceeds to lend according to the categories of Sustainable Agriculture and Social Inclusion is well aligned with La Rioja's rural development priorities.

⁵ European Commission, 2014-2020 Rural Development Framework, http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm

⁶ European Commission, Factsheet on 2014-2020 Rural Development Programme for Navarra; http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/es/factsheet-navarra_en.pdf

⁷ European Network for Rural Development, 2014-2020 Rural Development Programme for Navarra: Key facts & figures; https://enrd.ec.europa.eu/sites/enrd/files/es_navarra_rdp_qnt_summary_v1.pdf

⁸ European Commission, Factsheet on 2014-2020 Rural Development Programme for La Rioja; http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/es/factsheet-rioja_en.pdf

⁹ European Commission, Factsheet on 2014-2020 Rural Development Programme for La Rioja; http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/es/factsheet-rioja_en.pdf

A track record of executing social and environmental initiatives in communities: As a credit cooperative with origins in lending to traditionally underserved rural communities, Caja Rural de Navarra has a strong track record of contributing to the economic and social development of the communities it serves. This is best exemplified by its Social Welfare Fund; Caja annually utilizes ten percent of its profits to develop social and environmental initiatives that are beneficial to the local communities. These initiatives range from promoting environmental awareness in schools, to funding programs that improve the quality of life of socially or economically marginalized populations, such as the elderly. Such activities developed by the Social Welfare Fund that are targeted to marginalized populations demonstrate that Caja Rural de Navarra's approach to social impact is well aligned with industry norms such as Social Bond Guidance. Additionally, Caja Rural de Navarra's track record in managing the Social Welfare Fund also exhibits the organization's capacity to responsibly execute social and environmental projects in local communities. Based on the above, Sustainalytics is of the opinion that Caja Rural de Navarra carries a low degree of reputational risk with regards to community oriented social and environmental activities, and is well positioned to issue a sustainability bond.

Alignment with Green Bond Principles 2016 and Social Bond Guidance

Sustainalytics is of the opinion that Caja Rural de Navarra's sustainability bond follows the guidance provided by the Green Bond Principles 2016, and adheres to its four pillars. Please see Appendix 2 for more details. In addition, Sustainalytics is of the opinion that Caja de Navarra's sustainability bond is well aligned with the 2016 Social Bond Guidance, due to (a) the nature of the social projects described in the eligibility criteria, and (b) the targeted nature of the towns served, and the targeted nature of the socially/economically marginalized communities served within these towns. Given the remote and underserved nature of these rural towns, their lower level of average annual income, and the targeted nature of Caja's eligibility criteria that ensures the inclusion of marginalized groups, Sustainalytics is of the opinion that Caja's social lending activities are in line with market best-practices and can be expected to provide a high level of impact to underserved communities.

Conclusion

By issuing a sustainability bond to finance socio-economic development of rural towns in Spain, Caja Rural de Navarra is acting in accordance with its sustainability framework, and is capitalizing on its strong track record of executing social and environmental initiatives in communities.

Sustainalytics is of the opinion that Caja Rural de Navarra's sustainability bond framework is transparent and robust. Given the national and regional context described in the opinion, the eligibility criteria established by Caja Rural de Navarra for the proceeds of this sustainability bond are aligned with European, Spanish, and regional priorities for rural development. In particular, the promotion of rural lending through the eligibility categories of Sustainable Agriculture, Sustainable Forest Management, Economic Inclusion, and Social Inclusion can be considered an important step towards meeting the rural development challenges of Navarra and La Rioja. Additionally, the socio-economic development promoted by Caja's lending in rural areas is an important step in advancing the SDG of Zero Hunger. The Sustainable Agriculture eligibility category outlined in the framework is particularly well aligned with the targets of the second SDG.

APPENDICES

Appendix 1: List of KPIs

Category	KPIs
Sustainable Forest Management	Area of land reforested (hectares or acres)
	Area of previously non-forested land that is forested (hectares or acres)
Social Housing	Number of mortgages provided as per regional government requirements
	Number of disadvantaged families housed in social housing
Education	Number of students served by the buildings/facilities constructed, as measured by building/facility capacity
Social Inclusion	Unemployment rate in region where job training programmes are offered
	Number of people enrolled in job training programmes
	Number of people enrolled in language classes/programmes. This includes programmes that promote learning or use of minority languages, or other cultural inclusion programmes aligned with the eligibility criteria
Economic Inclusion	Proportion of microfinance, micro-enterprise, and SME loans successfully repaid
	Proportion of microfinance loan recipients with successful micro-businesses
	Number of people employed by micro-enterprises or SMEs
	Default rate of loan recipients

Appendix 2: Alignment with Green Bond Principles

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Caja Rural de Navarra

Review provider's name: Sustainalytics

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section (if applicable):

Caja Rural de Navarra's project eligibility criteria align with its internal sustainability framework, as reflected in its Social Welfare Fund, and as extended to its lending activities. Additionally, eligibility criteria for Affordable Housing, Social Inclusion, Education, and Economic Inclusion also align with external norms like the Social Bond Guidance. Sustainalytics considers the eligibility criteria for the use of proceeds to be credible. Based on its review, Sustainalytics is of the opinion that by lending to eligible projects/activities described in the framework, Caja Rural de Navarra will contribute to socio-economic development of rural areas. Additionally, Sustainalytics considers the intended environmental and social impact of the eligibility criteria to be aligned with regional rural development priorities in Navarra and La Rioja.

Please note that Sustainalytics is using the Green Bond Principles review form in order to demonstrate this Sustainability Bond's alignment with both, the Social Bond Guidance, and the GBP. Combined, the Social Bond Guidance and GBP speak to the environmental and social impact of the bond proceeds, and provide transparency about the selection process, management of proceeds, and allocation and impact reporting.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Sustainable Agriculture; Waste Management; Social use of proceeds: Affordable Housing, Social Inclusion, Education, Economic Inclusion |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

If applicable please specify the environmental taxonomy, if other than GBPs: N/A

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The loans funded through bond proceeds will be selected in accordance with the eligibility criteria outlined in the framework. Caja Rural de Navarra's Sustainability Committee will work with the Credit Risk department to select eligible projects based on financial viability and alignment with the eligibility criteria. Sustainalytics is of the opinion that the process to select loans for use of bond proceeds is robust.

Evaluation and selection

- Defined and transparent criteria for projects eligible for Green Bond proceeds
- Summary criteria for project evaluation and selection publicly available
- Documented process to determine that projects fit within defined categories
- Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- Other (*please specify*):
- In-house assessment

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Caja Rural de Navarra has sufficient oversight over the management of proceeds. Caja has established a formal process to ensure proceeds from the bond are segregated and allocated to eligible loans. There is also a detailed process to avoid double allocation towards loans that qualify according to multiple eligibility criteria.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

Caja Rural de Navarra has confirmed that it will annually disclose the allocation of proceeds to each eligible category outlined in the framework. Specifically, it will disclose the following information- (i) the outstanding amount of its loan book, disaggregated by eligible categories; (ii) the outstanding number of loans, disaggregated by eligible categories; and (iii) number of borrowers (individuals and enterprises), disaggregated by eligible categories. In addition, Caja Rural de Navarra will also report on impact of the projects/activities funded by the loans, where feasible.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

Information reported:

- Allocated amounts
- GB financed share of total investment
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (*please specify*): On an ongoing basis to investors

Information reported (expected or ex-post):

GHG Emissions / Savings Energy Savings

Other ESG indicators (*please specify*):

Please see Appendix 1 of Framework for a full list of KPIs

Means of Disclosure

- | | |
|--|--|
| <input checked="" type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Impact reporting will be published on Caja Rural de Navarra's website |
| <input checked="" type="checkbox"/> Reporting reviewed (<i>if yes, please specify which parts of the reporting are subject to external review</i>): Allocation reporting published in the annual review will be subject to an external audit | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<http://www.cajaruraldenavarra.com/inicio.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s): N/A

Date:

Appendix 3: European Union Framework for Rural Development Programmes¹⁰

Member States and regions draw up their rural development programmes based on the needs of their territories and addressing at least four of the following six common EU priorities:

1. Fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
2. Enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;
3. Promoting food chain organisation, animal welfare and risk management in agriculture;
4. Restoring, preserving and enhancing ecosystems related to agriculture and forestry;
5. Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

¹⁰European Commission, 2014-2020 Rural Development Framework, http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm

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SUSTAINALYTICS

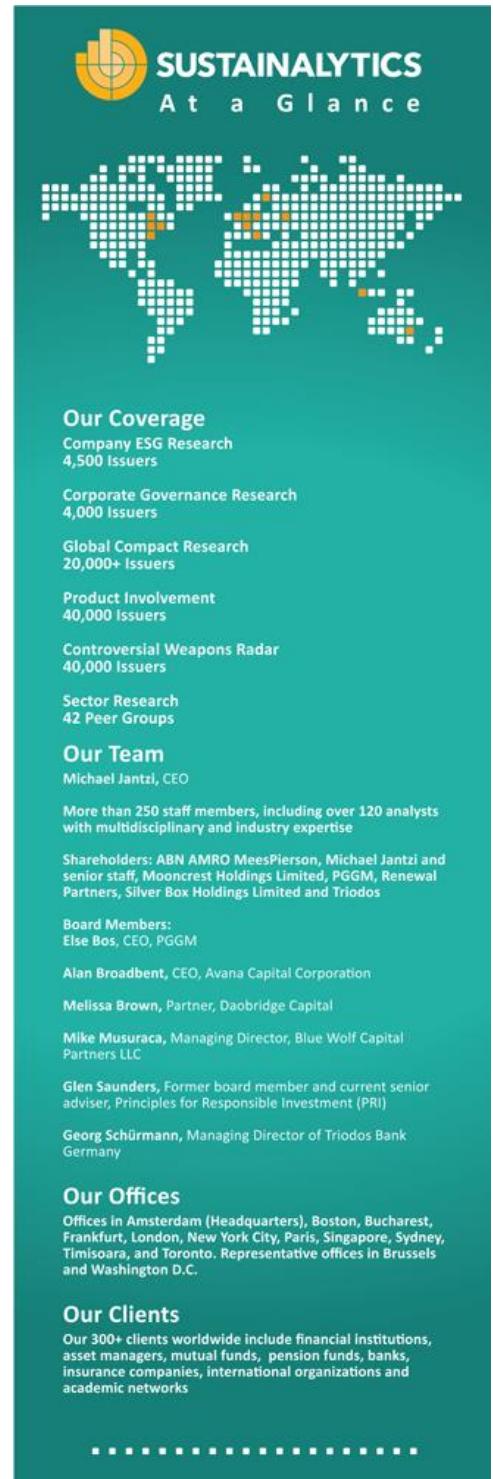
Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

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In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.



The slide is titled 'SUSTAINALYTICS At a Glance' and features a world map with orange dots indicating global coverage. It includes sections on 'Our Coverage' (Company ESG Research, 4,500 Issuers; Corporate Governance Research, 4,000 Issuers; Global Compact Research, 20,000+ Issuers; Product Involvement, 40,000 Issuers; Controversial Weapons Radar, 40,000 Issuers; Sector Research, 42 Peer Groups), 'Our Team' (Michael Jantzi, CEO; Else Bos, CEO, PGGM; Alan Broadbent, CEO, Avana Capital Corporation; Melissa Brown, Partner, Daobridge Capital; Mike Musuraca, Managing Director, Blue Wolf Capital Partners LLC; Glen Saunders, Former board member and current senior adviser, Principles for Responsible Investment (PRI); Georg Schürmann, Managing Director of Triodos Bank Germany), 'Our Offices' (Offices in Amsterdam (Headquarters), Boston, Bucharest, Frankfurt, London, New York City, Paris, Singapore, Sydney, Timisoara, and Toronto. Representative offices in Brussels and Washington D.C.), and 'Our Clients' (Our 300+ clients worldwide include financial institutions, asset managers, mutual funds, pension funds, banks, insurance companies, international organizations and academic networks).