

Acciona: Innovating with sustainability-linked financing

Climate leader

What

ACCIONA is a Spanish infrastructure and renewable energy company. Its subsidiary, ACCIONA Energía, was floated on the Spanish stock exchanges in July 2021. The company's strategy is focused on a net positive approach and regenerative infrastructure – infrastructure that supports the Sustainable Development Goals (SDGs) by having a positive impact on local communities and the environment.

To finance its activities, ACCIONA launched a total of €3.3 billion in sustainability-linked loans across the two companies. Both loans include features designed to maximise ACCIONA's social and environmental impact.

First, each loan is linked to local impact targets as well as corporate climate targets. The local impact targets include tree planting and conservation to compensate for emissions from the business operations of ACCIONA Energía and training vulnerable groups and providing clean energy for isolated rural communities for ACCIONA.

Second, the loans have an impact guarantee. If ACCIONA fails to meet its targets, the company will pay a penalty to the UN Environment Programme (UNEP), which will use this money to achieve the equivalent impact.

The targets and guaranteed impact make ACCIONA's 'double-impact' loans an innovative way to drive change using financial instruments.

'ACCIONA has fused sustainability into the core of its financing with this innovatively designed instrument. It has engaged effectively with banks and other finance providers so that they understand the benefits ACCIONA provides.'

Finance for the Future Awards judges

Why

ACCIONA's shift towards sustainability and climate action came from its realisation about the critical role of infrastructure in building a sustainable future. The SDGs provided a useful starting point for the company's strategic focus on regenerative infrastructure, as infrastructure contributes to a wide range of the SDG targets.

The EU taxonomy for sustainable activities helped ACCIONA to push its ambitions even further and to communicate with investors. The company worked in a wide range of areas – such as energy, transport, water, cities and real estate – and this had made it challenging to convey to investors exactly what the company was and what it did. Many of ACCIONA's activities already aligned with the taxonomy, so it became a useful framework for explaining ACCIONA's work to investors.

For ACCIONA, sustainability-linked financing was a way to support its integrated strategy. Rather than linking instruments to pre-existing targets, ACCIONA wanted to use financing to set new, ambitious corporate targets and drive extra impact in the communities it serves.



‘The finance and sustainability team have learned from each other as we have worked to expand and integrate our climate disclosures into our mainstream financial filings. It’s been a great partnership that demonstrates how a relationship grounded in shared values can be an accelerant for change. This collaboration is critical for all companies as we continue to accelerate climate action and build the infrastructure to support transparent, timely and verifiable climate disclosures.’

Chris Power
Senior Manager SEC Reporting, Salesforce

How

ACCIONA's integrated finance and sustainability group developed the structure and targets for the loans and engaged with banks to secure funding:

- > Combining finance and sustainability functions into one business group created the organisational environment that inspired ACCIONA to develop its new sustainability-linked loans. The company created a new role to lead the new group: the chief financial and sustainability officer.
- > ACCIONA's €800 million loan is linked to a corporate target of reducing scope 1 and 2 emissions by 60% between 2017 and 2030. It has two additional local impact targets. The first is providing 40,000 hours of certified technical and vocational training to vulnerable people from communities where ACCIONA operates, especially women and young people. The second is providing clean energy to over 1,300 rural homes that currently do not have access and where there are no existing plans to connect them to the grid.
- > The corporate target for ACCIONA Energía's €2.5 billion loan is aligning more than 95% of the company's capex with the EU taxonomy by 2025. The local impact target is for the company to become net positive through nature-based solutions – planting trees, or other equivalent nature-based solutions. The solutions must absorb more carbon emissions than ACCIONA Energía's scope 1 and 2 emissions.
- > The company will not receive any margin adjustment on the loans for meeting its corporate targets – ACCIONA chose to forgo a standard margin adjustment in favour of an impact guarantee mechanism. There will, though, be a margin adjustment of 5 basis points for meeting local impact targets for both ACCIONA and ACCIONA Energía.
- > ACCIONA met with more than 60 different banks during an investor roadshow. The instruments work differently than other sustainability-linked instruments, so ACCIONA had to do extra work to explain what it was doing and why. Feedback from the banks helped the company to express the structure and the local impact targets clearly. The company's efforts led to high demand, and the instruments were more than two times oversubscribed.
- > Each target has annual milestones that will be audited each year and reported in ACCIONA's integrated report. The audit will inform any annual margin adjustments. At the end of the period for each impact, ACCIONA will either have met the target or it will have to pay the agreed penalty to UNEP so that UNEP can make up the difference.
- > ACCIONA is planning to use this structure for future financing that will fund its infrastructure and renewable energy projects.

www.accionacom.com

'These instruments have allowed us to better explain the value proposition of a sustainable infrastructure company and to raise capital that shares our vision and objectives to contribute to a cleaner and more equitable society.'

José Ángel Tejero
Chief Financial and Sustainability Officer, ACCIONA



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