

May 2021

# ACCIONA ENERGÍA'S SUSTAINABILITY- LINKED FINANCING FRAMEWORK

FINANCING THE SUSTAINABLE  
DEVELOPMENT GOALS

# INDEX

	<i>Page</i>
<hr/> <b>Strategy and Rational</b>	
Experts In Designing a Better Planet	2
Renewable Technologies	3
Regenerative Solutions	4
<hr/>	
<b>Sustainability Linked Financing Framework</b>	
Key Performance Indicators	6
Sustainability Performance Targets	9
Financial Characteristics	11
Annual Reporting	12
External Review	13

## REFERENCE

This financing framework has been developed and is based on the [Sustainability-Linked Bond Principles 2020](#) of the International Capital Market Association (ICMA) and the [Sustainability Linked Loan Principles 2020](#), published by the Loan Market Association (LMA).

ICMA's Sustainability-Linked Bonds aim to encourage companies that contribute to sustainability (from an environmental and/or social and/or governance perspective). ICMA's Sustainability-Linked Bond Principles provides guidelines that recommend structuring features, disclosure and reporting.

# STRATEGY AND RATIONAL

## EXPERTS IN DESIGNING A BETTER PLANET

Acciona Energías is an integrated renewable energy operator leading the corporate fight to mitigate the effects of the climate emergency and accelerate change towards a decarbonised energy model.

The company is the largest 100 % clean energy company in the world. It is currently the leader in the development, engineering, construction, operation and maintenance of renewable assets, supported by a stable growth model and guaranteed with near 14,000 MW of capacity installed or to start construction in 2021 and 2022.

CAER strengthens its innovative and technical capacity in developing renewable technologies, such as wind and photovoltaic power, with a greater degree of maturity and competitiveness. With near 10,700 MW of its own power installed in 16 countries across 5 continents it promotes investments in the renewable energy sector and low-carbon activities.



A different way of doing business that accelerates universal access to energy, to meet Global Goal 7 "Affordable and Clean Energy", and the adoption of a decarbonized energy model. CAER generates more than 24,000 GWh and supplies the equivalent of the demand of over 7 million households.

### ACCIONA ENERGÍA – A SINGLE PLATFORM

30 years of experience - single and multi-technology platform, with global reach

<p><b>Leading global operator</b> in renewable energies</p> <p><b>100% renewable generation</b> since inception - no legacy of fossil assets</p> <p><b>10,694MW</b> of total installed capacity</p> <p><b>24,075 GWh</b> of total production in 2020, equivalent to the consumption of 7.5 million households.</p> <p>Vertically <b>integrated model</b></p>	<p><b>Solid operational and financial results</b></p> <p><b>+30 years</b> of experience</p> <p>Assets in <b>16 countries</b> on <b>5 continents</b></p> <p><b>Largest 100% renewable marketer</b> in Spain, according to the CNMC</p> <p><b>6 renewable technologies</b>, including storage</p> <p>Historical <b>availability</b> of assets of 97% and <b>remote resolution</b> of 60% of technical incidents</p>	<p><b>Great capacities</b> in development and pioneer in <b>innovative solutions</b></p> <p><b>Best in class ESG credentials</b></p> <p><b>4th largest global developer</b> by <b>corporate PPAs</b> signed in 2020 (BloombergNEF ranking)</p> <p>Well positioned to benefit from the opportunities derived from the <b>Net Zero commitments</b></p>
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## RENEWABLE TECHNOLOGIES

CAER is the greatest independent worldwide operator engaged in producing electricity solely from renewable sources.



### SOLAR PHOTOVOLTAIC ENERGY

CAER is a pioneer in installation of large photovoltaic plants with capacity greater than 1MW. We build and operate some of the largest solar installations on the planet.



### WIND POWER

CAER is a global leader in development, construction, operation and maintenance of wind power facilities, with more than 25 years of experience.



### HYDROELECTRIC ENERGY

CAER has gained vast experience across the entire value chain of hydroelectric technology. This renewable energy is currently our second largest source of power generation after wind power.



### SOLAR THERMAL ENERGY

CAER led a revival of solar thermal energy in 2007. The company boasts extensive experience in the engineering, procurement, construction and operation of solar thermal plants.



### BIOMASS

At CAER, we are experts in sustainable biomass solutions across the entire value chain,, including the design, construction and operation of major biomass plants for large-scale power generation.

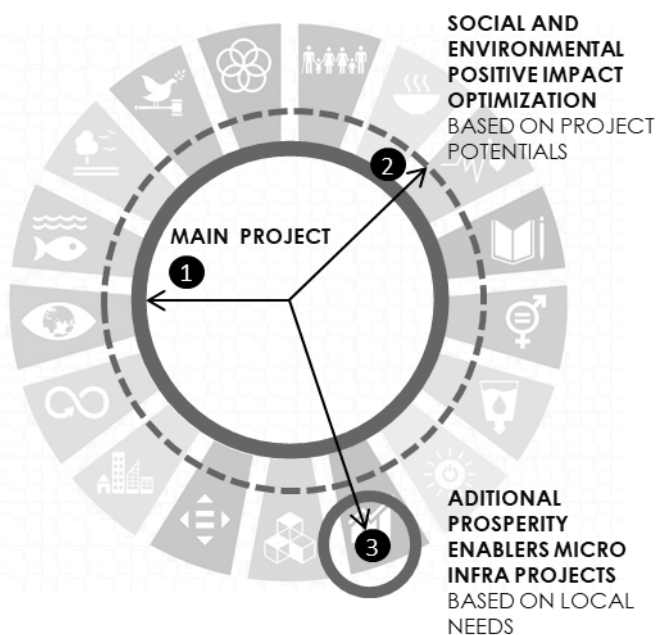
## REGENERATIVE SOLUTIONS

Leading the opportunities of the 2030 Agenda requires an approach in line with the nature of the challenge posed by the sustainability transformation. We need new actors to implement new approaches that transcend traditional sectors and unique projects capable of providing integrated solutions that combine capital, talent, technique and technology, in a different way.

ACCIONA Energía uses the term “regenerative” to refer to its approach to designing, building and operating infrastructures, so as to increase their positive social impact by multiplying their capacities to promote development — especially of the most vulnerable groups — while their environmental footprint tends to zero.

In order to multiply the positive impact on the community, starting from the conception or design phase, ACCIONA Energía analyzes the scope for increasing the value for the community. It then proposes alternatives and additional projects supported by rigorous socioeconomic studies, which seek to activate more levers of local development through the ACCIONA project.

With these actions, ACCIONA Energía increasingly contributes to the main enablers of progress, such as local employment and economic activity in the area, training, and access to basic services such as water and electricity.



- 1 **Infrastructure/Energy Project itself**
- 2 **Sustainability optimization:** benefits using the Project operations to increase impact on vulnerable people, employment, gender empowerment, full recyclability of waste, renewable energy use, etc.
- 3 **Additional prosperity enablers:** using the Project as a platform to develop other micro infra projects, based on SDGs needs such as connectivity, water, sanitation or energy for vulnerable people, entrepreneurship areas for social innovation, electric charging for zero carbon mobility, etc.



# SUSTAINABILITY LINKED FINANCING FRAMEWORK

## RATIONALE FOR ISSUING SUSTAINABILITY-LINKED BONDS

This Sustainability-linked Financing Framework is aligned with the Sustainability-Linked Bond Principles (SLBP) and the Sustainability-Linked Loan Principles (SLLP). The SLBP were published by the International Capital Markets Association (ICMA) in June 2020 and the SLLP by the Loan Market Association (LMA) in May 2020 to increase capital allocation to sustainability, through the achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified ESG objectives, measured by Key Performance Indicators “KPIs” and Sustainability Performance Targets (“SPT”). The following five components are the basis of ACCIONA Energía’s Sustainability-linked Financing Framework:

1. selection of key performance indicators (KPIs);
2. calibration of sustainability performance targets (SPTs);
3. specific bond characteristics;
4. reporting on the above, and
5. independent verification of the components listed in points 1-4.

## WHAT MAKES THIS FRAMEWORK DIFFERENT

ACCIONA Energía intends to use its Sustainability-linked Financing Frameworks as a tool to channel investment towards the low carbon economy and the global sustainability agenda, by linking the funding structure to corporate and local sustainable performance improvements based on the Sustainable Development Goals. This will be possible through the bilateral commitment of ACCIONA Energía and the financial markets, whose contribution through a margin adjustment will translate into a broader direct impact on the communities.

Accordingly, the capital allocated will contribute to sustainability, through the achievement of pre-determined, ambitious and material quantitative ESG objectives, which are monitored regularly and verified externally.

- **Corporate Performance targets:** *Based on Materiality.* Contribution to the Global Goals, as Paris Agreement on Climate, reducing the global footprint from own operations, aligned with the corporate strategy and representing a material improvement in the respective KPI trajectory.
- **Additional Local Impact targets:** *Based on Additionality.* Will capture the tangible social needs, contributing to the 2030 Agenda, additionally to ACCIONA Energía’s projects main contribution and maximizing the impact beyond its business.

The commitments established in this framework and their real tangible impact will be guaranteed in any case by ACCIONA Energía. In this sense, if the company fails to deliver the commitment impact as established in this framework, it will rely on third parties that, through penalty mechanisms, will provide the full targeted impact equivalent to the shortfall.

# KEY PERFORMANCE INDICATORS

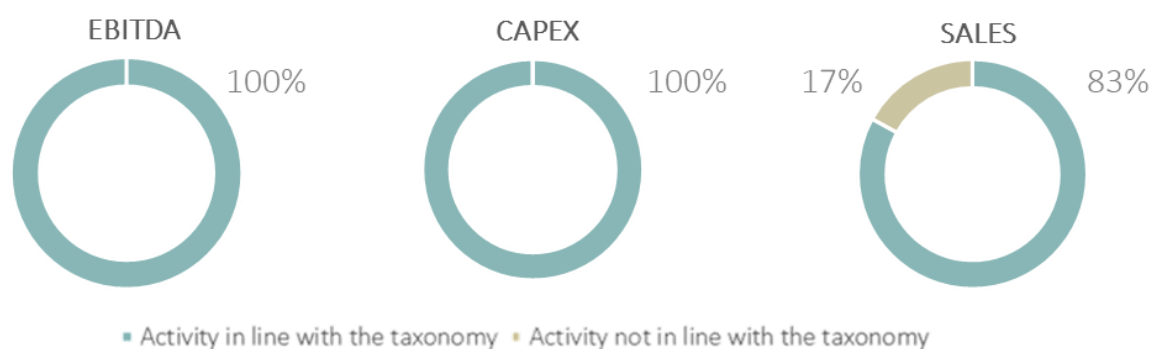
## CORPORATE PERFORMANCE

- **KPI 1 % CAPEX aligned with EU Taxonomy Regulation**

The EU Taxonomy, classifies economic activities into categories that are encompassed in macro sectors, and includes, for the time being, specific technical aspects for 2 of the 6 environmental objectives it pursues: mitigation and adaptation to climate change. In addition, all classifiable activity under the taxonomy must also comply with a minimum set of social safeguards and must not contradict any of the other four goals it pursues (water protection, transition to a circular economy, pollution control and healthy ecosystems).

The ACCIONA business model, focused on sustainability and with a balanced and resilient portfolio of projects, make the company a benchmark in the sector. ACCIONA uses sustainable financing mechanisms directed at projects and sustainable corporate financing. The strategic alignment with an investment in sustainable assets can be seen in the analysis that the company has been carrying out since 2019, when ACCIONA began to analyse its activities according to the criteria established by the European Union’s taxonomy of sustainable finances. ACCIONA was the first company to publish the degree of alignment with the demanding parameters established by this taxonomy.

In 2020, ACCIONA Energía carried out a classification of its activities using the criteria in the most recent version of the European taxonomy (draft Delegated Act at the end of 2020), so that 100% of CAPEX, 100% of EBITDA and 83% of the company’s sales meet the requirements established in relation to the mitigation of climate change.



Historical performance	2019	2020
% of taxonomy-compliant CAPEX	100%	100%

**Reporting in accordance to the taxonomy will be mandatory for large listed corporates in 2022, and will help direct investment flows to those sectors fundamental to achieving the sustainability goals behind the European Green Deal.**

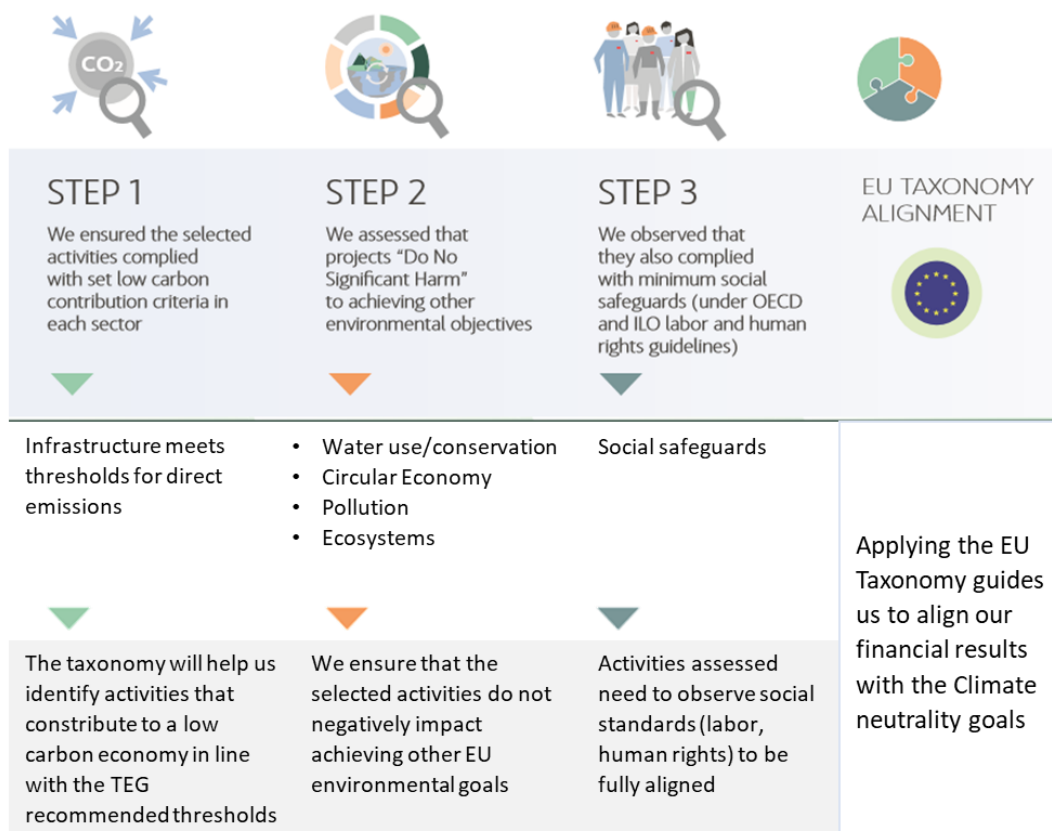
## CALCULATION METHODOLOGY

The calculation methodology will be based on the exposure of ACCIONA Energía to the technical selection criteria and minimum safeguards established by Regulation (EU) 2020/852 and associated delegated acts.

To meet the definition of an ‘environmentally sustainable economic activity’ (Article 2 of the Regulation) and thus be considered Taxonomy-eligible, ACCIONA Energía’s activities will:

1. **Meet the technical criteria** to one or more of the environmental objectives and to the technical screening criteria.
2. **Do no significant harm** to any other environmental objective (Do No Significant Harm (“DNSH”) criteria).
3. **Comply with minimum social safeguards** (these are defined as ILO core labour conventions, the OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.).

Therefore, ACCIONA Energía’s economic activities, even when making a substantial contribution to climate change mitigation and/or adaptation, may not be Taxonomy-eligible if they cause significant harm to the remaining environmental objectives or they do not comply with the social safeguards considered to be a prerequisite.





ADDITIONAL LOCAL IMPACT



**KPI 2 Net POSITIVE by Nature-Based Solutions**

Since 2015 an estimated **10 million hectares of forests** have been lost every year. Nature-based Solutions are inspired and supported by nature, simultaneously provide environmental, social and economic benefits and help build resilience. Such solutions bring natural features through locally adapted, resource-efficient and systemic interventions

ACCIONA Energía is committed to the Paris Agreement and to limit the global temperature rise to 1.5°C above pre-industrial levels. This includes a commitment to reduce 60% of our GHG emissions (scope 1 and 2) by 2030 by drastically reducing GHG emissions and incorporate Nature-Based Solutions (NBS) that are equal or equivalent to planting trees.

ACCIONA Energía currently complies with this emissions reduction path being substantially ahead of this commitment. The sum of Scope 1 and Scope 2 CO<sub>2</sub>e emissions generated in 2020 was 25,633 tonnes, of which 9,116 tCO<sub>2</sub>e were Scope 1, and 16,517 tCO<sub>2</sub>e were Scope 2 market-based.

	2017	2018*	2019*	2020*	2021	2022
<b>% of Reduction vs 2017</b>	0%	4.62%	9.23%	13.85%	18.46%	23.08%
<b>Absolute Emissions (Scope 1 &amp; 2 market based)</b>	48,508	46,269	44,030	41,792	39,553	37,314

\* 2018, 2019 and 2020 data correspond to the maximum emissions that should have been emitted in those years.

2023	2024	2025	2026	2027	2028	2029	2030
27.69%	32.31%	36.93%	41.54%	46.15%	50.77%	55.38%	60.00%
35,075	32,836	30,597	28,359	26,120	23,881	21,642	19,403

With this effort, the company will go beyond achieving net positive carbon emissions to actually create an environmental benefit by removing additional carbon dioxide from the atmosphere.

This activity facilitates the achievement of the 2030 Agenda's Sustainable Development Goal 15 "Life on Land" to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. Especially to its target: "15.2 promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally".

# S U S T A I N A B I L I T Y P E R F O R M A N C E T A R G E T S

## CORPORATE PERFORMANCE

- **SPT 1 Average >95% of CAPEX aligned with the EU Taxonomy Regulation**

ACCIONA Energía commits to keep an average above 95% of its CAPEX aligned with the EU Taxonomy in the period 2021 - 2025, calculated with respect to ACCIONA Energía's exposure to the activities described within the taxonomy. ACCIONA Energía will establish intermediary milestones to reach this target yearly, in any case, the real cumulative progress will be measured after the period.

Intermediary milestones and SPT	2021	2022	2023	2024	2025	TOTAL
% of taxonomy-compliant CAPEX	>95%	>95%	>95%	>95%	>95%	<b>&gt;95%</b>

In the event of any updates on the current Report of the Technical Expert Group on Sustainable Finance, and in order to maintain a consistent calculation methodology over time, ACCIONA Energía will consider the baseline calculation methodology as a guideline to allow comparability.

### Factors that support the achievement of the Targets:

- ACCIONA Energía is the world's largest energy operator working exclusively with renewable energy.
- Commitment to impulse EU Taxonomy aligned investments in its operations, through the 2025 Sustainability Master Plan.
- Sustainable by design. Mitigation and adaptation criteria are incorporated from the design at the initiative of ACCIONA Energía value chain.
- Important activity in the field of innovation that has led to changes in our processes that have allowed us to reduce emissions every year.
- Enhanced due diligence and implementation of a human rights respect, protection and remediation programme for all activities and markets.

### Factors that risk the achievement of the Targets:

- Taxonomy requirements includes do not significant harm provisions and social safeguards that must be compliant.

## ADDITIONAL LOCAL IMPACT

- **SPT 2 Net POSITIVE by Nature-Based Solutions**

ACCIONA Energía commits to achieve net positive GHG emissions by Nature-Based Solutions (NBS), capable of neutralising the carbon footprint (scope 1 & 2 market-based emissions) of the company in the period starting from the date when the resources are made available until 2025.

This commitment is carried out by planting trees or the equivalent certified nature-based solutions<sup>1</sup> for an amount of CO2 equal to or greater than the company's scope 1 and 2 emissions.

The table shows the number of trees to be planted in the period, considering a emissions reduction path aligned with the 1.5°C scenario approved by the Science Targets Initiative (SBTi).

ACCIONA Energía will establish intermediary milestones to reach this target yearly, in any case, the real cumulative progress will be measured after the period.

Intermediary milestones	2021*	2022	2023	2024	2025	TOTAL
Trees planted	70,000	117,500	117,500	117,500	117,500	540,000

\* To achieve the net positive emissions of the first year, the number of trees to be planted in 2021 will be calculated considering the carbon footprint (scope 1 & 2 market-based emissions) from the date when the funds are made accessible (disbursement date).

### Factors that support the achievement of the Targets:

- Nature Based Solutions can outweigh the cost of other engineered or technological alternatives being an effective and a cost effective model.
- If needed, an active cooperation and coordinated action between stakeholders with align priorities, interest, or values will ensure a successful implementation program.
- Use of standardized principals and frameworks to scale NBS sustainably.

### Factors that risk the achievement of the Targets:

- High level of long-term commitment is required as NBS outcomes take years to yield their benefits.
- Identifying appropriate indicators and metrics for the ecological effectiveness of nature-based interventions.
- International, national and local climate and nature based solutions policies and practices are evolving over time.
- An inadequate implementation of NBS can compromise biodiversity, livelihood, water, and climate at scales from which it would be difficult to pull back.

<sup>1</sup> Data has been calculated based on [MITECO \(Spanish Ministry for Ecological Transition\)](#), and the [Guide for estimating carbon dioxide absorption](#), with an average CO2 absorption rate of 0.29 tons CO2 per tree planted in 30 years with respect to all native species of Iberian flora.

## FINANCIAL CHARACTERISTICS

### CORPORATE PERFORMANCE: SPT 1

The SPT 1 will not have implications on the applicable loan/credit margin (the “Margin”). However, if ACCIONA Energía has not met SPT 1 by the Reference Date, as specified in the relevant documentation of the specific transaction, the company will make a contribution to the United Nations Environment Programme (UNEP) to remove 500 tCO<sub>2</sub>e per each M€ of CAPEX shortfall relative to SPT 1, using Nature-Based Solutions.

### LOCAL IMPACT TARGETS: SPT 2

Based on the achievement of SPT 2 annual targets, the Margin may vary in the following manner:

Annually:

- If the annual targets are met, the resulting applicable Margin would be reduced by 5 bps (the "Sustainability Discount" ). In case the current Margin reflects the benefit from the Sustainability Discount, no additional Margin reduction will be applied; or
- If the annual targets are not met, the applicable Margin will revert to the initial Margin (i.e. an increase in 5 bps), in the case the current Margin reflects the benefit from the Sustainability Discount. If the current Margin is the same as the initial Margin, no further increase will be applied.

At maturity (or prepayment/cancellation):

- If on the Reference Date, the real cumulative progress with respect to SPT 2 lies below the path implied by the committed annual targets, the company will make a contribution to the United Nations Environment Programme (UNEP) equivalent to the shortfall for it to deliver the full targeted impact.

If for any reason SPT 2 cannot be calculated or observed, the reduced Margin will not be applicable.

*Finally, in case of full prepayment/cancellation of the facility, the post-prepayment annual targets of SPT 2 will be incorporated in the refinancing instrument , as will be specified in the subsequent sustainability-linked financing framework. The SPT 1 will also be incorporated in a refinancing instrument to ensure meeting the 2030 target.*

The details of any other step-up margin or premium payment amount to investors in any Sustainability-Linked Bond in the event of a missed target will be set out in the offering documentation provided at the point of issuance of any Sustainability Linked Bond.

These details will include:

- Maturity date of instrument,
- Sustainability Key Performance Indicator (KPI) ,
- Sustainability Performance Target (SPT),
- Sustainability Target Observation Date(s),
- Financial Incentive Mechanism and Quantum (for example a coupon step-up, or payment of a premium at maturity).

## ANNUAL REPORTING

ACCIONA Energía intends to provide aggregated reporting for all of its sustainable financing instruments and any other outstanding sustainable financing. This reporting will be published pre- and post-issuance and the transparency measures will be specified as follows:

### Pre-issuance

- Definition of KPI(s) and SPT(s) (including calculation methodologies);
- Detailed description of the potential variation of the SLB financial and/or structural characteristics of the bond;
- Explanation of the planned back-up mechanisms for the event that the SPTs cannot be calculated or observed, or is unsatisfactory;
- Exceptional events (such as significant change in consolidation scope as a result of material M&A activities or drastic changes in regulatory environment or extreme events) that might substantially impact the calculation of the KPI, restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope

After one year has elapsed from the issuance of the applicable sustainable financing instruments, ACCIONA Energía will draw up and keep readily available information on the corporate website.

### Post-issuance

- Up-to-date information on the performance of the selected KPI(s), including baselines;
- Any information enabling investors to monitor the level of ambition of the SPTs (e.g., any update in the issuer's sustainability strategy or on the related KPI/ESG governance and, more generally, any information relevant to the analysis of the KPIs and SPTs).
- Illustration of the positive sustainability impacts of the performance improvement
- Verification / Assurance report: Reports on verified SPTs will be made publicly available, outlining the performance vs. SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics
- In the event of non-compliance with the SPT, in the terms defined in this framework, information will be reported on the contribution and projects carried out by UNEP - UN Environment Program to generate the impact committed by ACCIONA Energía.

The Sustainability-Linked Financing Framework and the transparency report will be published on ACCIONA Energía's website and will remain available until the maturity of such sustainable financing instruments, unless replaced by further reports in the event of material changes of allocation.

They will also be available in a specific appendix of the Integrated Report focused on accountability for sustainable finance transactions.

## EXTERNAL REVIEW

### **Second-Party Opinion (pre-issuance)**

ACCIONA Energía's Sustainability-Linked Financing Framework has been reviewed by DNV GL, which issued a Second-Party Opinion confirming the alignment of the Framework with the Sustainability-Linked Bond Principles and the Sustainability-Linked Loan Principles. The Second-Party Opinion and the Sustainability-Linked Financing Framework will be made available to investors in sustainability-linked financing instruments in the Sustainable Finance and Debt Issuances sections of the corporate website.

### **Verification (post-issuance)**

One year after issuance or after full allocation, ACCIONA Energía intends to request verification by its external auditor of a management statement on the performance level against each SPT for each KPI. It will also be externally verified each year by an audit firm using accountancy procedures for assurance engagements other than audits or reviews of historical financial information (ISAE 3000).

In case of local communities targets related to access, this verification can be performed by certification of non-governmental organizations or local regulators authorities.

The report and the assurance/certification statement will be part of ACCIONA's annual Integrated Report, which will be published each year as part of the Annual General Shareholder Meeting documentation.

Investors can access the 2020 green financing reporting practices in Appendix II of the Integrated Report available here: <https://www.acciona.com/shareholders-investors/financial-information/integrated-annual-report/>