

Green Framework Alignment Opinion

AEDAS Homes Green Financing Framework

May 10, 2021

Green Bond Framework Overview

In our view, AEDAS Homes' green financing framework, published on May 10, 2021, is aligned with the four components of the Green Bond Principles (GBP) and the four components of the Green Loan Principles (GLP). Founded in 2016, AEDAS Homes is a Spanish homebuilder headquartered in Madrid and listed on the Spanish stock exchange. The company acquires and develops a select and high-quality land bank in regional residential markets in Spain. AEDAS Homes developed its green financing framework to allow its investors to contribute to the company's goal of facilitating a transition to an environmentally sustainable and low-carbon economy.

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Framework Alignment Overview



1. Use of proceeds

AEDAS Homes' green financing framework is aligned with this component of the GBP and GLP because the company has committed to using the net proceeds (or an equivalent net amount) of the financing instruments issued under the framework to finance or refinance eligible green assets categorized as "Green Buildings." GBP and GLP both recognize this as an eligible green category because such buildings contribute to climate change mitigation, by reducing carbon dioxide emissions.



2. Process for project evaluation and selection

AEDAS Homes' green financing framework is aligned with this component of the GBP and GLP because the framework outlines the process used to assess whether projects under study are eligible under the "Green Buildings" category. The company has established a Green Financing Committee that will hold semiannual meetings and is responsible for the selection and monitoring of eligible projects. The Committee includes representatives from different business divisions.



3. Management of proceeds

AEDAS Homes' green financing framework is aligned with this component of the GBP and GLP. The issuer will manage and monitor the allocation (or reallocation) of the net proceeds of its green financing framework, using a Green Project Register. Pending full allocation of the net proceeds, the remaining proceeds will be held in liquid marketable investments, in line with the company's treasury management policies.



4. Reporting

AEDAS Homes' green financing framework is aligned with this component of the GBP and GLP. Each year, the company will disclose how it has allocated funds across the eligible green projects, and their environmental impacts, subject to the availability of suitable information and data. The information will be made available through the publication of an external report on the corporate website.

Issuer Sustainability Objectives

AEDAS Homes acknowledges the impact the real estate industry and housing development sector have on the environment. Beyond compliance with applicable laws and regulations, the company is committed to facilitating the transition to a low-carbon and resilient economy by implementing measures that reduce the consumption of natural resources and minimize its environmental footprint. It aims to use new construction models that support the highest internationally recognized quality and sustainability standards, including nearly-zero energy buildings (defined by the Energy Performance of Buildings Directive, 2010 as "buildings with very high energy performance, where the very low amount of energy required is extensively covered by renewable sources produced onsite or nearby." AEDAS Homes has developed the "Ecoliving@ seal," a label to certify the use of materials with a low environmental footprint; the enhancement of the health and wellbeing of users through improved architectural designs; the increase of energy efficiency and renewable energy use; and the increase of efficiency in water use.

Framework Description

1. Use of proceeds



The GBP and GLP stipulate that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green projects. According to the GBP and GLP, eligible projects will seek to achieve at least one of five environmental objectives, including: 1) climate change mitigation, 2) climate change adaptation, 3) natural resource conservation, 4) biodiversity conservation, and 5) pollution prevention and control.

AEDAS Homes will allocate all proceeds of issuances (or an equivalent net amount) exclusively to green projects that meet the eligibility criteria. Specifically, the company's green financing framework defines the eligible category as "green buildings."

The eligible category covers new construction and the acquisition of existing buildings classed at B or above according to Spain's Energy Performance Certificate (EPC) and contributes to climate change mitigation.

Therefore, we regard the framework as aligned with the use of proceeds component of both the GBP and GLP.

2. Process for project evaluation and selection



To align with the second component of the GBP and GLP, a seeker of finance must explain the process by which eligible projects are selected, the related eligibility criteria applied to select those projects, including exclusionary criteria, if applicable, and the overall sustainability objectives that underpin the selection process.

AEDAS Homes will apply eligibility criteria to select projects to be financed or refinanced by its green financing instruments, ensuring its sustainability objectives are met.

The company has established a green financing committee that will hold semiannual meetings and will be responsible for selecting and monitoring eligible projects. The committee will also ensure that the proposed projects are eligible and aligned with the company's policies and procedures (including complying with local laws and regulations, as stipulated in AEDAS Homes' quality and environmental management policy). It will supervise, review, and approve allocation and impact reports. Using a structured process that involves key internal constituents from different areas of the company, demonstrates AEDAS Homes' alignment with the second component of the GBP and GLP.

3. Management of proceeds



The GBP and GLP require a seeker of finance to monitor the net proceeds of all outstanding green bond and loan transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green projects. The GBP and GLP also require a seeker of finance to disclose to investors the intended types of temporary placement they intend to use for unallocated proceeds.

AEDAS Homes has described its procedure for allocating all proceeds (or the equivalent net amount) from any green instrument to a portfolio of eligible green projects under the GBP and the GLP. The company commits to track the use of proceeds through a Green Project Register.

Until the outstanding net proceeds of the green financing instruments have been fully allocated, the company will hold the pending amount, as per the company's treasury management policies, in cash or cash equivalents, or in other short-term liquid marketable instruments.

AEDAS Homes strives to maintain an aggregate amount of eligible green assets that matches or exceeds the total net proceeds of all green instruments outstanding, within 24 months of issuance.

Therefore, we consider the framework is aligned with the third component of the GBP and GLP.

4. Reporting



The GBP and GLP stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a list of the projects that receive financing, a description of each project, including the amount allocated to each project, and their expected environmental impact.

AEDAS Homes will produce an annual report published on its website that includes:

- The amount of net proceeds allocated to eligible projects per category;
- A list of the eligible green projects financed, or case study selection (including a description and allocated amounts);
- The proportional allocation of proceeds between financing and refinancing of assets; and
- The remaining balance of unallocated proceeds, if any.

The company also commits to report on the environmental impact of eligible green projects annually, subject to the availability of suitable information and data. AEDAS intends to use environmental indicators including: the percentage of new buildings with an EPC of B or above; building area with an EPC of B or above; and the number of buildings that have an EPC of A or B.

We regard this green finance framework as aligned with this component of the GBP and GLP.

Additional Features of the Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the GBP and GLP and goes beyond minimum requirements. This section does not impact on our alignment opinion with the stated principles.

AEDAS Homes has a good level of transparency and disclosure and provides sufficient detail for investors to understand the company's approach to green instruments. The company's green financing framework has the following strengths:

- The framework requires all proceeds to be allocated to eligible projects that fall within the green buildings category, and includes the impact on the associated UN Sustainable Development Goals (SDGs).
- The framework sets a minimum level of certification for green building projects to be eligible for project finance. The company includes within the green buildings' category "Residential buildings falling within the Top 15 % of the most energy-efficient comparable buildings in a local context (Energy Performance Certificate (EPC) A & B)".
- The framework includes a list of activities that are excluded from the financing by green instruments, namely: fossil fuel and nuclear energy, gambling, tobacco, alcohol, and defense.
- AEDAS Homes commits to seek assurance from accredited verifiers to assess the alignment of financed projects with the eligibility criteria of its framework.
- The framework uses core performance indicators to evaluate the positive environmental impacts achieved by green projects, which enhances the level of transparency for impact reporting. The green financing framework stipulates the performance indicators used for the selected category and commits to disclosing the environmental impact of financed projects publicly once a year. Examples of indicators include: the percentage of new buildings with an EPC of B or above; building area with an EPC of B or above; and the number of buildings that have an EPC of A or B.

AEDAS Homes green financing framework has the following limitations:

- AEDAS Homes' impact reporting practices do not refer to international guidelines for environmental impact measurement, such as the Harmonized Framework for Impact Reporting, as recommended by the International Capital Market Association (ICMA).

Conclusion

Based on our assessment of the contents of AEDAS Homes' green financing framework, we regard this framework as being aligned with the four components of the GLP and GBP, given that the seeker of finance has committed to:

- Allocating the full amount of the net proceeds of loans/bonds to eligible green projects, as defined by the seeker of finance;
- Use clear green criteria, as defined by the seeker of finance, to select projects for funding;
- Manage and track proceeds; and
- Reporting on the environmental impact and use of proceeds regularly.

Mapping to the UN Sustainable Development Goals

The SDGs were set up by the UN in 2015 and form an agenda for achieving sustainable development by the year 2030. We use the ICMA SDGs mapping for this part of the report. We acknowledge that the ICMA mapping does not provide an exhaustive list, and ICMA recommends that each project category should be reviewed individually to map it to the relevant SDGs.

AEDAS Homes' green financing framework intends to contribute to the following SDGs:

Use of proceeds

SDGs

Green Buildings



***11. Sustainable cities and communities.**

*We could link the eligible project categories to those SDGs based on the ICMA mapping.

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