



**Comunidad  
de Madrid**

# Comunidad de Madrid

## Sustainable Finance Framework

March 2020



## Table of Contents

1. Strong commitment to sustainability	2
2. Introduction to Comunidad de Madrid Sustainable Finance Framework	3
3. Use of Proceeds	4
4. Process for Project Evaluation and Selection	14
5. Management of Proceeds	14
6. Reporting	15
7. External review	16
8. DISCLAIMER	17

# Comunidad de Madrid

## Sustainable Finance Framework

### 1. Strong commitment to sustainability

The Autonomous Community of Madrid (*Comunidad de Madrid*) is strongly committed to addressing the needs of its citizens and devotes a substantial portion of its budget to social and environmental spending, with the aim of improving the quality of life in the region and addressing specific social and/or environmental issues.

By financing key public services relating to affordable housing, health, education, social services, employment promotion, clean and safe transport and environmental management, Comunidad de Madrid provides essential support to guarantee the well-being of all citizens, especially the most vulnerable groups.

Comunidad de Madrid's spending on social programmes is aimed at improving the redistributing capacity of public institutions, strengthening social cohesion and reducing inequalities, via the implementation of programmes to promote access to essential services, employment and welfare. The development and constant improvement of the welfare system is crucial for the region's social-economic recovery, seeking sustainable growth and equality.

In addition, Comunidad de Madrid has an important environmental mandate. Comunidad de Madrid understands the urgency to fuel the environmental transition of the economy with effecting policies that address climate change, providing sustainable mobility solutions and promoting modal shift, managing pollution and waste, and protecting the bio-diversity of the rich ecosystem of the region.

Comunidad de Madrid takes actions to combat climate change and support the achievement of the EU goal of carbon neutrality by 2050, via the elaboration of an ambitious strategy and the implementation of a number of environmental initiatives:

- In the autumn of 2019, Comunidad de Madrid has announced the launch of a **Scientific-Technical Committee on Climate Change** (*Comité Científico-Técnico sobre Cambio Climático*) with the purpose to define the **Strategy for Adaptation and Mitigation of Climate Change 2021-2030**. The Strategy will have a roadmap to 2050 and will include active policies to improve air quality. In addition, it will integrate environmental priorities to meet the objectives set by the United Nations and the EU in the framework of action of the Paris Agreements, tackling emissions reduction in key sectors, such as transportation and energy;
- Comunidad de Madrid has created four working groups within the Scientific-Technical Committee on Sustainability and Climate Change. These working groups will be focusing on specific themes: 1) adaptation to climate change, 2) emissions from diffuse sectors, including the transport and residential sector, 3) emissions from the natural environment and 4) sustainability as a whole, energy and economy;

- In December 2019, Comunidad de Madrid has signed a **Collaboration Protocol with the Spanish Group for Green Growth** (*‘Protocolo de Colaboración con el Grupo Español de Crecimiento Verde’*), aimed at promoting growth and sustainable employment in the region through a transition towards a development model that promotes the demand for environmental goods and services;
- Comunidad de Madrid has launched the **Table for the Promotion of Electric Mobility** (*‘Mesa para el Fomento de la Movilidad Eléctrica’*), that will encourage the discussion within the transportation sector with the purpose to meet the objectives of sustainable mobility;
- Comunidad de Madrid is working on the development of policies to preserve the region's biodiversity with projects such as Arco Verde<sup>1</sup> and forestry promotion, water management and clean energy generation.

In alignment with its ambition to achieve sustainable growth, Comunidad de Madrid has decided to establish this Sustainable Finance Framework, enabling the issuance of Sustainable Finance Instruments<sup>2</sup>. The proceeds obtained from the Sustainable Finance Instruments will be allocated to financing the above mentioned key public services, while fulfilling the 2020 and 2030 European goals of addressing the risk of poverty and social exclusion and moving towards the creation of a Sustainable Europe.

Comunidad de Madrid believes that Sustainable Finance Instruments are effective tools to channel investments to projects demonstrating climate and social benefits and thereby contributing the achievement of the **2030 Agenda for Sustainable Development** (United Nations 2030 Agenda) and its 17 Sustainable Development Goals (SDGs).

By issuing Sustainable Finance Instruments, Comunidad de Madrid intends to align the funding strategy with its mission and core objectives. In addition, Comunidad de Madrid intends to further contribute to the development of the Green, Social and Sustainable bond market, while increasing its investor base. There is a growing trend towards finding investors who wish to obtain benefits and earn a profit, but always with a view to promoting sustainability and supporting sustainable development for all.

## 2. Introduction to Comunidad de Madrid Sustainable Finance Framework

In line with its ambition to strengthen social welfare and guide the transition towards a low-carbon economy, Comunidad de Madrid has developed a Sustainable Finance Framework, enabling the issuance of Sustainable Finance Instruments, which comprises, but is not limited to, Green, Social and Sustainability bonds<sup>3</sup>, including private placements and loans. Proceeds of these Sustainable Finance Instruments will be allocated to environmental and/or social projects and provision of services in these areas.

<sup>1</sup> <https://www.comunidad.madrid/noticias/2019/12/13/diaz-ayuso-inicia-arco-verde-plantacion-350-arboles-vinculados-cop25>

<sup>2</sup> Sustainable Finance Instruments defined in Chapter 2 of this Framework.

<sup>3</sup> Green, Social and Sustainability bonds also include Thematic bonds focusing on specific green, social or sustainable use of proceeds included within this framework.

The Comunidad de Madrid Sustainable Finance Framework has been developed with the aim of providing transparency, disclosure and clarity to investors, and follows the Green Bond Principles (GBP)<sup>4</sup>, the Social Bond Principles (SBP)<sup>5</sup> and the Sustainability Bond Guidelines (SBG)<sup>6</sup> issued in 2018 by the International Capital Market Association (ICMA), the Green Loan Principles (GLP)<sup>7</sup> issued in 2018 by the Loan Market Association (LMA) and Sustainability Linked Loan Principles issued in 2019 by the Loan Market Association (LMA)<sup>8</sup>. The Principles provide guidelines in the form of four core components, which are further detailed in this document:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

For each Sustainable Finance Instrument issued, Comunidad de Madrid asserts that it will adopt (i) Use of Proceeds; (ii) Project Evaluation and Selection; (iii) Management of Proceeds; and (iv) Reporting, as set out in this framework.

The Comunidad de Madrid Sustainable Finance Framework follows the recommendations of the ICMA Principles regarding External Review.

Future changes in the Green, Social and Sustainability Bond Standards may be implemented in future versions of this framework. Any future updated version of this framework that may exist, will either keep or improve the current levels of transparency regarding project selection and reporting disclosures.

### **3. Use of Proceeds**

An amount equal to the net proceeds of the Sustainable Finance Instruments will be allocated to projects that meet the Eligibility Criteria specified below.

#### **a. Eligibility Criteria**

Eligible categories and projects can be directly linked to the General Budget and corresponding budgetary programmes of Comunidad de Madrid.

An overview of eligible budgetary programmes and corresponding budget codes that could be financed with Comunidad de Madrid Sustainable Finance Instruments is presented in this section (*Table 1: Overview of Social Eligible Categories* and *Table 2: Overview of Green Eligible Categories*).

<sup>4</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>5</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>6</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>7</sup> [https://www.lma.eu.com/application/files/9115/4452/5458/741\\_LM\\_Green\\_Loan\\_Principles\\_Booklet\\_V8.pdf](https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf)

<sup>8</sup> [https://www.lma.eu.com/application/files/8015/5307/4231/LMA\\_Sustainability\\_Linked\\_Loan\\_Principles.pdf](https://www.lma.eu.com/application/files/8015/5307/4231/LMA_Sustainability_Linked_Loan_Principles.pdf)

To be eligible for the Sustainable Finance Instrument proceeds, the projects funded must meet one or more of the following eligibility criteria:

### a) Affordable housing

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to projects aimed at fighting against housing exclusion by providing affordable housing and shelter to disadvantaged populations<sup>9</sup>. Related expenditures include, but are not limited to:

- (i) Development and provision of social housing in Comunidad de Madrid;
- (ii) Renovation, maintenance and improvements of social housing projects;
- (iii) Providing social housing with adapted rents to disadvantaged targeted populations;
- (iv) Maintenance, adaptation and modernization of shelters for youth at risk (improving better spaces for accommodation).

Comunidad de Madrid has socio-economic requirements to determine eligible beneficiaries. As defined in Decree 52/2016 of Comunidad de Madrid (*'Proceso de adjudicación de viviendas del Instituto de la Vivienda de Madrid'*), selection criteria to determine eligible beneficiaries (i.e. disadvantaged populations) include, for example: income level, number of family members, ownership of other real estate assets, relevant immigrant background of the family, violence experienced by women in households, refugee or asylum status, etc.

### b) Education

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to projects aimed at providing educational programmes and vocational training to youth, as well as allowing for a successful integration of disadvantaged groups in the education system, preparing them for future labour market opportunities. Related expenditures include, but are not limited to:

#### ***Provision of education to the youth and integration of disadvantaged youth groups – educational programmes and public education schools***

- (i) Construction, rehabilitation and maintenance of public education schools – including primary and secondary mandatory education schools, and special education schools (0 to 3-year-old child care centres, CEIT, IES);
- (ii) Construction, rehabilitation and maintenance of public education centres for vocational training;
- (iii) Acquisition of equipment to ensure a quality education in public education schools (including but not limited to child care facilities, primary schools, special education and psycho-pedagogical facilities);
- (iv) Financing expenses related to home educational support service (SAED), hospital classrooms (AAHH) and therapeutic educational centers (CET);
- (v) Financing educational programmes and vocational training for young people at risk of exclusion (e.g. functional dysfunction and other minorities) or unemployed;

<sup>9</sup> As defined in Decree 19/2006 of Comunidad de Madrid.

- (vi) Collaboration with public and private non-profit institutions to support the integration of students with special educational needs and improving the quality of education;
- (vii) Expenses related to subsidized school transport services, especially for students with compulsory levels of education who, since they have no public-school offering, must be transported to the nearest municipality (in compliance with basic national legislation).

#### ***Supporting public university education***

- (i) Financing the development and maintenance of public universities;
- (ii) Providing financial support to university students (exclusive to relevant target groups such as students that require this support based on socio-economic criteria<sup>10</sup> such as income level and patrimony, or students with disabilities).

### **c) Healthcare**

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to projects aimed at providing a modern and sustainable public healthcare service system to the citizens of Madrid (including, but not limited to, vulnerable groups). Priority action areas will be the modernization of related infrastructure, and to improve and replace medical equipment. Related expenditures include, but are not limited to:

#### ***Prevention and protection of public health – Supporting Madrid’s Public Healthcare Service System***

- (i) Development, maintenance<sup>11</sup> and modernization of facilities (infrastructure) integrated in the Public Healthcare Service System (hospitals, health-care centres, mental health facilities, etc.);
- (ii) Provision of healthcare in underserved areas or to vulnerable populations and reinforcement of healthcare in residential social services centers;
- (iii) Acquisition of medical equipment and provision of diagnostic services;
- (iv) Acquisition of sanitary material, pharmaceutical products, use of private hospitals and hotels in case of overcrowding in public hospitals;
- (v) Financing programmes for the promotion of health;
- (vi) Financing activities to prevent and treat drug-addiction.

#### ***High impact medicines***

- (i) Subsidizing high impact medicines to people with rare diseases (destined at life-threatening rare diseases, that have no alternative treatment and for which there is no competitively priced medicine offering in the market).

### **d) Social inclusion**

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to projects aimed at integrating and providing basic services and education programmes to several

<sup>10</sup>[http://www.madrid.org/cs/Satellite?c=CM\\_Actuaciones\\_FA&cid=1142329861143&language=es&pageid=1167899197827&pagina=PortalEducacion%2FCM\\_Actuaciones\\_FA%2FEDUC\\_Actuaciones](http://www.madrid.org/cs/Satellite?c=CM_Actuaciones_FA&cid=1142329861143&language=es&pageid=1167899197827&pagina=PortalEducacion%2FCM_Actuaciones_FA%2FEDUC_Actuaciones)

<sup>11</sup> Disinfection and cleaning costs are included within the maintenance costs.

vulnerable population groups (victims of gender violence, the elderly, risk population and minorities, physically and/or disabled people, etc.). Related expenditures include, but are not limited to:

***Fighting against gender violence and promotion of equal opportunities***

- (i) Expenditures related to the provision of goods and services to support victims of gender violence (via the financing of non-governmental organizations);
- (ii) Education and awareness campaigns aimed at the general public and women victims of gender violence, and as means to publicize resources that are available to the victims. This also includes actions to support LGBT community and individuals;
- (iii) Provision of multidisciplinary, social, psychological and legal assistance to women victims of gender violence, including protection programmes and comprehensive care for women victims of gender-based violence and to their children;
- (iv) Provision of social housing for victims of gender violence.

***Supporting the integration of families and individuals at risk (social action and education)***

- (i) Provide continuity to development projects implemented in collaboration with the public housing associations (ASIVECAM Neighbourhood Assistance Service) to support the integration of residents and reduce risk of social exclusion;
- (ii) Financing food services: Social Care Canteens that provide nutritional food to disadvantaged groups (e.g. adults with social difficulties, immigrants, asylum seekers or displaced persons, etc.);
- (iii) Financing and supporting the work done by youth associations and non-profit organizations targeting young people from the disadvantaged neighbourhoods of the Comunidad de Madrid;
- (iv) Financing “integration” classrooms for a quicker integration of immigrant students to the regular educational system (“aulas de enlace”), and managing of the service of translators and interpreters (S.E.T.I.)
- (v) Develop education centres for students (aged 16-21) with judicial deprivation of liberty in a close or semi-open regime.

***Provision of financial assistance<sup>12</sup> (i.e. minimum income) to people at risk of social exclusion<sup>13</sup>***

- (i) Financing the ‘Renta Minima de Insercion’ - a benefit of economic nature in order to satisfy the basic needs of the beneficiary. It consists of a monthly basic financial benefit and a variable complement, depending on the members who are part of the (family) unit.

***Ensuring universal accessibility to the public transportation system***

- (i) Expenditures related to public transport pass subsidies (reduced price tickets) for the general public, especially for the youth, the long-term unemployed and the retirees.

<sup>12</sup> In case there are other funding sources only the part financed by Comunidad de Madrid is eligible.

<sup>13</sup> Requirements to be eligible for the attribution of a minimum income as defined in the document “*Requisitos para ser beneficiario de la prestación de renta minima de insercion*”. Analyzed criteria includes, but is not limited to: level of income (not sufficing to cover basic needs), children/ youth members must be attending mandatory school education, being a resident for over a year, participation in inclusion programs implemented by the Comunidad de Madrid, being at risk of gender violence, etc.

### **Supporting the elderly**

- (i) Expenditures related to the provision of goods and services to the elderly<sup>14</sup> such as care homes, day centres, and home basic-support services for people in a situation of dependency.

### **Supporting the mentally and/or physically disabled (including those incapacitated)**

- (i) Expenditures related to the provision of goods and services to the mentally and/or physically disabled such as: residential care centres, day centres, rehabilitation and specialized assistance that allow to maximize the development of their capacities and possibilities of social integration, etc.

## **e) Economic inclusion and SME financing**

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to projects and programmes aimed at promoting labour market entry opportunities for long-term unemployed or people with lower employment prospects and financing small and medium-sized enterprises<sup>15</sup> (SMEs) in the Comunidad de Madrid. This activity will contribute to the growth and development of Madrid's economy, hence promoting employment creation and retention. Related expenditures include, but are not limited to:

### **Employment promotion and advancement, with the objective of including people with distance to labour market**

- (i) Supporting professional training directed at the unemployed in the Comunidad de Madrid;
- (ii) Conducting studies and labour market research that are necessary to plan and implement policies of employment;
- (iii) Supporting professional orientation programmes to those with distance to the labour market, and activities that allow for a direct contact with employment agencies and employers;
- (iv) Promote the integration in the labour market of persons with disabilities and those who are in risk of social exclusion.

### **Supporting SMEs and development of economic activity with the aim of promoting and retaining employment in Comunidad de Madrid**

- (i) Providing finance to SMEs, including start-ups in order to stimulate their competitiveness and job creation. Such financing could be used, for instance, for the renewal of equipment and technological modernization;
- (ii) Providing training and advice to commercial SMEs to help them improve their skills and business;
- (iii) Support SMEs in the Handicraft and Artisanal Market to improve their competitiveness.

<sup>14</sup>[http://www.madrid.org/cs/Satellite?c=CM\\_InfPractica\\_FA&cid=1354208710970&idConsejeria=1109266187278&idListConsj=1109265444710&idOrganismo=1109266227690&language=es&pagename=ComunidadMadrid%2FEstructura&sm=1109170600517](http://www.madrid.org/cs/Satellite?c=CM_InfPractica_FA&cid=1354208710970&idConsejeria=1109266187278&idListConsj=1109265444710&idOrganismo=1109266227690&language=es&pagename=ComunidadMadrid%2FEstructura&sm=1109170600517)

<sup>15</sup> Requirements to be an eligible SME receiving support are defined in the Decree of 23 May 2016, which aligns with definitions and regulations from the European Union. Selection criteria consider aspects such as: annual revenue, number of employees (to a maximum of 250) and economic activity.

## f) Climate change and environmental management

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to financing the measures included in the Comunidad de Madrid's '**Strategy for Adaptation and Mitigation of Climate Change 2021-2030**' to promote the manufacture and use of electric vehicles and improve and promote accessibility to low-carbon public transportation as well as the use of bicycles and other sustainable mobility solutions. Furthermore, it includes financing of activities related to the '**Waste Strategy of the Comunidad de Madrid**' and to the management and restoration of Protected Natural Parks and other unique spaces with important conservation value ('*Zonas de Especial Conservacion*'). Related expenditures include, but are not limited to:

### **Clean transportation**

- (i) Funding the development, extension, improvement, promotion and maintenance of public transport including metro, low-carbon buses (such as hybrid and electric buses), including new stations for electric buses only, rail-related infrastructure<sup>16</sup> and bicycle lanes, aimed at supporting modal shift towards public transportation, soft mobility and multimodal transport solutions;
- (ii) Funding the renewal of the most polluting fleets (replacing vehicles with lower emission vehicles, especially hybrid and electric options);
- (iii) Funding the installation of charging points for electric vehicles;
- (iv) Urban planning<sup>17</sup> and development that leads to a reduction in the use of passenger cars (and greenhouse gas emissions), including the financing of studies to understand the needs of the citizens of Madrid regarding the use of public transportation and improve the efficiency of the public transportation system.

### **Waste Management**

- (i) Financing measures to decrease the volume of waste generated;
- (ii) Funding the treatment of electrical and electronic equipment waste;
- (iii) Implementing programmes for new uses of recycled materials such as rubber from tires;
- (iv) Development of research studies on contaminated soils and financing necessary measures to ensure decontamination of identified sites.

### **Environmental conservation and biodiversity**

- (i) Financing of conservation and restorative activities such as: repair of damaged areas to reconstruct distorted natural habitats, ongoing maintenance in the form of tree, plant and wildlife care and management and fire protection;
- (ii) Organization and funding of educational activities and facilities to enhance awareness and knowledge of the importance of the National Parks and other environmental spaces in the Comunidad de Madrid, encouraging the environmental care by local residents and visitors;
- (iii) Monitoring and development of the Forestry Plan of the Comunidad de Madrid.

<sup>16</sup> This includes subsidies to companies operating the metro system (Metro de Madrid), the public bus system (EMT) and the rail system in the Comunidad de Madrid's region.

<sup>17</sup> Urban planning also includes construction of parking lots located right outside of the Madrid's city center to encourage drivers to switch to the public transportation system before entering in the city.

**b. Contribution to the UN Sustainable Development Goals (UN SDGs) and the EU Environmental Objectives**

- **Alignment with UN Sustainable Development Goals:** Comunidad de Madrid is firmly committed to promoting the 2030 Agenda developed by the United Nations to contribute to the achievement of the Sustainable Development Goals (UN SDGs). Comunidad de Madrid considers that the eligible categories and projects defined in this Sustainable Finance Framework have a positive contribution mainly to the following Sustainable Development Goals: SDG 1 ('No Poverty'), SDG 3 ('Good Health'), SDG 4 ('Quality Education'), SDG 5 ('Gender Equality'), SDG 8 ('Good work and economic growth'), SDG 11 ('Sustainable Cities and Communities'), SDG 13 ('Climate Action') and SDG 15 ('Life on Land').
- **Alignment with EU Environmental Objectives:** The Green Eligible Categories selected in this Framework directly contribute to the achievement of certain EU Environmental Objectives, as set out in the EU Regulation<sup>18</sup>.

**c. Exclusionary Criteria**

The use of proceeds may include capital and operating expenditures of eligible project categories and programmes, as well as indirect lending to projects such as grants and subsidies for private and public organizations and consortiums for special purposes. Only Comunidad de Madrid's own expenditures (net of EU grants, EIB loans, state grants or other revenues earmarked for specific purposes) are eligible. Specific sections of the relevant budgetary programmes that will be excluded include:

- Personnel expenditures (Section 1 of the budgetary programmes),
- Financing costs (Section 3 of the budgetary programmes),
- Contingency Funds (Section 5 of the budgetary programmes),
- Financial assets (Section 8 of the budgetary programmes), except for art.87-89 - Indirect investments in projects such as grants for private and public companies and consortiums for relative framework purposes.
- Financial liabilities (Section 9 of the budgetary programmes).

<sup>18</sup> Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018PC0353>

**Table 1: Overview of Social Eligible Categories**

Social Use of Proceeds – Overview				
SPB Eligible Category	Main eligible expenditures	Budgetary Programme	Budget Code	UN SDGs
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>Financing projects aimed at providing affordable housing and shelter to disadvantaged populations<sup>19</sup></li> </ul>	<b>14: Transport, Social Housing &amp; Infrastructure</b>	261B	 <b>No Poverty</b> Target 1.4  <b>Sustainable Cities and Communities</b> Target 11.1
<b>Education</b>	<ul style="list-style-type: none"> <li>Provision of education to the youth and integration of disadvantaged youth groups – educational programmes and financing public education schools</li> <li>Supporting public university education</li> </ul>	<b>15: Education, Youth and Sport</b>	322A 322B 322C 322F 232A 324M	 <b>Quality Education</b> Target: 4.1, 4.2, 4.4, 4.A
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>Expenses related to supporting Madrid's Public Healthcare Service System</li> <li>Financing of high impact medicines to people with rare diseases (destined at life-threatening rare diseases, that have no alternative treatment and for which there is no competitively priced medicine offering in the market)</li> </ul>	<b>17: Health care services</b>	312A	 <b>Good Health</b> Target: 3.8
<b>Social inclusion</b>	<ul style="list-style-type: none"> <li>Fight against gender violence and promotion of equal opportunity               <ul style="list-style-type: none"> <li>Expenditures related to the provision of goods and services to support victims of gender violence (via the financing of non-governmental organizations)</li> <li>Prevention and information programmes</li> </ul> </li> </ul>	<b>19: Social policies and the family</b>	232B	 <b>Gender Equality</b> Target: 5.1, 5.2
	<ul style="list-style-type: none"> <li>Integration, education and employment programmes as well as financial assistance to vulnerable groups at risk of social exclusion               <ul style="list-style-type: none"> <li>Support integration of families or individuals at risk</li> <li>Support integration and inclusive education projects to target groups at risk</li> <li>Social action aimed at helping vulnerable groups and people at risk of social exclusion</li> <li>Provision of financial assistance (minimum income) to people at risk of social exclusion</li> </ul> </li> </ul>	<b>19: Social policies and the family</b>	231E 322A 261B 232A 322B 322F 232E	 <b>Good jobs and economic growth</b> Target: 8.6
	<ul style="list-style-type: none"> <li>Ensure universal accessibility to the public transportation system               <ul style="list-style-type: none"> <li>Expenditures related to public transport pass subsidies (reduced price tickets) for the general public, especially for the</li> </ul> </li> </ul>	<b>14: Transport, Social Housing &amp; Infrastructure</b>	453N	 <b>Sustainable Cities and Communities</b> Target: 11.2

	youth, the long-term unemployed and the retirees			
	<ul style="list-style-type: none"> <li>• <i>Support to the elderly</i> <ul style="list-style-type: none"> <li>○ Expenditures related to the provision of goods and services to the elderly</li> </ul> </li> </ul>	<b>19: Social policies and the family</b>	231D	 <b>No Poverty</b> Target: 1.1, 1.B
	<ul style="list-style-type: none"> <li>• <i>Support to the mentally and/or physically disabled (including those incapacitated)</i> <ul style="list-style-type: none"> <li>○ Expenditures related to the provision of goods and services to the mentally and/or physically disabled</li> </ul> </li> </ul>	<b>19: Social policies and the family</b>	231A 231C 231F	
<b>Economic inclusion and SME financing</b>	<ul style="list-style-type: none"> <li>• <i>SMEs and development of economic activity</i></li> </ul>	<b>12: Economy, Work and Finance</b>	422B 431A 433A 463A	 <b>Good jobs and economic inclusion</b> Target: 8.3, 8.6
	<ul style="list-style-type: none"> <li>• <i>Employment promotion and advancement, including people with distance to labour market</i></li> </ul>		241A 241M	

**Table 2: Overview of Green Eligible Categories**

Green Use of Proceeds - Overview					
GBP / GLP Eligible Category	Main eligible expenditures	Budgetary Programme	Budget Code	UN SDGs	EU Environmental Objective
<b>Climate change and environmental management</b>	<ul style="list-style-type: none"> <li>Measures to implement the Waste Strategy of the Comunidad de Madrid</li> </ul>	<b>16: Environment, Local administration and territorial planning</b>	456N		EU Objective 4: Circular economy  Substantial contribution (h.a): Increasing the development of waste management infrastructure
	<ul style="list-style-type: none"> <li>Clean transportation               <ul style="list-style-type: none"> <li>Provide financing to promote the manufacture and use of the electric vehicles and points of recharge</li> <li>Promote public transport services and modal shift towards public transportation (e.g. railway, metro de Madrid, bus system) and soft mobility, support multimodal transport solutions and promote the use of bicycles</li> </ul> </li> </ul>	<b>14: Transport, Social Housing &amp; Infrastructure</b>	422B 453N		EU Objective 1: Climate Change Mitigation  Substantial contribution (1.c): increasing clean or climate-neutral mobility
	<ul style="list-style-type: none"> <li>Environmental conservation and biodiversity               <ul style="list-style-type: none"> <li>Management and restoration of Protected Natural Parks and other unique spaces with important conservation value</li> </ul> </li> </ul>	<b>16: Environment, Local administration and territorial planning</b>	456A		EU Objective 6: protection and restoration of biodiversity and ecosystems  Substantial contribution (1.b): Sustainable land use and management and (1.c): Sustainable forest management

#### **4. Process for Project Evaluation and Selection**

The Comunidad de Madrid has a dedicated internal Committee of Selection, Monitoring and Evaluation that will meet prior to the issuance of a Sustainable Finance Instrument to select and evaluate eligible programmes from the General Budget. This Committee includes representatives from the Regional Treasury Department (*'Dirección del Tesoro Regional'*), the sub-Department of Financial planning, the sub-Department of Public Finance (*'Consejería de Hacienda'*), and other members.

The Committee will select eligible programmes from the General Budget that align with the eligibility criteria defined in this framework. The list of selected eligible programmes will be dynamic and might change over time depending on the investment priorities of the Comunidad de Madrid.

As not all activities in the selected budget programmes might be eligible according to the Sustainable Finance Framework, Comunidad de Madrid intends to provide investors with information regarding the percentage of each eligible budget programme that was eligible for Sustainable Finance Instrument issuances. This information might be included in the Allocation Reporting.

The Comunidad de Madrid applies core minimum environmental and social requirements for many of its activities, including those financed with the proceeds of the Sustainable Finance Instruments. These requirements are continuously developed and renewed. Some of these requirements have been specified above, per use of proceeds. Examples of such requirements are defined in the following documents of Comunidad de Madrid: Decree 19/2006 and 52/2016 (criteria for allocation of social housing), Decree of 23 May 2016 (criteria for the selection of SMEs eligible for modernization and innovation projects) and Requirements to be a beneficiary of financial assistance (i.e. minimum income). If eligible activities fail to meet the requirements, Comunidad de Madrid will seek for such breaches to be promptly addressed and/or remedied in a satisfactory manner through its normal operations.

#### **5. Management of Proceeds**

The proceeds of the Sustainable Finance Instruments will be allocated to eligible budgetary programmes in the General Budget of Comunidad de Madrid. The total expenditures required for the eligible programmes will equal or exceed the net total proceeds.

The proceeds will be formally allocated at the close of the fiscal year when the definitive budgetary amounts are approved. The proceeds of sustainable finance instruments will be allocated to eligible programmes in the General Budget of Comunidad de Madrid, corresponding to the fiscal year of the Sustainable Finance Instrument issuance and, in case necessary, to the preceding fiscal year.

In case this is not possible, for example because the spending on eligible programs is very different from expected or postponed to the next fiscal year, Comunidad de Madrid will hold and/or invest, at its own discretion, in its liquidity portfolio, the balance of net proceeds not yet allocated to eligible programmes.

Comunidad de Madrid ensures that the systems and processes as specified above meet their requirements over the lifetime of the instruments.

## 6. Reporting

The ICMA Green and Social Bond Principles require Green/Sustainability Bond issuers to provide information about the allocation of proceeds. In addition to information relating to the projects to which Green/Sustainability Bond proceeds have been allocated, the Green and Social Bond Principles recommend disclosure of the expected impact of the projects.

On a best-effort basis, Comunidad de Madrid intends to align its reporting with the approach described in "Handbook – Harmonized Framework for Impact Reporting (June 2019)<sup>20</sup>" and "Social Bonds – working towards a Harmonized Framework for Impact Reporting (June 2019)<sup>21</sup>". Reporting for all Comunidad de Madrid Green/Social/Sustainability Bonds is based on the Eligible Portfolio and reports are aggregated for all Green/Social/Sustainability Bonds outstanding.

### a. Allocation Reporting

Allocation reporting will be available to investors within approximately one year from the date of the Sustainable Finance Instrument issuance until the proceeds have been fully allocated. As most proceeds are expected to be allocated at issuance, this should be a one-off report. The reporting will produce insights into the total amount provided to the various eligible budgetary programmes and the total of each Eligible Category. The allocation reporting will be made available on Comunidad de Madrid's website<sup>22</sup>.

### b. Impact Reporting

Comunidad de Madrid already reports on the impact of several of its programmes. Most of these reports are publicly available on the website. When feasible, Comunidad de Madrid intends to provide a dedicated annual Sustainable Finance impact report for investors with estimates of the main environmental or social impacts or outputs of the eligible programmes, based on existing reporting and indicators of the Comunidad de Madrid. Some case studies of projects may be provided to illustrate the positive impact. Social and environmental impact indicators could include the metrics included in Table 3.

<sup>20</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

<sup>21</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Framework-for-Social-Bond-Reporting-Final-06-2019-100619.pdf>

<sup>22</sup> [http://www.madrid.org/cs/Satellite?pagename=Inversor%2FPPage%2FINVE\\_home&language=es](http://www.madrid.org/cs/Satellite?pagename=Inversor%2FPPage%2FINVE_home&language=es)

**Table 3: Social and environmental metrics for impact reporting**

<b>Eligible Categories</b>	<b>Potential impact reporting indicators</b>
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>• Number of vulnerable individuals or families benefiting of social housing</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• Number of special education centres supported</li> <li>• Number of educational or vocational programmes targeting young people at risk of exclusion financed</li> </ul>
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>• Number of people with a rare disease being provided access to services and adequate medication</li> </ul>
<b>Social inclusion</b>	<ul style="list-style-type: none"> <li>• Number of victims of gender violence supported (in terms of housing, financial support or others)</li> <li>• Number of individuals or families benefiting of social minimum income</li> <li>• Number of people benefitting from reduced price tickets</li> </ul>
<b>Economic inclusion</b>	<ul style="list-style-type: none"> <li>• Number of SMEs that received support for equipment and facilities and technological modernization</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Number of electric vehicles acquired</li> <li>• New points of electric vehicle recharge</li> <li>• KM of infrastructure maintained</li> <li>• Annual GHG emission reduced/avoided in tonnes of eq.CO2 (per passenger/tonne-km)</li> <li>• Number of passengers in new environmentally friendly means of transportation</li> </ul>
<b>Waste Management</b>	<ul style="list-style-type: none"> <li>• Amount of recycled or composted waste (tons)</li> </ul>
<b>Environmental conservation and biodiversity</b>	<ul style="list-style-type: none"> <li>• Area/ Number of Protected Natural Parks and other areas with unique conservation value where there has been an intervention</li> </ul>

## 7. External review

### a. Second Party Opinion

A Second Party Opinion on the Comunidad de Madrid Sustainable Finance Framework has been provided by Sustainalytics and is available on the Comunidad de Madrid and the Sustainalytics website.

### b. Verification

An external reviewer might be engaged to perform a compliance review on an annual basis, to ensure the proceeds of the Comunidad de Madrid Sustainable Finance Instruments are being used as outlined in the Comunidad de Madrid Sustainable Finance Framework.

## **8. DISCLAIMER**

THIS DOCUMENT IS INTENDED TO PROVIDE NON-EXHAUSTIVE, GENERAL INFORMATION. THIS DOCUMENT MAY CONTAIN OR INCORPORATE BY REFERENCE PUBLIC INFORMATION NOT SEPARATELY REVIEWED, APPROVED OR ENDORSED BY COMUNIDAD DE MADRID AND ACCORDINGLY, NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY COMUNIDAD DE MADRID AS TO THE FAIRNESS, ACCURACY, REASONABLENESS OR COMPLETENESS OF SUCH INFORMATION.

THIS DOCUMENT MAY CONTAIN STATEMENTS ABOUT FUTURE EVENTS AND EXPECTATIONS THAT ARE FORWARD LOOKING STATEMENTS. NONE OF THE FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS IN THIS DOCUMENT SHOULD BE TAKEN AS FORECASTS OR PROMISES NOR SHOULD THEY BE TAKEN AS IMPLYING ANY INDICATION, ASSURANCE OR GUARANTEE THAT THE ASSUMPTIONS ON WHICH SUCH FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS HAVE BEEN PREPARED ARE CORRECT OR EXHAUSTIVE OR, IN THE CASE OF THE ASSUMPTIONS, FULLY STATED IN THE DOCUMENT. COMUNIDAD DE MADRID HAS AND UNDERTAKES NO OBLIGATION TO UPDATE, MODIFY OR AMEND THIS DOCUMENT, THE STATEMENTS CONTAINED HEREIN TO REFLECT ACTUAL CHANGES IN ASSUMPTIONS OR CHANGES IN FACTORS AFFECTING THESE STATEMENTS OR TO OTHERWISE NOTIFY ANY ADDRESSEE IF ANY INFORMATION, OPINION, PROJECTION, FORECAST OR ESTIMATE SET FORTH HEREIN CHANGES OR SUBSEQUENTLY BECOMES INACCURATE.

THIS DOCUMENT IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL OR FINANCIAL ADVICE. IT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SELL OR ANY SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OR A RECOMMENDATION REGARDING ANY SECURITIES, NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER AND IT HAS NOT BEEN APPROVED BY ANY SECURITY REGULATORY AUTHORITY.

THE DISTRIBUTION OF THIS DOCUMENT AND OF THE INFORMATION IT CONTAINS MAY BE SUBJECT OF LEGAL RESTRICTIONS IN SOME COUNTRIES. PERSONS WHO MIGHT COME INTO POSSESSION OF IT MUST INQUIRE AS TO THE EXISTENCE OF SUCH RESTRICTIONS AND COMPLY WITH THEM.

THE INFORMATION IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED. THE ADDRESSEE IS SOLELY LIABLE FOR ANY USE OF THE INFORMATION CONTAINED HEREIN AND COMUNIDAD DE MADRID SHALL NOT BE HELD RESPONSIBLE FOR ANY DAMAGES, DIRECT, INDIRECT OR OTHERWISE, ARISING FROM THE USE OF THIS DOCUMENT BY THE ADDRESSEE.