August 2021

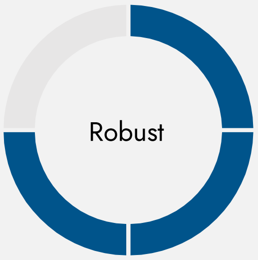
SECOND PARTY OPINION

on the sustainability of Kutxabank's Green Bond Framework

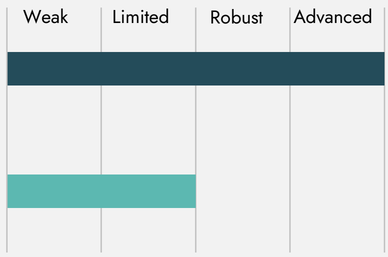
V.E considers that Kutxabank's Green Bond Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP")

Framework

Contribution to Sustainability:



Advanced Limited
Robust Weak



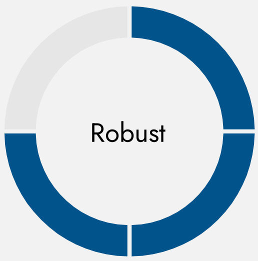
SDG Mapping

Characteristics of the Framework

Green Project Categories	⇒ Renewable Energy ⇒ Clean Transportation ⇒ Green Buildings
Project locations	Spain and Basque Country
Existence of framework	Yes
Share of refinancing	45% maximum
Look back period	24 months maximum

Issuer

ESG Performance as of March 2021



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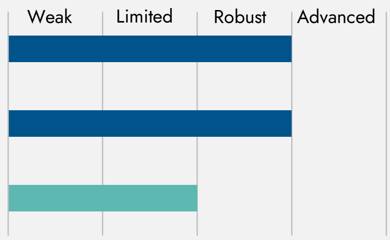

ESG Controversies

Number of controversies	Two
Frequency	Occasional
Severity	High
Responsiveness	Reactive

Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology:

☒ Alcohol
☐ Animal welfare
☐ Cannabis
☐ Chemicals of concern
☐ Civilian firearms
☐ Fossil fuels industry
☐ Coal
☐ Gambling
☐ Genetic engineering
☐ High interest rate lending
☐ Human embryonic stem cells
☐ Military
☐ Nuclear power
☐ Pornography
☐ Reproductive medicine
☐ Tar sands and oil shale
☐ Tobacco

Coherence

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with Kutxabank's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

V.E considers that Kutxabank's Framework is aligned with the four core components of the GBP 2021.

Use of Proceeds - aligned with GBP and best practices identified by VE

- Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.
- The Environmental Objectives are clearly defined, these are relevant for all the eligible categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible categories in the reporting.
- The Issuer has committed to limit the share of refinancing to 45% for all Bonds issuances.
- The look-back period for refinanced eligible projects will be equal or less than 24 months from the issuance date, in line with good market practices.

Evaluation and Selection - aligned with GBP

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the hereby SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all the eligible categories.
- The Process is considered limited: it only covers identification/monitoring of potential risks for a minority of categories (see detailed analysis in page 18-20).

Management of Proceeds - aligned with GBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and publicly available in the Framework and the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that if the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 12 months.

Monitoring and Reporting - aligned with GBP

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Categories.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects as well as the indicators used to report on environmental benefits until bond maturity.

SCOPE

V.E was commissioned to provide an independent opinion (thereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of the Green Bonds[1] (the "Bonds") to be issued by Kutxabank (the "Issuer") in compliance with the Green Bond Framework (the "Framework") created to govern their issuances.

Our opinion is established according to V.E's Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the ICMA's Green Bond Principles ("GBP") - edited in June 2021 - voluntary guidelines.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Bond's potential contribution to sustainability and its alignment with the four core components of the GBP 2021.
- Issuer: we assessed the Issuer's ESG performance, its management of potential stakeholder related ESG controversies and its involvement in controversial activities[2].

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E's exclusive ESG rating database, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from July 20th, 2021 to August 18th, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Type of External Reviews supporting this Framework

☒	Pre-issuance Second Party Opinion	☒	Independent verification of impact reporting
☒	Independent verification of funds allocation	☐	Climate Bond Initiative Certification

Contact

Sustainable Finance Team | VEsustainablefinance@vigeo-eiris.com

[1] The "Green Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Green Bond" has been decided by the Issuer: it does not imply any opinion from V.E.

[2] The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with Kutxabank's strategic sustainability priorities and sector issues and contributes to achieving the Issuer's sustainability commitments.

According to the United Nations Environment Programme Finance Initiative[3] (UNEP FI) the banking sector[4] plays a crucial role in promoting sustainable development. The sector can lead the way to a more sustainable economy by lending to economic activities that yield the best return from society's point of view and by guiding customers and stakeholders to manage social and environmental challenges and opportunities. As the global economy's largest sector by market capitalisation, banks have great potential to support society's transition to a low carbon and sustainable economy. Their action is key in the promotion of effective solutions for the development of sustainable finance products and services, and the minimisation of the negative impact of their investments and activities on environment, people, and society.

In addition, the OECD report "Financing Climate Futures"[5] states that around USD 6.3 trillion of infrastructure investment is needed each year to 2030 to meet development goals, increasing to USD 6.9 trillion a year to make this investment compatible with the goals of the Paris Agreement. The urgent need to address this gap presents a unique opportunity in the coming years to move the climate and development agendas forward and develop infrastructure systems that deliver better services while also achieving climate and development goals.

Kutxabank S.A. demonstrates its interest in sustainability through the integration of ESG aspects in its model business and relationship with its stakeholders. This is described in the company's Sustainability Policy, published on its website[6] and based on a series of sustainability-related references and recommendations of several organisms. Such guidelines will also serve as a guide in the processes that the Issuer is carrying out to continue consolidating its sustainable banking model. Among the references and internationally recognized documents used by the Issuer it is Sustainability Policy, the following stand out:

- The Sustainable Development Goals (SDGs) promoted by the Organization of the United Nations.
- The Paris Agreement and the European Union's Green Deal roadmap.
- The European Union's Sustainable Finance Plan.
- The recommendations of the European Banking Authority, the European Central Bank, Bank of Spain, the Network of Central Banks and Supervisors to the Greening of the Financial System, and those set by the Task Force on Climate-Related Financial Disclosures (TCFD) of the Financial Stability Board (FSB).

[3] UNEP FI website https://www.unepfi.org/banking/banking/

[4] The annual investment in low carbon energy and energy efficiency would need to increase by a factor of five by 2050. Therefore, the financial system needs a transformation to deliver the scale and quality of investment needed in order to increase financing from all sources (especially private sources such as long-term debt finance and the large pools of institutional investor capital), reduce the cost of capital, enable catalytic finance from development finance institutions (DFIs), and accelerate the greening of the financial system.

[5] OECD report "Financing Climate Futures-rethinking infrastructure" https://www.oecd.org/environment/cc/climate-futures/policy-highlights-financing-climate-futures.pdf

[6] Sustainability Policy website https://www.kutxabank.com/cs/Satellite/kutxabank/en/responsabilidad_social_brempresarial/gestion_de_la_rse

To support its commitment towards sustainability, Kutxabank has established a series of objectives namely:

- Advance in a sustainable business model, trying to maximize the positive economic, social, and environmental impact of both corporate and financial activities;
- Establish and develop long-term business relationships with customers and suppliers, based on proximity, transparency, and good practices;
- Adapt the supply of products and services to respond to the growing demand for increasingly sustainable business models and lifestyles;
- Advance in the incorporation of ESG aspects in its strategic decisions, especially in the risks and opportunities derived from climate change.

In its Environmental Policy, Kutxabank states that it has implemented measures towards the protection of the environment, the prevention of pollution and environmental degradation, integrating environmental considerations into business operations, and considering environmental risks in risk management processes.

In addition, the Issuer's CSR Plan includes the main strategic lines in terms of environmental management, among which the following stand out:

- Promote the implementation of energy efficiency measures;
- Promote the reduction of waste generated;
- Implement environmental variable in the purchase of products and outsourcing of services.

Lastly, the Issuer has disclosed in its 2020 Sustainability Report[7] that a total of EUR 1,718 million have been allocated to various sustainable projects related to the development of renewable energy generation initiatives and which objective is to contribute to the transition to a low-carbon economy. The Issuer owns a line of mortgage loans and consumer loans, which promote more efficient energy consumption. The company reports that, since January 1, 2020, all bank branches and all work centres of the Kutxabank Group are already supplied exclusively with green electricity, from a photovoltaic plant, which avoids generating per year more than 6 thousand tons of carbon dioxide.

[7] Sustainability Report 2020 https://portal.kutxabank.es/kutxabank/memorias/2020/memoria_RSE/es/1_presentacion_1.htm

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalized Green Bond Framework which covers the four core components of the GBP 2021 (the last updated version was provided to V.E on August 13th, 2021). The Issuer has committed to make this document publicly accessible on Kutxabank's website[8], in line with good market practices.

Alignment with the Green Bond Principles

Use of Proceeds

Not Aligned	Partially Aligned	Aligned	**Best Practices**

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, new and/or existing loans, investment or projects falling under three Green Eligible Project Categories ("Eligible Categories"), as indicated in Table 1.

- Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.
- The Environmental Objectives are clearly defined, these are relevant for all the eligible categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible categories in the reporting.
- The Issuer has committed to limit the share of refinancing to 45% for all Bonds issuances.
- The look-back period for refinanced eligible projects will be equal or less than 24 months from the issuance date, in line with good market practices.

BEST PRACTICES

⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories.
⇒ Relevant environmental benefits are identified and measurable for all project categories.
⇒ The Issuer has committed to limit the share of refinancing to 45%.
⇒ The look-back period for refinanced projects is equal or less than 24 months, in line with good market practices.

[8] Kutxabank website https://portal.kutxabank.es/cs/Satellite/kb/en/private-customers/corporative-information

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework.

- Nature of expenditures: Eligible green projects/loans/investments, reported on the Kutxabank balance sheet.
- Location of Eligible Projects: Spain and Basque Country.

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES &DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Renewable Energy	Green eligible projects that support the electricity generation from the following technologies: solar, wind, hydro, geothermal, hydrogen and bioenergy. It is included the acquisition, construction, operation, maintenance or repowering of facilities. The technical screening criteria are: - For solar, wind, hydro and geothermal energy: Facilities operating with life cycle emissions below 100gCO_2e/kWh are eligible. - Hydroelectric power shall include installations with a power density greater than 5 W/m^2. - Manufacture of hydrogen with life cycle GHG emissions lower than 3tCO2e/tH2 is eligible. - For bioenergy projects: Facilities operating above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator set out in RED II increasing to 100% by 2050. Bioenergy can include high-efficiency biomass cogeneration, for which feedstock are limited to sources that do not deplete existing terrestrial carbon stocks or compete with food production. Development, construction, equipment, operation, and maintenance of new or additional Energy Transmission and Distribution networks (electricity only) from renewable sources, with average emissions intensity of the network under 100 gCO_2e/kWh or more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.	Climate change mitigation Increase the share of renewable energy in the energy mix Avoidance of GHG emissions	The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects. The Environmental Objective is clearly defined, it is relevant for the eligible category and set in coherence with sustainability objectives defined in international standards. The Expected Environmental Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for the eligible category in the reporting.

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES &DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Clean Transportation	Green eligible projects aimed to promote low carbon vehicles and railway infrastructure - Rolling stock and infrastructure for electrified transportation systems, for public mass transportation and for freight transportation (electric transportation such as trains, subways, and trams). - Fleet of vehicles, (including passenger cars, light commercial vehicles, and large vehicles) emitting less than 50gCO_2/km until 2025 and 0gCO_2/km by 2026 onwards. - Construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport.	Climate change mitigation Avoidance of GHG emissions	The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects. The Environmental Objective is clearly defined, it is relevant for the eligible category and set in coherence with sustainability objectives defined in international standards. The Expected Environmental Benefit is clear and precise, it is considered relevant, measurable, and will be quantified for the eligible category in the reporting.
Green Buildings	Green eligible projects to promote the acquisition, development and construction of buildings and renovation projects on existing buildings: - Residential: loans or mortgages to finance the acquisition of homes built before 31 December 2020 with an EPC (Energy Performance Certificate) equal to label A and/or belonging to the top 15% most efficient buildings in a determined area. - Loans or mortgages to finance the acquisition, developments and/or construction of homes built after 31 December 2020 with the Primary Energy Demand (PED) at least 10%[9] lower than the threshold set for the nearly zero-energy building (NZEB)[10] requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an Energy Performance Certificate (EPC). - Loans or investments for refurbished (residential) buildings with an energy efficiency improvement of at least 30%.	Climate change mitigation Energy savings Avoidance of GHG emissions	The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects. The Environmental Objective is clearly defined, it is relevant for the eligible category and set in coherence with sustainability objectives defined in international standards. The Expected Environmental Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for the eligible category in the reporting.

[9] In accordance with the EU Taxonomy recommendation, the net primary energy demand of new constructions (built as of the 1st of January 2021) must be at least 10% lower than the primary energy demand.
[10] NZEB definition depends from National Regulation

SDG Contribution

The Eligible Categories are likely to contribute to three of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Renewable Energy	7 AFFORDABLE AND CLEAN ENERGY	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
	13 CLIMATE ACTION	The assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.
Clean Transportation	11 SUSTAINABLE CITIES AND COMMUNITIES	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other.
	13 CLIMATE ACTION	The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.
Green Buildings	7 AFFORDABLE AND CLEAN ENERGY	7.3 By 2030, double the global rate of improvement in energy efficiency
	11 SUSTAINABLE CITIES AND COMMUNITIES	11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries.
	13 CLIMATE ACTION	The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.

Evaluation and Selection of Eligible Categories

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the hereby SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all the eligible categories.
- The Process is considered limited: it only covers identification/monitoring of potential risks for a minority of categories (see detailed analysis in page 18-20).

Process for Project Evaluation and Selection

- For the purpose of the Bonds, a Green Bond Committee (the "Committee") has been created. This Committee is composed of representatives of:
    - Financial Management (Chairman)
    - ESG Management Team
    - Global Risk Control Risk
    - IT Systems
    - Treasury Department
    - Funding Team (Secretary)

- The Committee is responsible for:
    - Consulting representatives from other areas of the company, categorise and recommend eligible projects. Moreover, the Committee will request specific expertise to other areas of the company if necessary;
    - Reviewing and determining if all proposed eligible projects comply with the Framework as well as approve and/or review the allocation of the proceeds;
    - Replacing an eligible project if it no longer meets the eligibility criteria or if it has matured;
    - Upgrading Kutxabank's Green Bond Framework;
    - Monitoring the management of proceeds and approving the Green Bond Reporting.

- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
  - The Issuer reports that it will monitor the continued compliance of selected projects with the selection and exclusion criteria throughout the life of the Bond, at least quarterly. In case a project is no longer eligible, the Issuer commits to replace it with a new eligible project within 12 months.
  - The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the Bond, at least quarterly. Before each meeting, the secretary of the Committee will gather relevant information from the Bank's Control areas on potential ESG controversies related to the eligible projects and will inform the committee on the status of such controversies. If required, the loan manager of the specific asset under evaluation will be contacted to provided further information. The Committee will decide whether the asset should be replaced by a new one.
  - The Green Bond Committee will meet at least quarterly, and meetings will be recorded in meeting minutes. Moreover, the Issuer reports in internal documentation that there will be inventories of asset portfolios in three different stages: the preliminary data extraction, the eligible portfolio for proposal purposes and final portfolio subject to approval.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- The Issuer has committed to exclude loans, investment or projects involved in the following activities: exploration, research and exploitation of fossil fuels, nuclear power generation, alcohol, weapons, tobacco, gambling, or mining industries.
- The exclusion criteria are considered relevant and exhaustive as they cover the main topics in terms of environmental and social responsibility, in line with good market practices.

BEST PRACTICES

⇒ Eligibility criteria (selection and exclusion) for project selection are clearly defined and detailed for all the project categories.

⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility and exclusion criteria specified in the Framework throughout the life of the Bonds and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance.

⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the Bonds and has provided details on frequency, content, and procedures in case a controversy is found on a project.

Management of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and publicly available in the Framework and the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that if the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 12 months.

Management Process

- The net proceeds of the Bonds will be credited to the Issuer's general treasury and will be managed in cash using its internal IT system. Kutxabank will establish a Green Bond Register which will include relevant information regarding the financial characteristics of the bonds, details on the Eligible Projects, total portfolio amount and any other necessary information. The Issuer declares that the Green Bond Register will be reviewed by the Committee at least on a quarterly basis.
- In case the Eligible Projects portfolio is smaller than the Bonds' net proceeds outstanding, Kutxabank has committed to fill the gap and load the Eligible Project Portfolio with new Projects or existing unallocated Projects, as soon as possible.
- The unallocated proceeds will be held within Kutxabank's treasury in accordance with its investment guidelines in its treasury liquidity portfolio in cash, deposits, or money market instruments.

BEST PRACTICES

⇒ The allocation period is 24 months or less.

⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.

⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 12 months.

Monitoring & Reporting

Not Aligned	Partially Aligned	**Aligned**	Best Practices

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Categories.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects as well as the indicators used to report on environmental benefits until bond maturity.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds cover all relevant information.

REPORTING INDICATORS
⇒ Amount of the Green Bond net proceeds ⇒ Percentage of proceeds allocated for financing and refinancing ⇒ The balance of unallocated proceeds at the reporting end-period (if any) ⇒ The percentage of co-financing (if any)

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear, relevant, and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy	- Expected installed capacity of renewable energy (MWh)	- Estimated annual GHG emissions avoided/reduced in tonnes of CO2eq
Green Buildings		- Estimated annual GHG emissions avoided/reduced in tonnes of CO2eq - Reduction in annual energy consumption after renovation (%) - Annual energy savings in MWh
Clean Transportation	- Number of electric vehicles financed - Kilometres of track electrified, kilometres of track built or renewed	- Estimated annual GHG emissions avoided/reduced in tonnes of CO2eq

BEST PRACTICES

⇒ The Issuer will report on the Use of Proceeds until bond maturity.
⇒ The issuer report will be publicly available and until bond maturity.
⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.
⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible categories will be disclosed publicly.
⇒ Environmental benefits and impacts will be externally verified until bond maturity.

Contribution to sustainability

Expected Impacts

The potential positive impact of the eligible projects on environmental objectives is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Renewable Energy	ADVANCED	According to the European Energy Agency[11] public electricity and heat production contributes to around 30% of all CO_2 emissions and 26% of all GHG emissions in the EU-27. Financing renewable energies is one of the most important issues to avoid and reduce the energy and carbon footprint of all sectors. Investment in renewables remains key to achieving climate change mitigation goals. The eligible projects will contribute to addressing this challenge. No lock-in effect is expected for the technologies financed (solar PV, on and offshore wind energy, hydropower, geothermal, biomass and hydrogen) and they all adopt the EU Taxonomy Climate Delegated Act screening criteria, which are considered the most stringent to date.
Green Buildings	ADVANCED	The building and construction industry accounts for 36% of final energy use and 39% of energy and process-related CO_2 emissions in 2018[12] when adding building construction industry emissions. Reduction of the energy and carbon footprint of buildings are therefore a key environmental issue for the construction and real estate sectors. Energy efficiency has a positive impact both locally, through reduced energy consumption, and globally, through reduced GHG emissions. The category includes new construction which has an absolute effect on energy consumption and on land use and therefore has a less positive impact compared with renovation. However, the eligibility criteria set for the projects falling under this category are in line with best international standards for the sector to contribute to the claimed objective of climate mitigation
Clean Transportation	ADVANCED	In 2018, a total of 24% of global CO_2 emissions from fuel combustion came from transportation.[13] According to the International Council on Clean Transportation (ICCT)[14], electric vehicles are several times more efficient in converting energy into vehicle movement than conventional gasoline and diesel vehicles. They are much more compatible with renewable energy sources. They can produce no emissions at the vehicle and much lower life cycle ("well to wheel") emissions. Accordingly, businesses, governments, and non-governmental organizations are turning to electric vehicles to dramatically lower oil use, reduce carbon pollution, eliminate local air pollution, and spur economic development. Long-term planning scenarios indicate that the global vehicle fleet will have to be almost entirely made up of electric vehicles, powered mostly by renewable sources, by 2050 if the world is to avoid worst-case global climate-change scenarios. Clean transport not only has a global benefit through avoided GHG emissions, it also has a local impact through improved air quality. Eligible Projects adopt the EU Taxonomy Climate Delegated Act screening criteria, which are considered to be the most stringent to date.
OVERALL ASSESSMENT	ADVANCED	

[11] EEA website https://www.eea.europa.eu/data-and-maps/indicators/emissions-co2-so2-nox-from-1
[12] EIA website https://iea.blob.core.windows.net/assets/3da9daf9-ef75-4a37-b3da-a09224e299dc/2019_Global_Status_Report_for_Buildings_and_Construction.pdf
[13] IEA website https://www.iea.org/reports/tracking-transport-2019
[14] ICCT website https://theicct.org/programs/electric-vehicles

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered limited[15].

	ELIGIBLE CATEGORIES		
	RENEWABLE ENERGY	GREEN BUILDINGS	CLEAN TRANSPORTATION
ESG Due Diligence	X	X	X
Environmental Impact Assessment and Eco-design	X	X	X
Minimising Energy consumption and GHG emissions	X	X	N/A
Biodiversity Protection	X	X	X
Human Labour Rights	X	X	X
Health and Safety	X	X	X
Community Involvement	X	N/A	N/A
Business Ethics	X	X	X
OVERALL ASSESSMENT	Limited	Limited	Limited

Since all projects will be located in Designated Countries of the Equator Principles, deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on other relevant documentation (e.g. construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation.

[15] The "X" indicates the E&S risks that have been activated for each Eligible Category.

ESG Due Diligence Process

Kutxabank has a general SRI policy[16], disclosed on their website, that applies to all assets under management. According to the Issuer, there is currently no specific policy for credit investment, although it is in the process of being drawn up. The Issuer declares to have an internal taxonomy of environmental and social investment (which classifies loans into green, social, or sustainable categories according to defined criteria) and which has already been approved. The objectives and ESG policy of the credit portfolio will be defined based on this taxonomy. However, V.E had no access to the "Internal taxonomy of environmental and social investment", which is reported to be for internal use only.

The Issuer reports that in order to classify all credit exposures for new transactions according to an ESG risk profile, it has implemented a loan inventory classifying the loans under environmental and social categories such as Renewable energy, Energy efficiency, Pollution reduction, Efficient use and management of natural resources, as well as SDG-linked financing, to Social economy enterprises (cooperatives, foundations...), Employment promotion, Social housing, Cultural and sports development, Health development etc. The Issuer also reports that credit risk management policies are currently being designed to incorporate ESG factors such as CO_2 emissions, use of proceeds, location, etc.

In the case of financing to individuals, in relation to mortgages, sustainable financing is determined based on the energy certifications that are included in the operation file. The Issuer reports that there is a monitoring of compliance with the criteria developed by the Business Development area.

The Issuer declares that in financing to companies and institutions, investments encompassed in the green economy have been favoured, by supporting projects that develop renewable energy generation initiatives or that promote the ecological transition. The areas of Risk and Business have developed a scoring system to assess and grant those loans. V.E has no visibility on the Issuer's scoring system.

ENVIRONMENTAL RISKS

Environmental Impact Assessment and Eco-design

V.E has no visibility on the Issuer's management of Environmental Impact Assessment or/and Eco-design issues at project level. It is to be noted that, in 2018 the Group has performed an environmental impact assessment of its lending activity providing an estimate of the environmental impact of its entire credit portfolio by business sector and geographic region and aiming to support the financing of activities with the lowest possible environmental impact.

Minimising energy consumption and GHG emissions

Regarding Clean Transportation it has been established to define consumer loans for the purchase of green cars and for Green Buildings the refurbishment of buildings for better energy efficiency.

V.E has no visibility on the Issuer's management of Minimising energy consumption and GHG emissions at project level.

Biodiversity Protection

The Issuer reports it complies with the Law 42/2007 of December 13, on Natural Heritage and Biodiversity, which establishes the basic legal regime for the conservation, sustainable use, improvement and restoration of natural heritage and biodiversity in Spain.

V.E has no visibility on the Issuer's management of Biodiversity issues at project level.

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[16] Kutxabank website - https://portal.kutxabank.es/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=content-type&blobheadername2=Expires&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=application%2Fpdf&blobheadervalue2=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22pol%C3%ADtica+general+isr+kbg.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312312999403&ssbinary=true

SOCIAL RISKS

Human and Labour Rights

The company has a local focus on its activities and the bank lending is restricted to Spain, where European regulations are in place, and which prevents the violation of labour and human rights standards. The contracts developed under the corporate model include social and environmental clauses. Suppliers undertake to comply with corporate social responsibility requirements (10 UN principles, non-discrimination, etc.) as well as comply with the entity's Environmental Policy[17], published on its website. V.E has no visibility on the above-mentioned social and environmental clauses.

In relation to borrowers, the approved internal taxonomy considers the sectors of activity, the purposes, the legal structure of the companies and the geographic location in rural areas. Suppliers commit to comply with social and environmental measures and are under the obligation to report and provide documentary evidence of their compliance. Kutxabank reserves the right to adopt the necessary measures, including termination of the contract, in the event of non-compliance with social or environmental regulations, in the same way as in the event of non-compliance with the contractual obligations. V.E has no visibility on the above-mentioned social and environmental measures and/or contractual obligations.

Health and Safety

The company has a local focus on its activities and the bank lending is restricted to Spain, where European regulations are in place. However, the Issuer disclosed that as a funding provider institution, it does not have visibility on health and safety issues deployed at project level.

Community Involvement

V.E has no visibility on the Issuer's management of community involvement issues at project level.

Business Ethics

Kutxabank reports to integrate clauses in its contracts that demand the highest standards in terms of corruption. In addition, the entity's Code of Conduct establishes that the principles of the General Corporate Social Responsibility Policy, will be the frame of reference in the entity's relations with contractors and suppliers. Kutxabank is a signatory of the Global Compact and communicates on this principle. The company adopted other policy documents addressing business ethics, including AML/CFT[18] manual, Model for the management of criminal law compliance, policy against corruption and fraud and regulation for criminal law risks. However, V.E had no access to those documents.

Kutxabank reports to carry out a dual control to avoid having business relations with companies or clients involved in sanctions or included in international financial countermeasures lists. The control is based on checking all the people and entities that intervene in operations against the lists of people subject to blockade measures (EU and Office of Foreign Assets Control). The public registers are updated weekly, and on this update, a process is generated to check the new people added against Kutxabank's client database.

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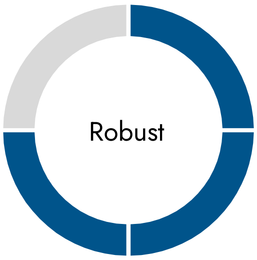
[17] https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22POLITICA+AMBIENTAL+DE+KUTXABANK_FEBRERO+2013.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1311862730972&ssbinary=true

[18] Financial Services Commission website https://www.fscmauritius.org/en/aml/amlcft/aml-cft-handbook - accessed 28/07/2021

ISSUER



Kutxabank is a non-listed Company that engages in the provision of commercial banking services to corporate and individual clients. These include savings and deposit accounts, credit card issuing, personal loans, mortgages, pension plans, and insurance. It also provides solutions for corporate financing, investment fund management, and project finance. The bank began its activity in 2012 as the result of the integration of three Basque Savings Banks - BBK, Kutxa and Vital. The Company is headquartered in Bilbao, Spain.

Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of March 2021, Kutxabank displays an overall robust ESG performance, ranking 20th in our "Retail & Specialised Banks" sector which covers 97 companies. The Kutxabank's performance is considered robust in the Environmental and Social pillars and limited in the Governance pillar.

DOMAIN	COMMENTS	OPINION
Environment	Kutxabank's performance in the Environmental pillar is considered robust. The company has issued a formalized commitment to environmental protection in its Environmental Policy. Furthermore, the bank reported to V.E that, within its 2019-2021 strategic plan, it committed to reducing by 80% its CO_2 emissions by 2021 (baseline year: 2018). The company commits to some of its responsibilities in terms of environmental protection: measuring and monitoring direct environmental impacts and introducing environmental factors in the credit risk assessment. Additionally, the CSR Department is responsible for sustainability and environmental issues. On the development of green products and services the company commits to develop new financial products and services favouring the environmental protection and to finance projects aimed at environmental improvements and to finance projects relating to environmental preservation, such as the protection of forestry areas. Furthermore, there is a general SRI policy that applies to all assets under management. The company has allocated most of the means to the development of sustainable investment products/strategies: exclusionary screening, positive screening (including best-in-class approach), thematic funds and engagement with the companies. Moreover, all operations financed from the Project Finance department comply with the regulations environment required by the European Union, the same one that governs operations financed by the European Investment Bank (EIB). The company displays comprehensive measures to integrate environmental considerations in its lending activity. More specifically, the company adopted an exclusion list that seems to cover all assets under management, uses carbon footprint in most of the equity funds investment to select the most virtuous companies, engages with companies on environment and offers green thematic funds investing in renewable energies. Nevertheless, it is still not clear how environmental consideration are integrated into project financing.	Advanced Robust Limited Weak

DOMAIN	COMMENTS	OPINION
Social	Kutxabank's performance in the Social pillar is considered robust. Regarding Human Resources, the company displays robust management of labour relations, with 100% of the workforce covered by representative bodies and a collective agreement that covers both subjects related to the quality of work environment and stress management and equal opportunities. The company reports on a formal commitment regarding Health and Safety issues with visible measures such as training and risk assessment. However, the management of restructurings seems to be weak. Regarding Human Rights, the company has made references to respect and promote human rights in society in its CSR Code. Kutxabank is committed to respect human rights recognised in national legislation, thus including the prevention of child exploitation, and forced labour. The company has issued a formalised commitment to freedom of association and the right to collective bargaining in its Code of Conduct. Moreover, the company has issued a formalised commitment to non-discrimination in its Equality Policy, Code of Conduct, and CSR Code. The Company reports to V.E that it commits to increase female representation in the workforce and especially in positions with greater responsibility. Nevertheless, clear quantified targets are not disclosed in this regard. Regarding Community Involvement, the company has issued a formalised commitment to the promotion of local social and economic development in its's Code and made further references in its Sustainability Report. The company's commitment to promote local social and economic development addresses only part of its responsibilities such as support to community investments. The company has allocated some means to address social and economic development, including impact investing actions (dedicated social impact funds, social bonds, social/societal investments), support to public and/or community development/investments and cooperation with NGO's or other relevant stakeholders on local development. The company has made references to address the accessibility of its products/services in its Sustainability Report. The company's commitment addresses part of its responsibilities such as promote access to basic banking services for weaker customers and support customers in financial distress. The company has allocated few measures to promote access to basic financial services such as access to basic banking services and financial education. Regarding Business Behaviour, the company has issued a formalised commitment to adequately inform customers about its products/services in its Code of Conduct, CSR Code, Best Execution Policy and Transparency Policy. The company adopted further commitment in its policy for the protection of banking services customer, policy for Commercial Communication and policy for the Management and Surveillance of products and services. Yet, these documents are for internal use and therefore not publicly available. Furthermore, the company adopted new initiatives to ensure responsible customers relations, but the management of cybersecurity still appears to be limited and does not seem to go further than the establishment of IT Contingency Plans.	Advanced Robust Limited Weak

DOMAIN	COMMENTS	OPINION
Governance	Kutxabank's performance in the Environmental pillar is considered limited. The roles of Chairman and CEO are separated, but the chairman is not considered independent. The Company reported to V.E that a CSR department is in place. Most Board members are non-executive directors. In addition, at least two directors are independent. Nine members of the 15-member Board are considered independent (60%). Members appear to have financial and/or audit experience and relevant operational experience. CSR risks appear to be covered by the internal control system such as business ethics and environmental and climate change risks in credit decisions & other banking activities. The company has a Remuneration Committee comprised of four non-executive Board members and one Secretary. Two members out of the four-members Remuneration Committee are considered independent. However, there is no disclosure on what rules guide the company in allocating variable remuneration to senior executives. On business ethics, the Regulatory Compliance and Group Control Department lead training and dissemination, and the company has set up internal controls which includes internal audits, an "ethical channel" to report on suspicious activities and an annual review from external experts on internal control bodies and procedures. In terms of anti-money laundering devices, the company has a system in place to identify customers, suspicious activity and follow up on them. However, the company does not seem to report on the transparency of its lobbying activity.	Advanced Robust Limited Weak

Management of ESG Controversies

As of today, Kutxabank is facing two stakeholder-related ESG controversies, linked to four of the six domains V.E analyse:

- Human Resources, in the criteria "Reorganisations" and "Social dialogue".
- Human Rights, in the criterion "Fundamental Human Rights".
- Business Behaviour, in the criterion "Responsible Customer Relations".
- Corporate Governance, in the criterion "Internal controls and risk management".

Frequency: On average, the controversies are considered occasional, in line with the sector average.

Severity: On average, the level of severity is high based on the analysis of their impact on the company and its stakeholders, in line with the sector average.

Responsiveness: Kutxabank is overall reactive, in line with the sector average.

Involvement in Controversial Activities

As of July 2021, Kutxabank appears to be involved in one of the 17 controversial activities screened under our methodology, namely:

- Minor involvement in Alcohol: Kutxabank has an estimated turnover from alcoholic beverages which is below 5% of total turnover. This turnover is derived from the sale of alcoholic beverages through its 50% stake in Altun Berri, S.L. involved in restaurants and hotels operations.

Kutxabank appears to be not involved in any of the 16 other controversial activities screened under our methodology, namely: Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

FRAMEWORK

Alignment with the Green Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021("GBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process are assessed by V.E on its transparency, governance, and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;[19]

ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e., the issuer, its value chain, local and global stakeholders); or targeting those populations most in need.

iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

NB: The Issuer's level of ESG performance (i.e., commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.

The Issuers ESG performance has been assessed by V.E on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks, and controversies.

[19] The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

Management of stakeholder related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable[20] sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

[20] 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.

Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for Kutxabank. No established relation (financial or commercial) exists between V.E and Kutxabank. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bonds, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

DISCLAIMER

V.E provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

V.E'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. V.E'S ASSESSMENTS AND OTHER OPINIONS INCLUDED IN V.E'S RESEARCH ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. V.E'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. V.E ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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