

# INVESTOR PRESENTATION



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# I. MACRO OUTLOOK 2019 AND FORECAST 2020



# Economic growth

The Comunidad de Madrid's economy is still growing vigorously, extending its dynamism for a period that already reaches four and a half years. Its GDP growth rate is above 2,5% during this period.



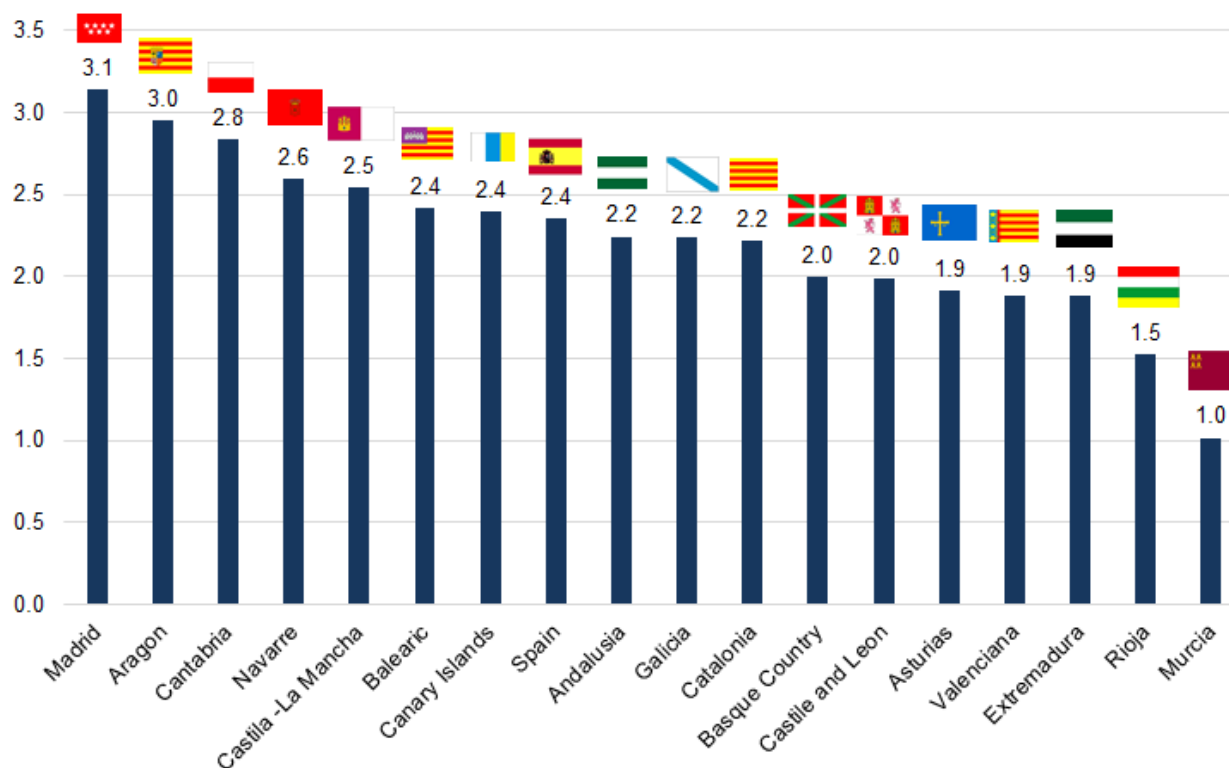
**Madrid generates 19.2% of national GDP with 14.1% of the population**

	POPULATION	% Total	GDP	% Total
<b>C. MADRID</b>	6.587	14,10%	230.794.788	19,20%
<b>SPAIN</b>	46.729	100%	1.202.193.000	100%

# Real GDP

In 2018, the Comunidad de Madrid grew at the greatest rate in comparison with other regions (+3,1%).

## Real GDP by CC.AA. (%) in 2018



Source: INE



# GDP performance

3.0% (\*)

YoY 2019

Leader in the  
creation of  
companies

Leader in the  
attraction of  
investors

Unemployment rate  
below 10%

Record figures in  
foreign trade



# GDP performance

3.0% (\*)

YoY 2019

+0.6%  
QoQ Q4 (\*)

+2.7%  
YoY Q4 2019  
(\*)

GDP  
recovery to  
pre-crisis  
level

Highest GDP  
per capita in  
Spain

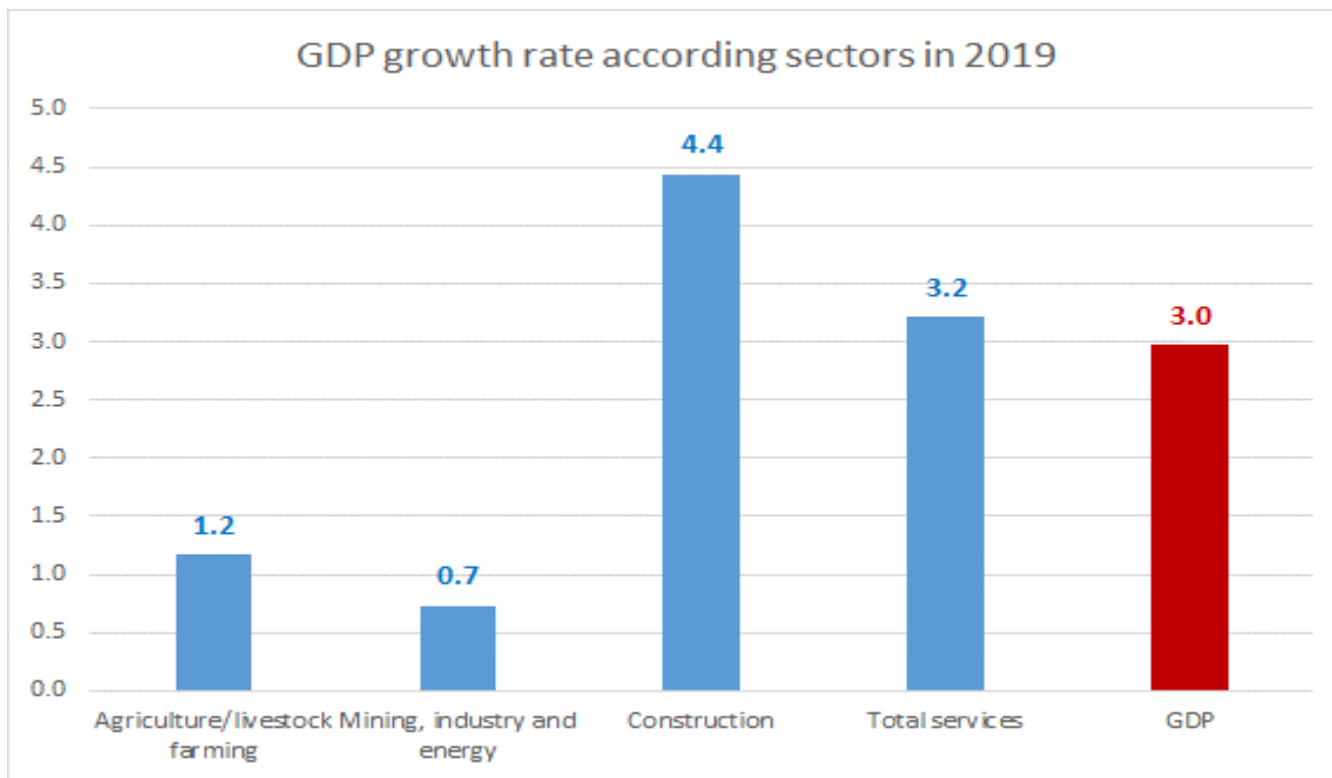
(\*) Source: Region of Madrid Statistics Institute 2019 forecast



# 2019 Annual Summary

GDP growth for the Comunidad de Madrid in 2019 is expected to increase 0.6 pp above the GDP growth for Spain.

All economic sectors are expected to post positive figures during the year.



(\*) Source: Region of Madrid Statistics Institute 2019 forecast



# Economic sectors 2019

**Services  
expected to  
increase by  
3.2% (\*)**

**Industry  
expected to  
increase by  
0.7% (\*)**

**Construction  
expected to  
increase by  
4.4% (\*)**

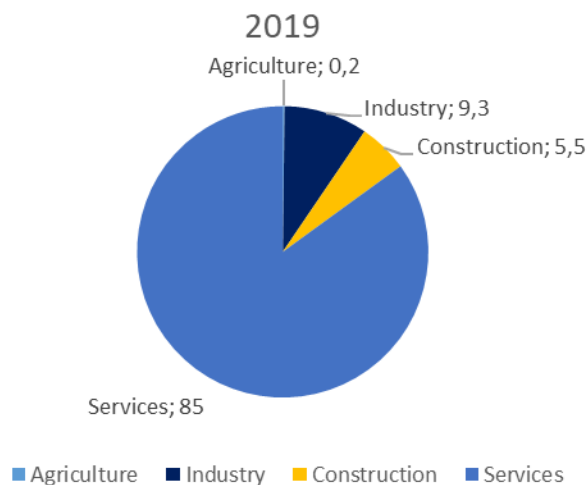
**Agriculture  
expected to  
increase by  
1.2% (\*)**

(\*) Source: Region of Madrid Statistics Institute 2019 forecast

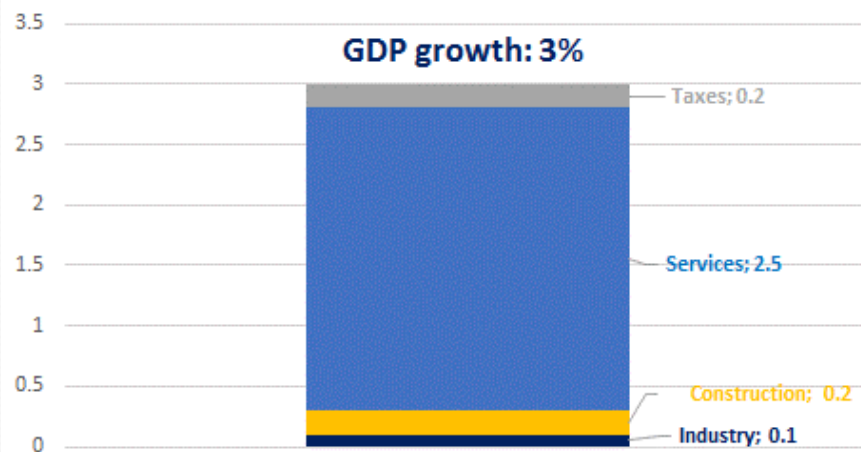


# Sectoral structure of the Comunidad de Madrid

Sectorial Structure of Comunidad de Madrid

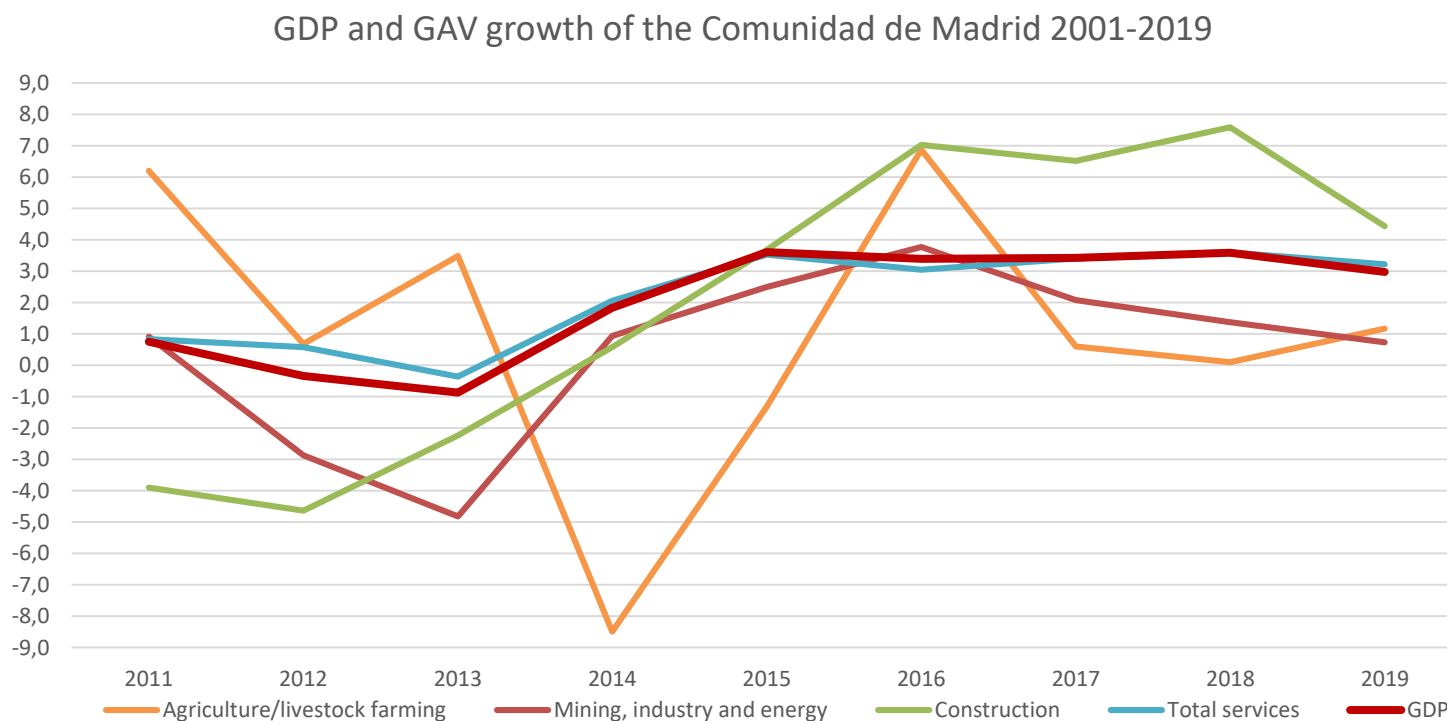


Contribution to GDP growth in 2019



# Economic performance 2011-2019

Comunidad de Madrid has been growing above 3% in the 2015-2018 period. In 2019 we expect Madrid to lead again the regional GDP growth.

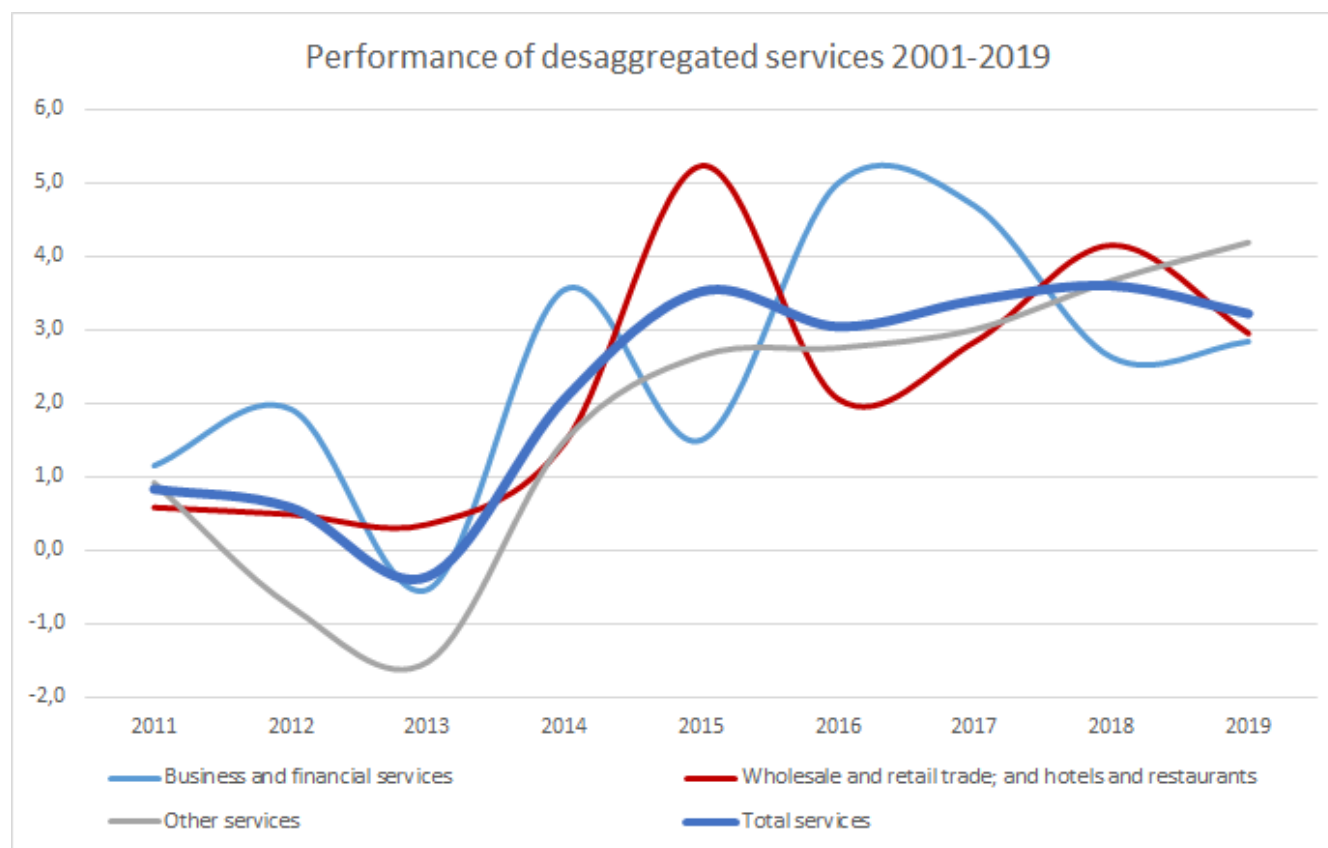


(\*) Source: Region of Madrid. 2019 as forecasted by the regional Statistics Institute.

# The regional service sector QoQ evolution

Business and financial services, which represent about half of services production, are expected to grow by 2.8% in 2019.

Wholesale & retail trade and hotels & restaurants, which represent 28,5% of services, are expected to grow by 3.0% in 2019.



(\*) Source: Region of Madrid Statistics Institute 2019 forecast



# Demand and investment 2019

**Regional  
demand  
increased by  
2.4% (\*)**

**Investment and  
consumption  
increased**

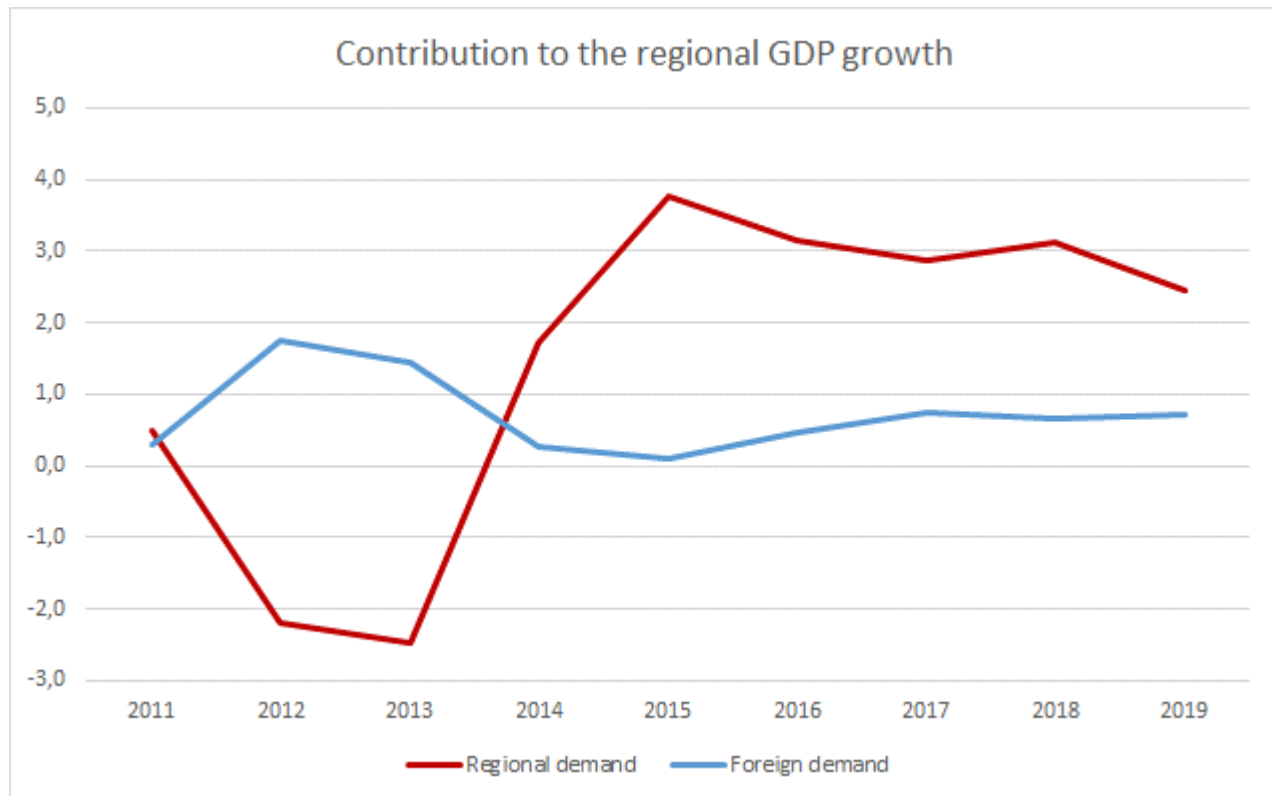
**Strong  
domestic  
demand**



# Regional demand in 2019

Regional demand expected to grow by 2.4% YoY in 2019, implying a contribution to the GDP growth of 2.3 p.p.


Foreign demand expected to increase by 4.6% YoY in 2019, which would imply a contribution to the GDP growth is 0.7 p.p. This figure has been consistently positive since 2011.



(\*) Source: Region of Madrid Statistics Institute 2019 forecast



# Business and foreign investment



**Madrid leads the  
creation of  
business**



**65.6% of foreign  
investment**

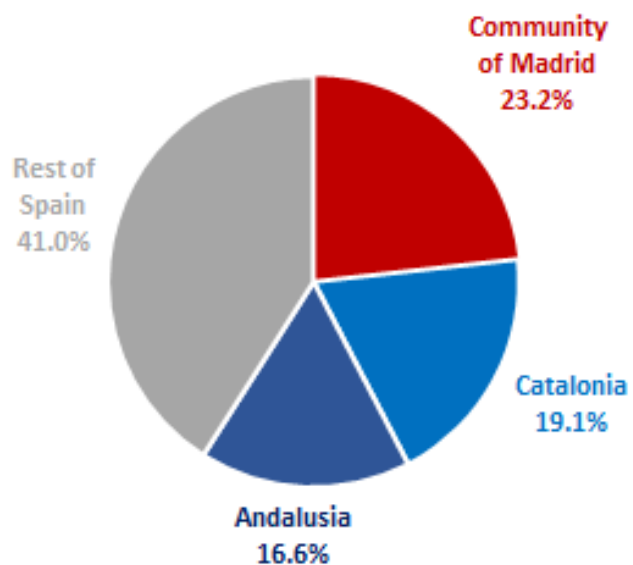


# Madrid leads the creation of business in 2019

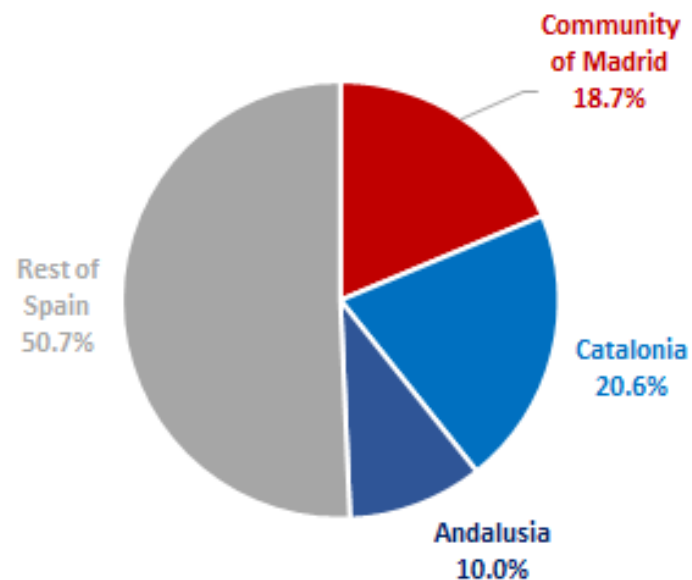
One out of five created companies in Spain is located in the Comunidad de Madrid (23.2%). In 2019, 21.791 new businesses were created in the Community of Madrid.

This new businesses's subscribed capital is 18.7% of total.

Business created in 2019

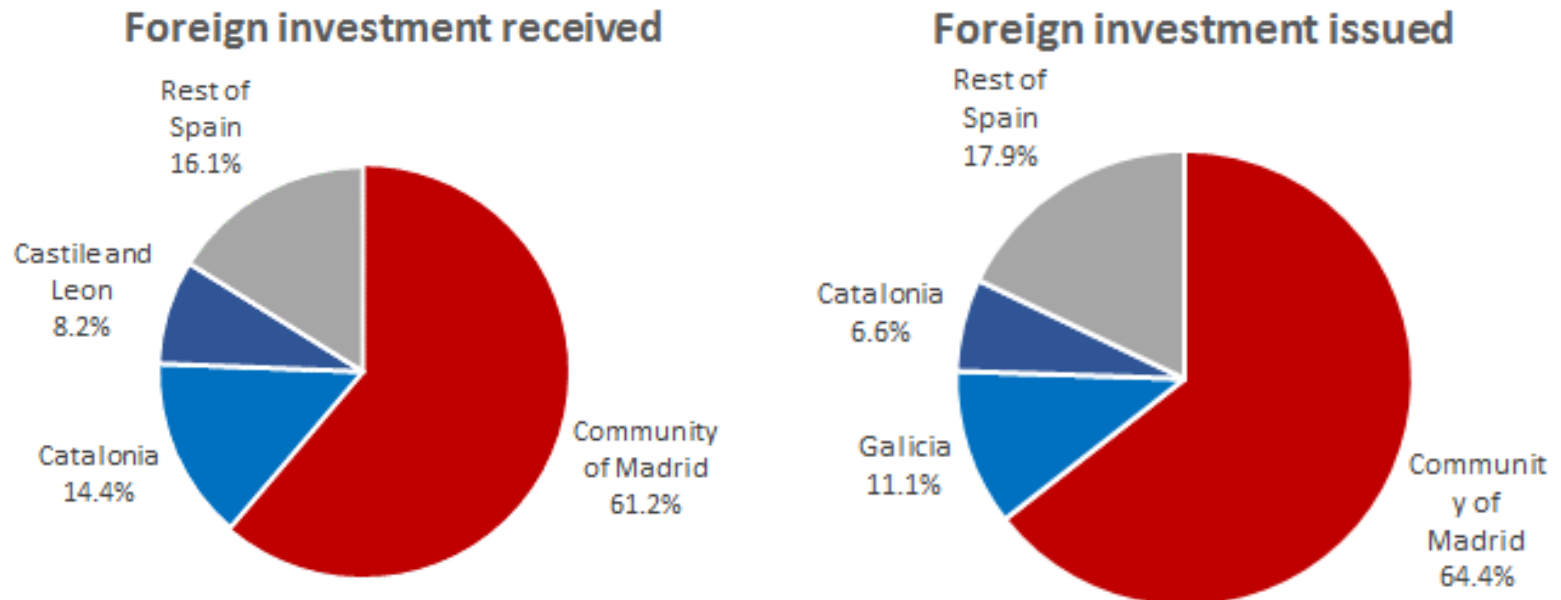


Subscribed capital in 2019



# Madrid attracts 61.2% of total foreign investment in Spain in 2019

During 2019, Comunidad de Madrid received €13.7 billions of foreign investment.



# Employment

A central blue circle with the word "Employment" is surrounded by four smaller light blue circles. The circles contain the following text: "More employment due to economic growth", "3,268,440 affiliates", "Recovery of employment", and "Employment more stable".

**More  
employment  
due to  
economic  
growth**

**3,268,440  
affiliates**

**Recovery of  
employment**

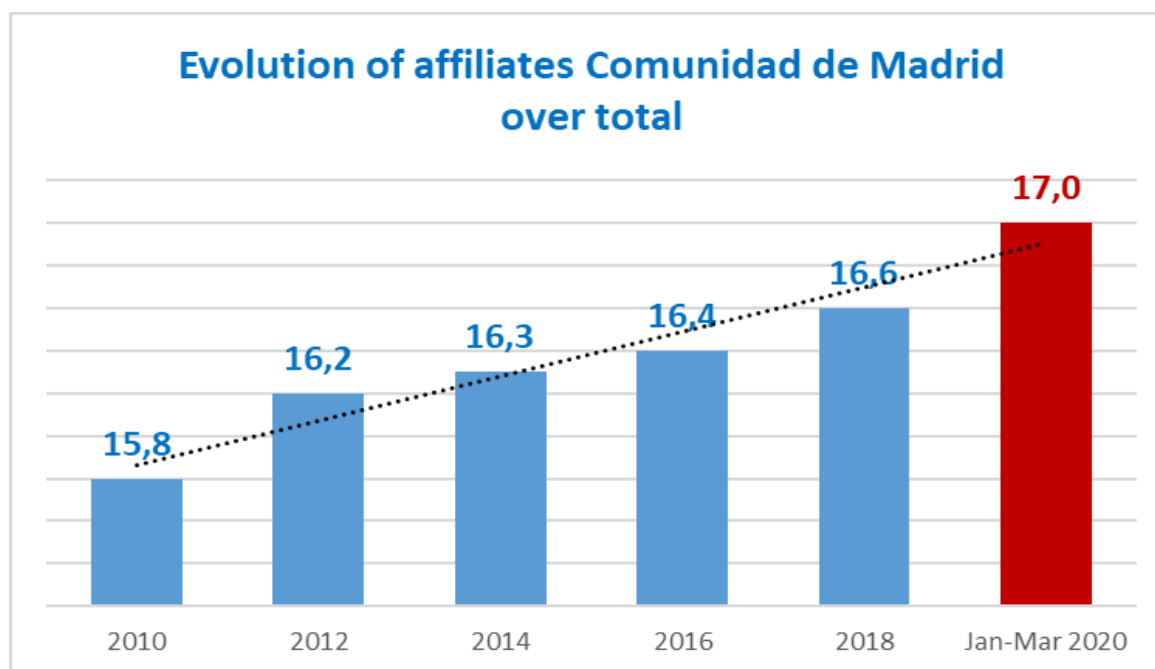
**Employment  
more stable**



## Employment keeps a favourable trend so far.

Comunidad de Madrid has 3,226,991 affiliates to the Social Security. This figure is the highest since 2004. Last year, the number of affiliations increased by 17,768 (+0.6% YoY).

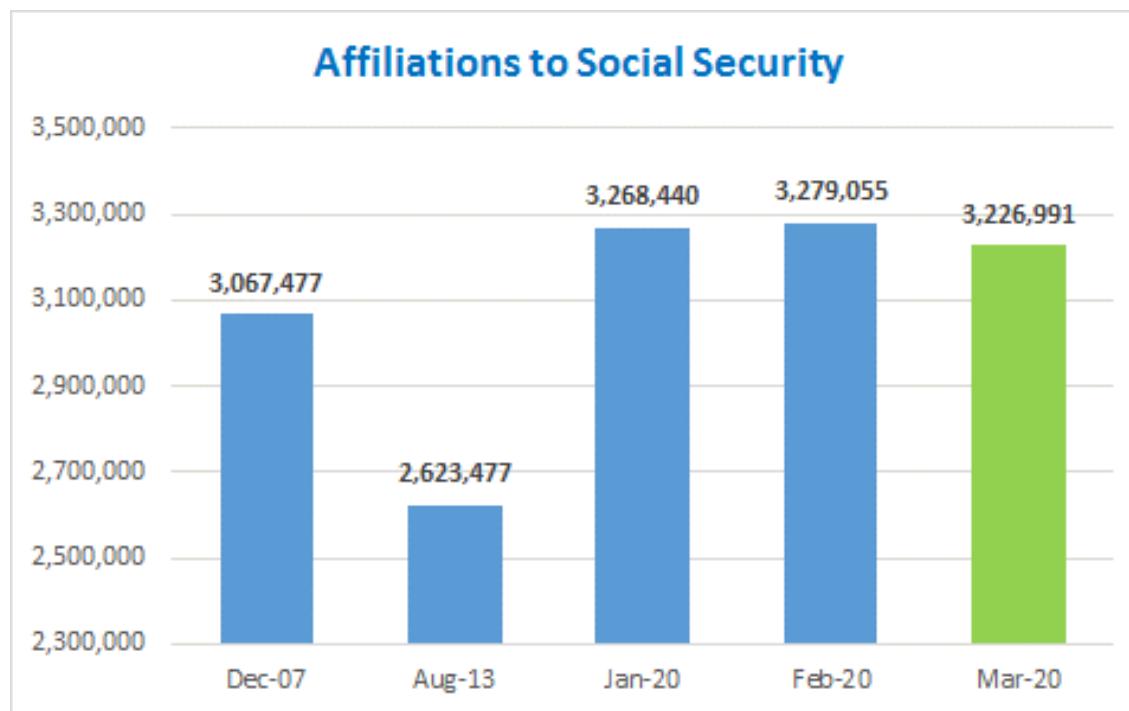
Comunidad de Madrid's affiliates represented 15.8% of the Spanish total at the beginning of the economic and financial crisis of 2008. Nowadays, this figure is 17% in Q12020.



## 3,226,991 affiliates in March 2020

Between 2007 (previous year of the beginning of the last economic crisis) and 2013 (year in which the number of affiliates was lowest in the Comunidad de Madrid), 443,734 jobs were destroyed.

In March 2020, affiliations have increased by 129.9% since 2013. There are 159,514 new jobs in comparison with 2017.

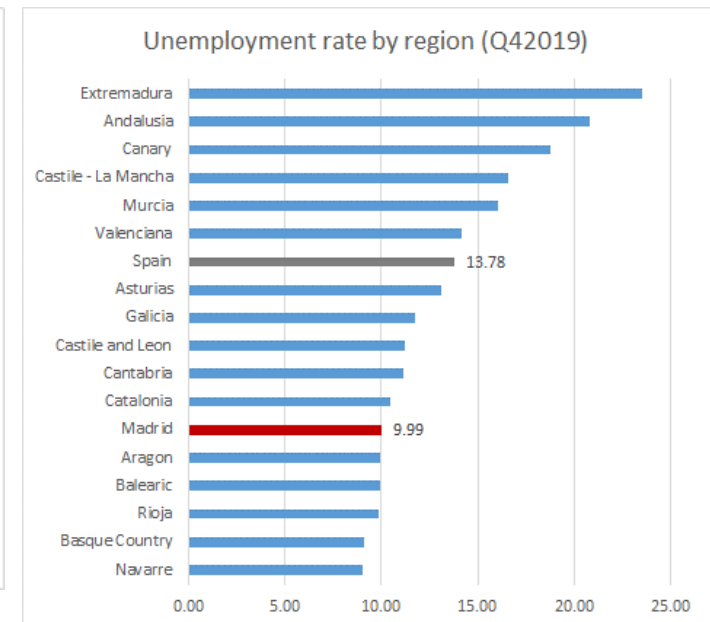
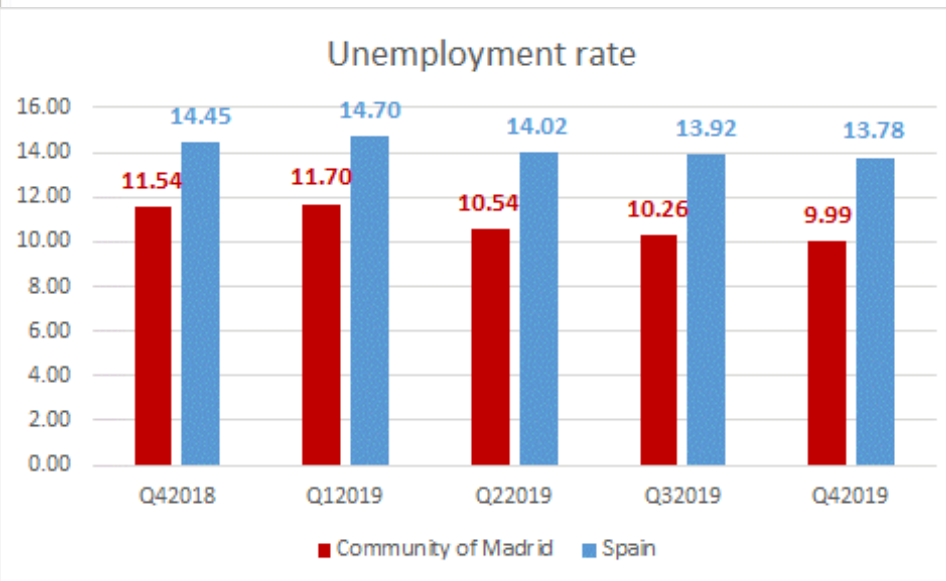


# According to EPA, unemployment has dropped for the twenty-fourth consecutive quarter

Unemployment rate is reducing and is already the lowest since Q32008.

Unemployment dropped by 43,900 people in 4Q2019 in comparison with the previous quarter (-11.1% YoY).

Comunidad de Madrid's unemployment rate was 10.0% in 4Q2019. This figure is the sixth lowest among the Spanish regions and 3.8 points below the national average.



Source: INE

```
graph LR; A((Fiscal conditions)) --- B((Madrid Financing System)); A --- C((Tax Comparison));
```

# Fiscal conditions

**Madrid  
Financing  
System**

**Tax  
Comparison**



# Comunidad de Madrid financing system

Comunidad de Madrid Budget increased by 7,5% YoY in 2019, due to yoy growth of the main tax shared with the government tax, the PIT.

<i>Billions €</i>	2018	2019	% 19/18	% Total 2019
<b>State managed taxes</b>	<b>19.64</b>	<b>20.31</b>	<b>3.4%</b>	<b>102.7%</b>
PIT	10.73	11.57	7.8%	58.5%
VAT	6.96	6.69	-3.9%	33.8%
Excise duties	1.59	1.71	7.6%	8.6%
Excise duties: transport	0.12	0.17	37.5%	0.8%
Bank deposits tax	0.13	0.13	0.0%	0.7%
Business Tax (Local tax on businesses locations)	0.03	0.03	0.0%	0.1%
Gambling taxes	0.02	0.02	0.0%	0.1%
Environmental tax (regional tax)	0.06	0.01	-91.7%	0.0%
<b>Community of Madrid managed taxes</b>	<b>2.17</b>	<b>2.40</b>	<b>10.5%</b>	<b>12.1%</b>
Wealth Transfer Tax	1.06	1.30	22.2%	6.5%
Stamp Duty	0.41	0.43	4.9%	2.2%
Inheritance and Gift tax	0.45	0.42	-6.7%	2.1%
Madrid's tax on gambling	0.17	0.16	-1.2%	0.8%
Tariffs	0.09	0.09	4.7%	0.5%
Waste Collection Fees	0.00	0.00	0.0%	0.0%
<b>Current Transfer</b>	<b>- 4.07</b>	<b>- 3.76</b>	<b>7.6%</b>	<b>-19.0%</b>
<b>Rest of non-financial income</b>	<b>0.65</b>	<b>0.83</b>	<b>26.4%</b>	<b>4.2%</b>
<b>Total of non-financial income</b>	<b>18.40</b>	<b>19.78</b>	<b>7.5%</b>	<b>100.0%</b>

Source: Comunidad de Madrid (Budget of the Community)



# Tax comparison

The Comunidad de Madrid has fiscal advantages on some taxes where the región by law does have taxation power, in order to increase deductions –up to 100% such as Wealth Tax- or reduce the tax rate –as is the case of Property Tansfer Tax and Stamp Duty-.

It has to be considered that tax rates and deductions which are shown in the following table are generally applied. Nonetheless, tax regulation sets other deductions with more residual application.

			Comunidad de Madrid	Cataluña	Andalucía	Castilla y León
<b>PIT</b>		Tax rate	18.5-43.5%	21.5-48%	19.5-48%	19-44%
		Only taxed over	700.000 €	500.000 €	700.000 €	700.000 €
<b>Wealth tax</b>		Tax rate	Discount of 100%	0.21-2.75%	0.24-3.03%	0.2-2.5%
		Tax rate	7.65-34%	7-32%	7.65-36.50%	7.65-34%
<b>Inheritance and Gift tax</b>	<b>Inheritance tax</b>	Bonuses	Groups I y II: 99%; Group III: 10-15%	Groups I y II: 99%-20%	Groups I y II: 1.000.000€*; Group III y IV disabled people: 250.000€*	Groups I y II: 100-80%
		Tax rate	7.65-34%	Groups I y II: 5-9%	7.65-36.50%	7.65-34%
	<b>Gift tax</b>	Bonuses	Groups I y II: 99%; Group III: 10-15%			
		Tax rate				
<b>Wealth Transfer Tax and Stamp Duty</b>	<b>WTT</b>	Tax rate	6%	10-11%	8-9-10%	8-10%
	<b>SD</b>	Tax rate	0,75%	1,50%	1,50%	1,50%

\*Maximum deductible amount



# Growth forecast

**Current  
growth in  
2019 exceeded  
the forecast**

**Forecast for  
2020**



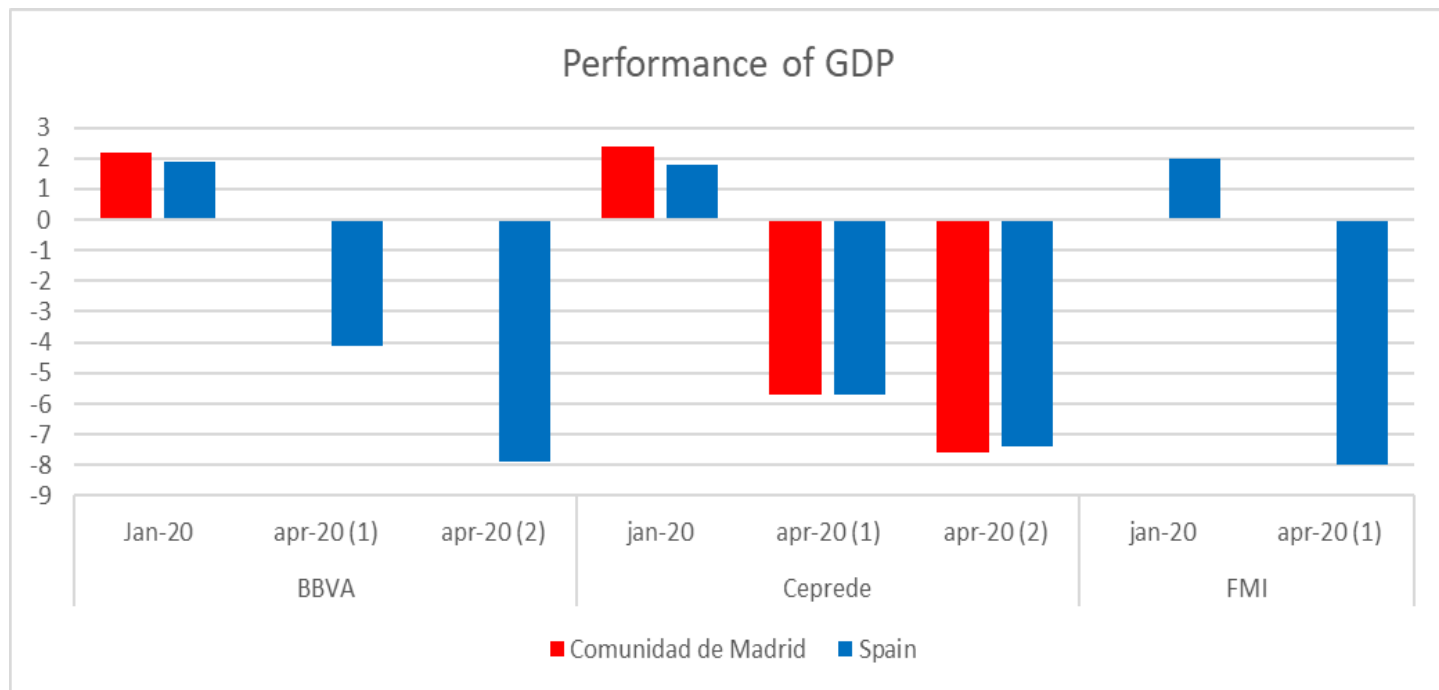
# Current growth in 2019 exceeded the forecast

Economic growth and employment registered better figures than the forecasts.



# Forecasts

According to the new forecasts in April, the GDP growth for Spain and Comunidad de Madrid is:



(1) : 50 days confinement  
(2) : more than 65 days confinement

```
graph LR; A((Competitive advantages)) --- B((Sectoral structure)); A --- C((Better historical performance))
```

# Competitive advantages

**Sectoral  
structure**

**Better historical  
performance**



# Sector Weights breakdown of Spanish regions

CCAA	Farming	Industry	Construction	Services							Total Services
				Wholesale & Retail commerce, vehicle repairs, hospitality, transport, storage.	Information & Communication activities	Finance & Insurance activities	Real Estate activities	Technical & Scientific activities and auxiliary services	Public Administration, Defense, Social Security, Education, Healthcare and Social Services	Art, Culture and Entertainment activities.	
Andalucía	8%	12%	7%	23%	2%	4%	13%	6%	22%	5%	74%
Aragón	7%	21%	6%	21%	2%	4%	11%	6%	19%	4%	66%
Asturias, Principado de	1%	20%	7%	22%	2%	4%	13%	7%	19%	5%	72%
Balears, Illes	1%	6%	8%	37%	2%	3%	15%	9%	15%	5%	86%
Canarias	2%	6%	6%	35%	2%	3%	13%	8%	20%	6%	86%
Cantabria	2%	22%	7%	21%	2%	3%	14%	6%	19%	5%	70%
Castilla y León	4%	20%	7%	20%	2%	4%	11%	6%	22%	4%	70%
Castilla - La Mancha	10%	19%	7%	19%	1%	3%	11%	4%	21%	5%	64%
Cataluña	1%	19%	5%	25%	3%	4%	12%	10%	15%	5%	74%
Comunitat Valenciana	2%	19%	7%	25%	2%	4%	13%	7%	17%	5%	72%
Extremadura	10%	13%	7%	19%	1%	4%	11%	5%	26%	4%	70%
Galicia	5%	18%	7%	23%	2%	3%	10%	7%	19%	4%	69%
Madrid, Comunidad de	0%	10%	5%	24%	10%	6%	10%	15%	15%	5%	85%
Murcia, Región de	6%	18%	6%	24%	1%	3%	10%	6%	20%	4%	69%
Navarra	4%	30%	6%	19%	2%	3%	9%	7%	16%	4%	60%
País Vasco	1%	24%	7%	21%	3%	3%	11%	8%	17%	5%	68%
Rioja, La	7%	26%	6%	19%	2%	4%	10%	5%	17%	4%	61%
Ceuta	0%	5%	5%	21%	1%	2%	10%	4%	47%	4%	89%
Melilla	0%	4%	6%	19%	1%	2%	11%	5%	47%	4%	90%
<b>TOTAL NACIONAL</b>	<b>3%</b>	<b>16%</b>	<b>6%</b>	<b>24%</b>	<b>4%</b>	<b>4%</b>	<b>12%</b>	<b>9%</b>	<b>18%</b>	<b>5%</b>	<b>75%</b>

Source: INE



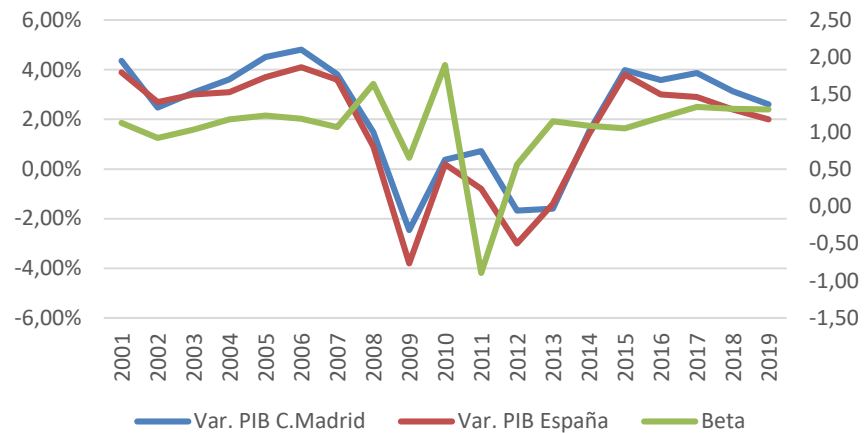
# Competitive advantages

- Higher exposure than the average to the **service sector** (85%)
  - Even though the manufacturing sector might be the first one to recover from a de-escalation of the emergency state, in the medium term the COVID 19 crisis might trigger again geopolitical tensions and trade-wars which have less impact on the service sector.
- Less weight than average in **construction**; a very labor intensive sector and very sensitive in terms of unemployment rates in recessions and stress scenarios.
- Leader among other regions in activities that might actually have a 'V-shaped' recovery; **information, communications, finance, IT, scientific activities**, etc.



# Madrid Vs Spain

Year	Var. GDP C.Madrid	Var. GDP España	Beta
2000			
2001	4,4%	3,9%	1,12
2002	2,5%	2,7%	0,92
2003	3,1%	3,0%	1,03
2004	3,6%	3,1%	1,17
2005	4,5%	3,7%	1,22
2006	4,8%	4,1%	1,17
2007	3,8%	3,6%	1,06
2008	1,5%	0,9%	1,65
2009	-2,5%	-3,8%	0,65
2010	0,4%	0,2%	1,90
2011	0,7%	-0,8%	0
2012	-1,7%	-3,0%	0,56
2013	-1,6%	-1,4%	1,14
2014	1,5%	1,4%	1,08
2015	4,0%	3,8%	1,05
2016	3,6%	3,0%	1,19
2017	3,9%	2,9%	1,33
2018	3,1%	2,4%	1,31
2019	2,6%	2,0%	1,30



Source: INE

- We can observe that on average Madrid **outperforms** Spain in terms of GDP growth; Beta >1 in positive scenarios and a Beta <1 in recessions.
- Madrid's worst year in terms of relative performance Vs Spain was in 2013 with a Beta of 1,14.

## II. FUNDING PROFILE



# Normative protection of Debt payment

## The Comunidad de Madrid's debt is included in the scope of State debt

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- *Article 135 of the Constitution states ...*
- *"Loans to meet payment on the interest and capital of the State's Public Debt shall always be deemed to be included in budget expenditure and may not be subject to amendment or modification as long as they conform to the terms of issue."*

### *In terms of Organic Law*

*Article 14.5 of the Law on Financing of the Autonomous Communities states:*

*"The public debt of the autonomous communities and the securities of an equivalent nature issued by them shall be subject, to the same rules and shall enjoy the same benefits and conditions as the Public Debt of the State" .*

*Article 14 of the Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability provides:*

*"The payment of interest and principal on the debt of public administrations shall have absolute priority over any other expenses"*

*In practice, the Spanish Government has provided financial support to regions that have experienced budgetary difficulties or access to the financial market*

- ✓ *Since 2012 the Treasury has implemented mechanisms such as the FLA (Autonomous Liquidity Fund) and FFPP (Payment Provider Fund) to provide liquidity to the regional governments and local authorities to enable them to cope with their payment obligations (Royal Decree-Law 17/2014). Ultimately, the Government of Spain is the ultimate guarantor of debt amortization.*



# Gross financing needs 2020

Refinancing of long-term debt redemptions in 2020

2,893  
MM

Negative settlement 120 monthly payments (DA 36th, Law 2/2012, 29 June)

55  
MM

Target deficit (over GDP) in 2020: 0%

0  
MM

Agencia Vivienda Social, (Lt) debt

38  
MM

Refinancing 2013 Suppliers Mechanism Loan and 2015 Financial Facility Loan

1,187  
MM

**GROSS FINANCING NEEDS 2020**

4,173  
MM

**TOTAL ISSUED 2019: 2,740 MM**

AMOUNTS (€ million)

Source: Comunidad de Madrid



# 2020 Debt Strategy

- 1. Funding needs: EUR 4,173 bn.**
- 2. EUR Benchmarks transactions.**
- 3. Preference for medium and long maturities.**
- 4. Smoothen the maturity profile towards longer term financing.**
- 5. Commitment to liquidity (Taps).**
- 6. Promote Sustainable Finance:**
  - **Capacity to issue bonds and loans.**
  - **Public and private deals.**
  - **In complies with the GBP and SBP and aligned with the SDG.**



# Rating and debt ratios

	Moody's	S&P	DBRS
<b>Current Rating</b>	Baa1	A-	A-
<b>Outlook</b>	Stable	Positive	Positive
<b>Date</b>	04/30/2020	05/08/2020	03/13/2020

	Comunidad de Madrid				National Total			
	2016	2017	2018	2019 4Q	2016	2017	2018	2019 4Q
<b>Debt/GDP (%)</b>	14.4	14.8	14.5	14.0	24.9	24.8	24.,4	23.7
<b>Debt</b>	30,417	32,783	33,448	33,469	276,995	288,118	293,394	295,077
	Comunidad de Madrid				Public Tresury			
	2016	2017	2018	4Q2019	2016	2017	2018	4Q2019
<b>Debt Average Cost (%)</b>	2.41	2.27	2.16	2.19	2.80	2.58	2.43	2.21

**LCR (Liquidity Coverage Requirement): NIVEL 1 EUROCLEAR.ECB**  
**0% risk weighted.**

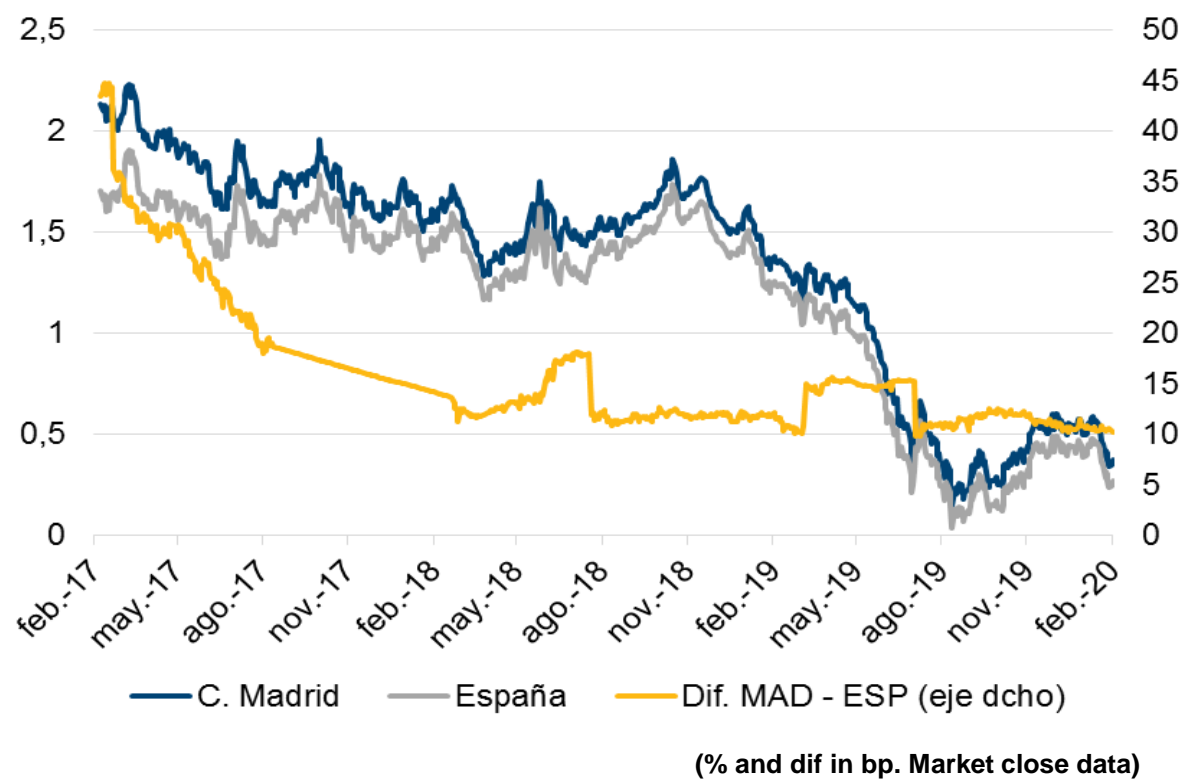
**Minimum risk applicable in accordance with European Prudential Regulations**

The cost of debt under control (March 2020)  
 The average cost of Comunidad de Madrid is 1.92%  
 The average cost of debt Spanish Treasury is 2.13% \*

Source: Comunidad de Madrid, INE and Bank of Spain  
 Considering rights and obligations  
 \* March 2020 Treasury cost

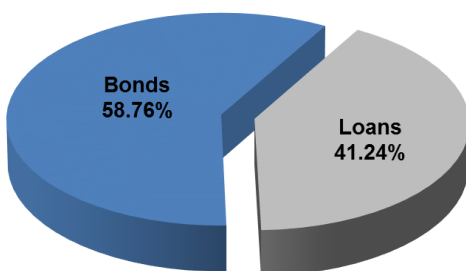


# Evolution of the 10-year curve of C. Madrid and Spain



# The main characteristics of the debt

## Distribution bonds/loans

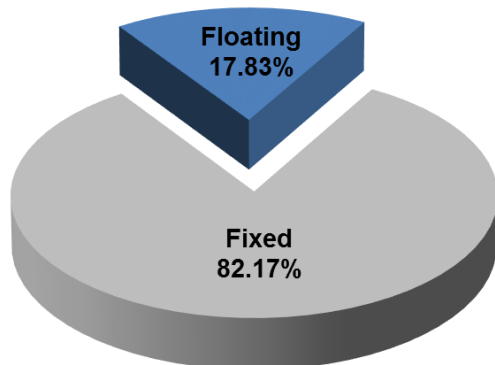


Loans	
Type	%
Public entities	29.77
Private entities	70.23
<b>Total % Loans</b>	<b>41.24</b>
Bonds	
Type	%
Euro	100.00
Foreign currency	0.00
<b>Total % Bonds</b>	<b>58.76</b>

## Currency distribution



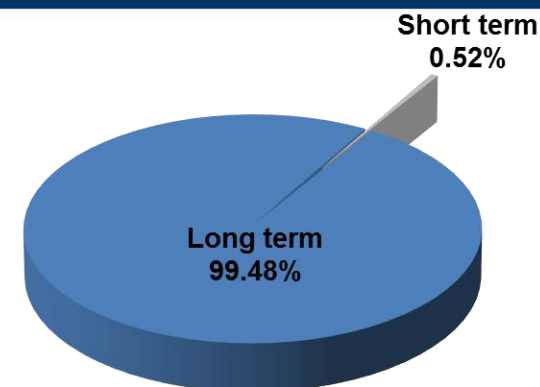
## Distribution fixed/variable



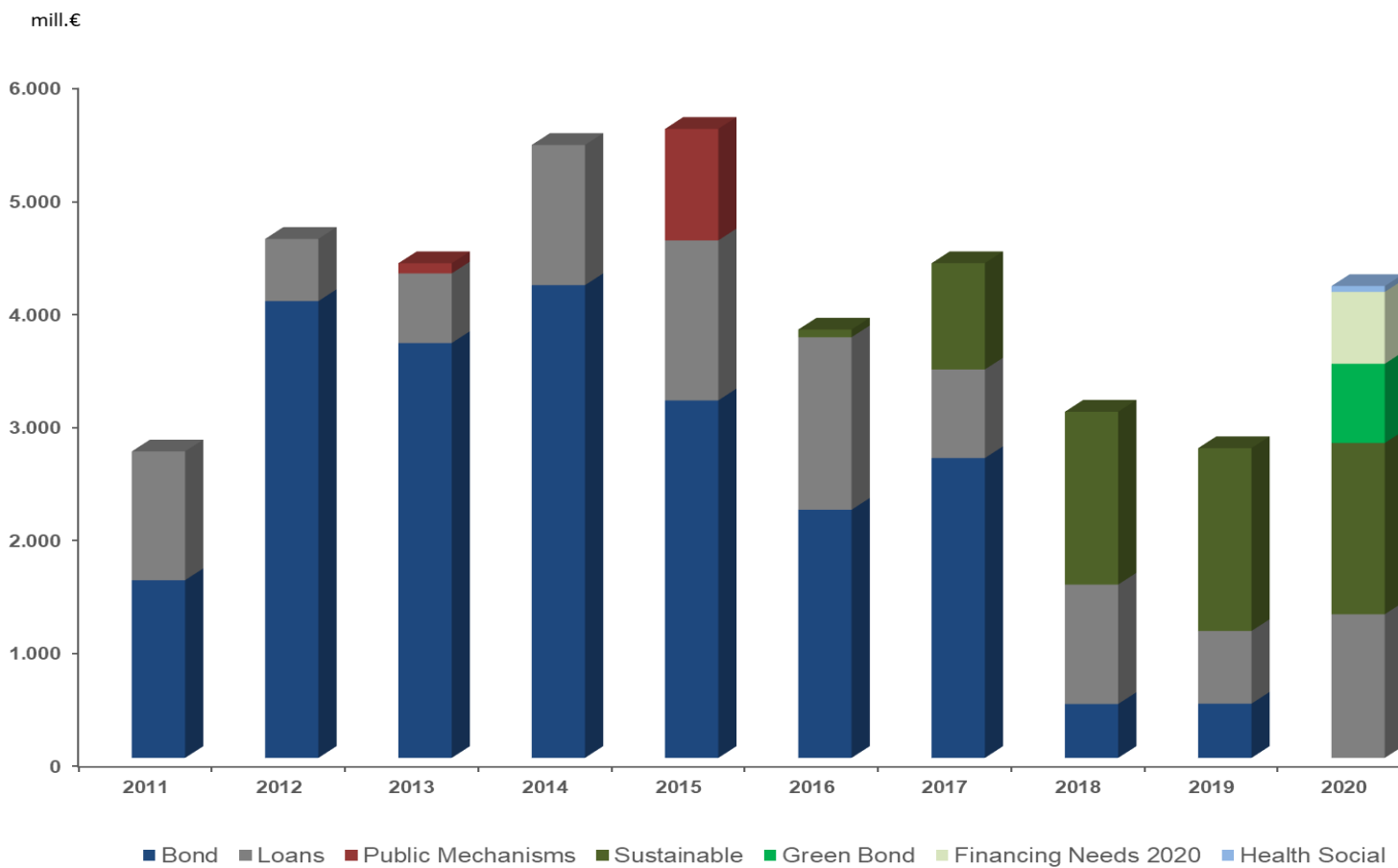
A commitment to fixed-rate issuances is a strength:

- Reducing risks.
- Reducing volatility when making payments.

## Maturity Distribution



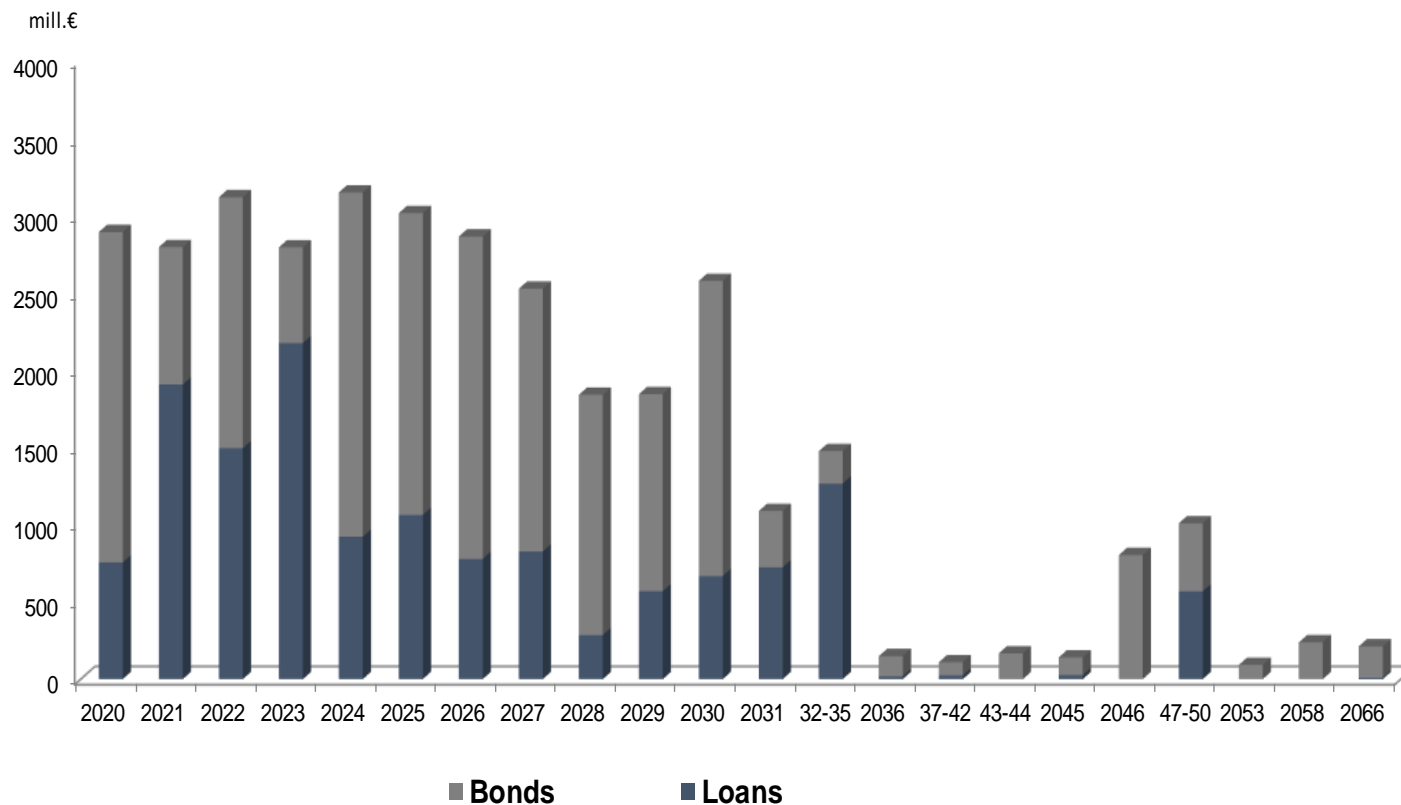
# Funding Activity



**Madrid, regular player in Capital Markets.**

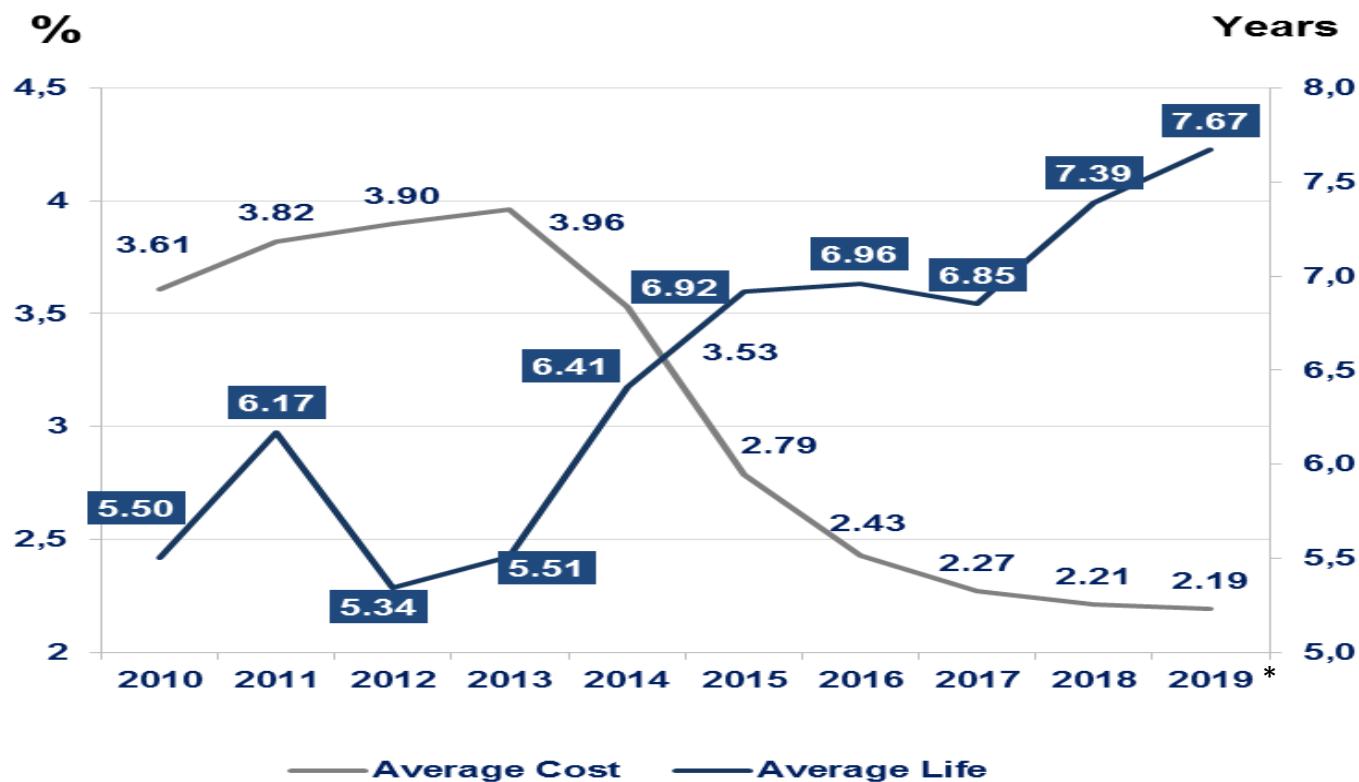
Source: Comunidad de Madrid

# The main characteristics of the debt



Source: Comunidad de Madrid

# Average cost and average life

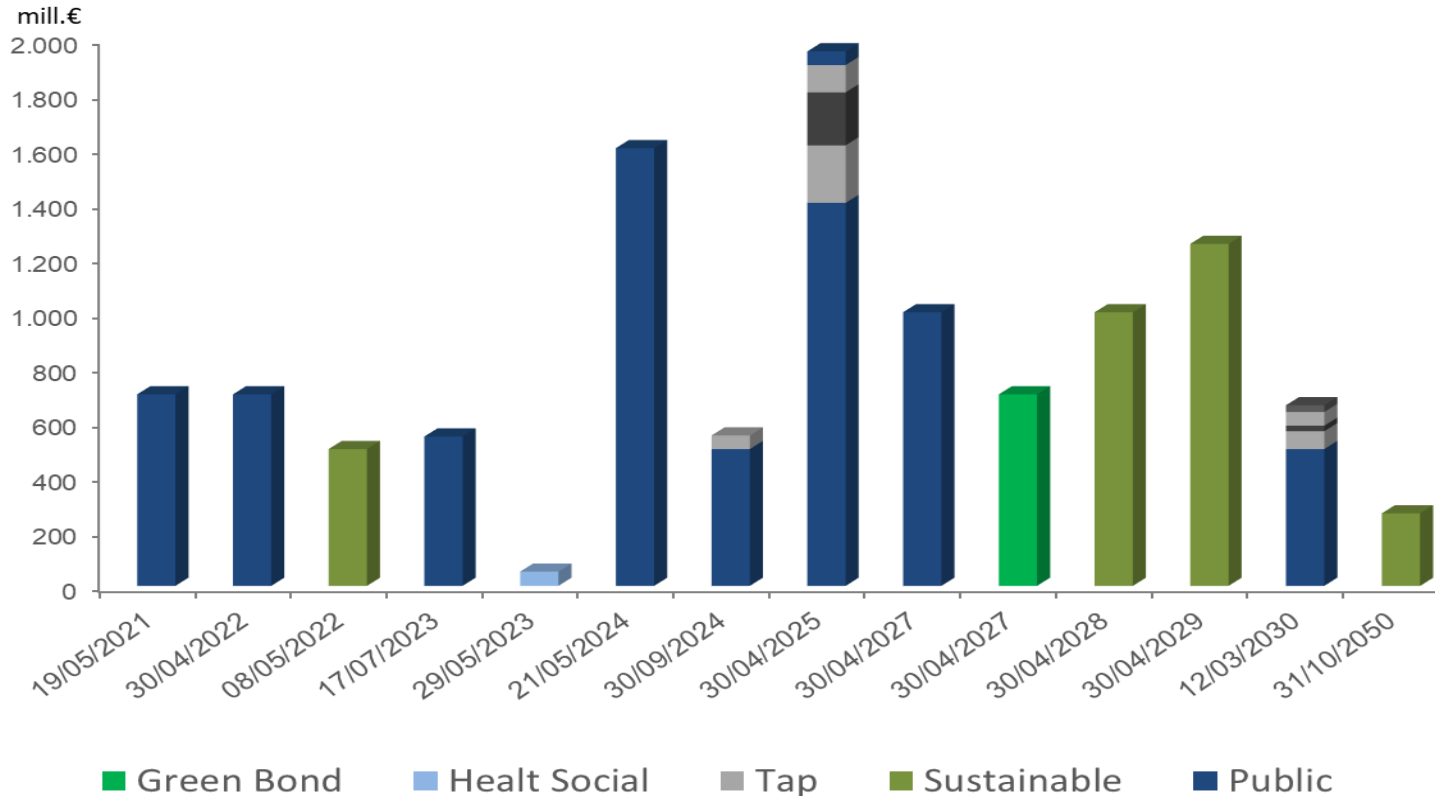


The average maturity of debt is 7.43 years (March 2020)  
The average maturity of Spanish Treasury is 7.62 years (March 2020)

Source: Comunidad de Madrid  
\* 31 st December 2019 data



# Comunidad de Madrid: Benchmark Transactions



## Common features of these operations:

- Extraordinary investor's response.
- Outstanding quality of the orderbook: Demand driven by real money investors.
- High international support, very well diversified in geographical terms.

# 2020 Transactions

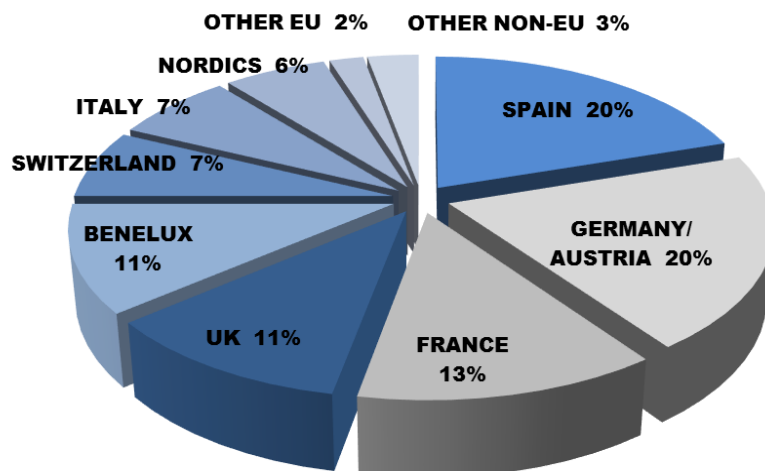
2020 Placements and Loans			
Operation	Amount € mill.	Settlement date	Tenor
Loan	345,000,000	01/30/2020	12
Loan	500,00,000	01/30/2020	10
Loan	86,000,000	01/31/2020	10
Loan	25,000,000	02/06/2020	25
Loan	250,000,000	01/31/2020	12
Loan	25,000,000	02/04/2020	30
Loan	50,000,000	01/31/2020	13
Loan	10,000,000	02/06/2020	46
Loan	140,000,000	02/07/2020	11
Public Placement (Sustainable)	1,250,000,000	02/27/2020	10
Loan	130,000,000	03/12/2020	9
Private Placement (Sustainable)	265,000,000	04/08/2020	30
Loan	20,000,000	04/20/2020	30
Public Placement (Green)	700,000,000	05/08/2020	7
Loan	140,000,000	05/29/2020	13
Private Placement (Health Social Bond)	52,000,000	05/29/2020	3
Loan	70,000,000	05/19/2020	12
<b>Total</b>	<b>3,608,000,000</b>		

- Moderate interest rate with “Contained financial costs”.
- 10-46 years tenors executed.
- The average Funding cost for 2020 is 0.64% and the average tenor is over 11.43 years.

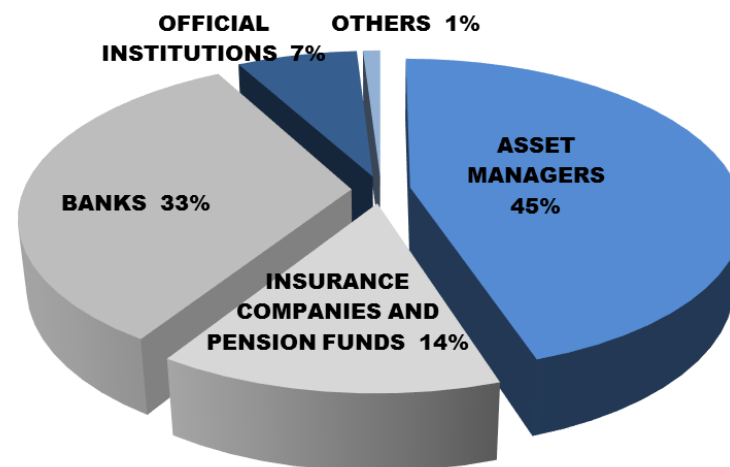
**€1.25bn 0.419% due 30<sup>th</sup> April 2030**

## **4<sup>o</sup> Sustainable Public Deal**

### **BY REGIONS**



### **BY INVESTOR TYPE**



**TOTAL AMOUNT 1,250,000,000 €**

- Lower rate in a public syndicated deal.
- High quality order book with more than € 7 bn.
- 80% placed outside Spain
- 51% ESG investors

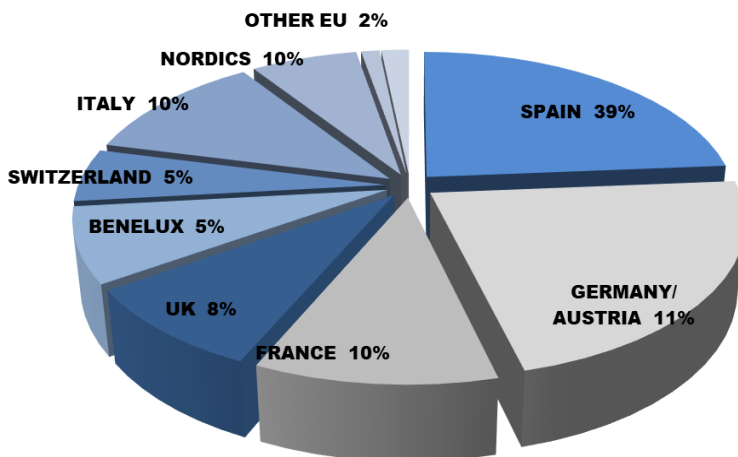
Source: Comunidad de Madrid



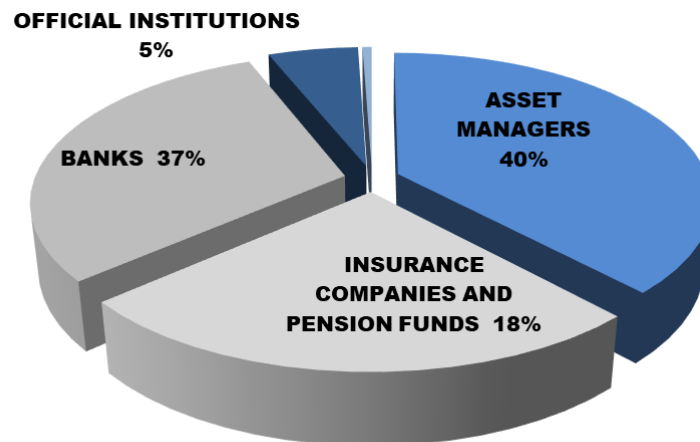
# €700 bn 0.827% due 8<sup>th</sup> May 2027

## 1<sup>o</sup> Green Public Deal

### BY REGIONS



### BY INVESTOR TYPE



**TOTAL AMOUNT 700,000,000 €**

- First public syndicated green deal.
- High quality order book with more than € 3.5 bn.
- 61% placed outside Spain
- 58% ESG investors

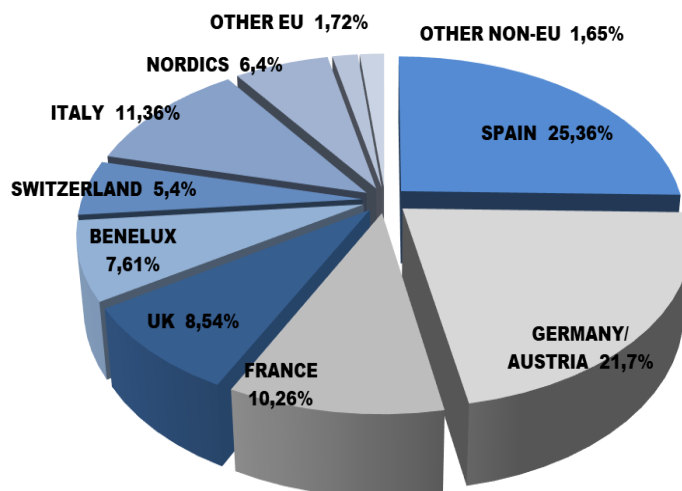
Source: Comunidad de Madrid



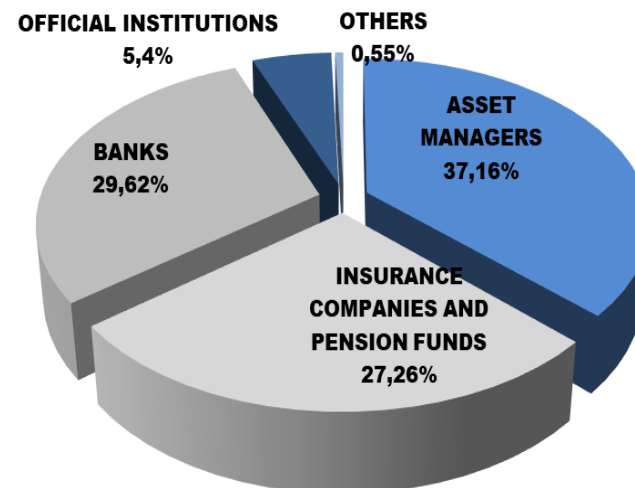
# 2020 Bond Profile

## BOND TRANSACTIONS

### BY REGIONS



### BY INVESTOR TYPE



**TOTAL AMOUNT 2,267,000,000 €**

Source: Comunidad de Madrid



# 2019 Transactions

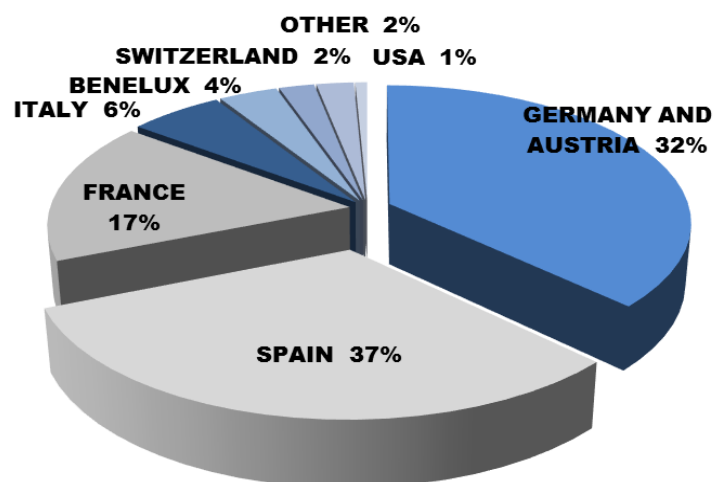
2019 Placements and Loans				
Operation	Amount	(€ mill)	Settlement date	Tenor
Public Placement (Sustainable)	1,250,000,000		02/14/2019	10
Tap	38,000,000		03/05/2019	40
Loan	65,000,000		03/12/2019	30
Loan	300,000,000		03/13/2019	12
Loan (Sustainable)	50,000,000		03/14/2019	11
Loan	100,000,000		03/14/2019	12
Loan	100,000,000		03/15/2019	12
Loan (Sustainable)	97,000,000		03/15/2019	10
Private Placement	175,000,000		03/18/2019	40
Loan	25,000,000		03/18/2019	40
Loan (Sustainable)	220,000,000		03/29/2019	11
Loan (Sustainable)	53,000,000		04/05/2019	10
Tap (Sustainable)	50,000,000		04/25/2019	40
Tap	50,000,000		05/17/2019	47
Tap	92,000,000		06/10/2019	47
Tap	50,000,000		12/03/2019	5
Private Placement	25,000,000		12/04/2019	10
<b>Total</b>	<b>2,740,000,000</b>			

- Moderate interest rate with “Contained financial costs”.
- 5-47 years tenors executed.
- The average Funding cost for 2019 was 1.77% and the average tenor was over 15 years.

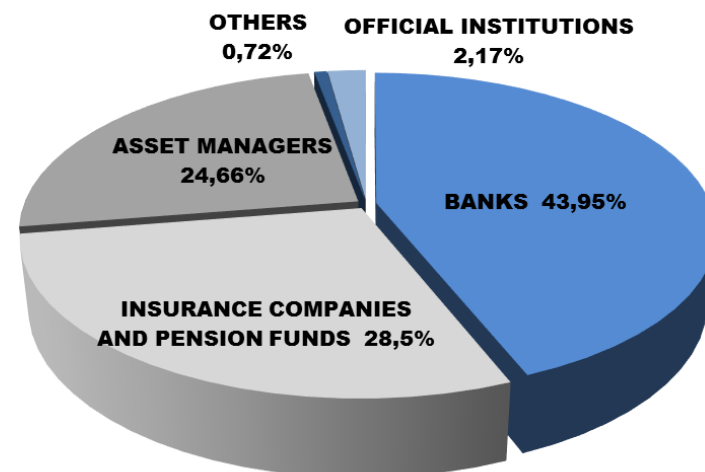
# 2019 Bond Profile

## BOND TRANSACTIONS

### BY REGIONS



### BY INVESTOR TYPE



TOTAL AMOUNT 1,730,000,000 €

Source: Comunidad de Madrid



### III. SUSTAINABLE FINANCE



# Sustainability Mandate of Comunidad de Madrid

**Comunidad de Madrid has the clear social and environmental mandate** to meet the needs of its citizens. The Region is committed to integrate sustainable development and social responsibility in all its activities while playing a key role to promote sustainable development initiatives on the territory.

The **social expenditures** include several programs such as the financing of public policies related to **public health, education, social services, employment promotion, public transportation, and subsidized housing**. The community of Madrid's expenditure on social programs aim to strengthen Madrid's socio-economic recovery and improve social cohesion, thanks to the development of public services that benefit all the citizens and the implementation of programs to promote employment through investment of small businesses.

Additionally, Comunidad de Madrid has an important **environmental mandate**. Almost 50% of the region area of the region is protected due to its environmental protection and conservation value. The geo-economic situation in Madrid creates the need to implement policies for pollution management and waste treatment in densely populated urban areas.

Regarding the latter, the region set out its **Strategy for Sustainable Waste Management** for the 2017-2024 period. In relation with climate change and air quality, the **Plan Azul+ 2013-2020** has been the backbone for eight years, particularly focusing in tackling pollution and promoting energy efficiency.

Among the measures set out in the Plan Azul+, which is expected to be followed by a new Plan from 2021, we find the following objectives by sector, which are representative of the regions' general sustainable strategy:

- **Transportation:** modernisation of the taxi and bus fleets with greener vehicles, improvement of bicycle infrastructure, fiscal incentives for the transition towards greener technologies in private transportation
- **Industry:** reduction of emissions from industrial activities, like NOX produced by cogeneration plants
- **Residential/commercial/institutional:** use of clean fuels for domestic heating, improvements in energy efficiency, smart grids
- **Agriculture:** sustainable management of forests, promotion and development of biomass energy

In the social category, there is a **Strategy for Social Inclusion 2016/2021**, within the framework of the Europe 2020 Strategy, which seeks to eradicate severe poverty from the region.

Source: Comunidad de Madrid



# Rationale for Sustainable Financing



## Comunidad de Madrid' Sustainability Mandate

- Comunidad de Madrid devotes a substantial portion of its budget to social and environmental spending
- Via the issuance of sustainable debt, Comunidad de Madrid **contributes to its social and environmental policies and actions**
- Alignment of the funding strategy with the sustainability strategy

## Addressing the social and environmental transition

- By issuing Sustainable Finance Instruments, Comunidad de Madrid **contributes to global, EU and national social and environmental objectives**
- Contribution to the achievement of **UN Sustainable Development Goals (SDGs)**
- Achievement of **sustainable growth** for Comunidad de Madrid's citizens

## Supporting the growth of a sustainable financial market

- Address the increasing **demand for more sustainable assets** by responsible investors
- Diversify its investor base **targeting SRI and dark green investors**, while fostering the relationship with existing investors
- Contribution to the development of a **sustainable financial market**

**Comunidad de Madrid believes that Sustainable Finance Instruments are effective tools to channel investments to projects demonstrating environmental and social benefits**

# Sustainable Finance Framework

## Alignment to the Standards

Comunidad de Madrid Sustainable Finance Framework complies with:

- ICMA **Green Bond Principles<sup>1</sup>**, **Social Bond Principles<sup>2</sup>**, **Sustainability Bond Guidelines<sup>3</sup>**
- LMA **Green Loan Principles<sup>4</sup>**



## Comunidad de Madrid Sustainable Finance Framework's pillars

1

### Use of Proceeds

- Sustainable Finance Instruments' proceeds will be allocated to **Eligible Expenditures** with a **clear social and/or environmental benefit** within the General Budget

2

### Project Evaluation and Selection

- Carried out by the **Committee of Selection, Monitoring and Evaluation** that meets before the issuance of a Sustainable Finance Instrument, in accordance with the Eligibility and the Exclusionary Criteria

3

### Management of Proceeds

- Sustainable Finance Instruments' proceeds will be managed in a **portfolio approach**

4

### Reporting

- Allocation and Impact reporting **provided annually until full allocation** of the Sustainable Finance Instruments' proceeds

5

### External Review

- **Second Party Opinion (SPO) from Sustanalytics.** Comunidad de Madrid might hire an external party to audit the allocation of proceeds

**Under the Green Finance Framework, Comunidad de Madrid can issue Sustainable Finance Instruments which include Green, Social, Sustainability bonds, thematic bonds, private placements and loans**

1. <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>
2. <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>
3. <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>
4. [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)

Source: Comunidad de Madrid

# Second Party Opinion by Sustainalytics<sup>1</sup>

## Use of Proceeds

- By financing social housing, CdM **directly supports Spain's State Housing Plan**
- Comunidad de Madrid finances **public education for all**, and allocates resources to guarantee access to education for **students in disadvantaged situations**
- The financing of the healthcare programme will facilitate **the ongoing provision of quality healthcare services to the local population**
- Comunidad de Madrid **supports social cohesion and inclusion, protection of children and women, and care for the elderly and incapacitated** via its measures and policies
- The support provided to Madrid's SMEs, will **strengthen the competitiveness of SMEs and leading to the creation and preservation of jobs, and promote the integration of vulnerable people**
- Financing **low carbon transportation and reduction of global CO2 emissions** are considered an impactful use of proceeds

## Project Evaluation and Selection

In line with market practice

## Management of Proceeds

In line with market practice

## Reporting

In line with market practice



**SUSTAINALYTICS**

### Second-Party Opinion Comunidad de Madrid Sustainable Finance Framework



#### Evaluation Summary

Sustainalytics is of the opinion that the Comunidad de Madrid Sustainable Finance Framework aligns with the Green Bond Principles 2018, Green Loan Principles 2018, Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds (i) Affordable Housing, (ii) Education, (iii) Healthcare, (iv) Social Inclusion, (v) Economic Inclusion and SME Financing, (vi) Climate Change and Environmental Management are aligned with those recognised by both the Green Bond Principles and the Social Bond Principles. Sustainalytics considers the eligible categories outlined in the Comunidad de Madrid Sustainable Finance Framework to have clear social and environmental benefits with specific relevance to UN Sustainable Development Goals 1, 3, 4, 5, 8, 11, 13 and 15.



**PROJECT EVALUATION / SELECTION** Eligible programmes are evaluated and selected by a dedicated internal Selection, Monitoring and Evaluation Committee. The Committee is composed of representatives from the Regional Treasury Department and other departments for Financial Planning and Public Finance, and it must meet prior to the issuance of a Sustainable Finance instrument to select eligible programmes from the General Budget. Sustainalytics considers the project evaluation and selection process of Comunidad de Madrid to be in line with market practice.



**MANAGEMENT OF PROCEEDS** In line with market practice, the proceeds of the Sustainable Finance Framework will be allocated to eligible budgetary programmes in the General Budget of Comunidad de Madrid, corresponding to the fiscal year of the issuance and/or to the fiscal year preceding the year of the issuance. In case full allocation of issuance is not possible, the unallocated proceeds will be held and/or invested in Comunidad de Madrid's liquidity portfolio, pending full allocation.



**REPORTING** Comunidad de Madrid intends to report on the allocation of proceeds on its website within approximately one year from the date of issuance and until the proceeds have been fully allocated. Allocation reporting will include total amount provided to the various eligible budgetary programmes. Where feasible, the impact report will include relevant impact indicators per each year and social eligible category. Sustainalytics views Comunidad de Madrid's allocation and impact reporting as aligned with market practice.

Evaluation date March 27, 2020  
Issue Location Madrid, Spain

#### Report Sections

Introduction 2  
Sustainalytics' Opinion 3  
Appendices 11

For inquiries, contact the Sustainable Finance Solutions project team:  
Evan Bruwer (Amsterdam)  
Project Manager  
evan.bruwer@sustainalytics.com  
(+31) 20 255 0027  
Jean-Claude Bertholet (Amsterdam)  
Client Relations  
jean-claude.bertholet@sustainalytics.com  
(+31) 20 255 00 15

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**Sustainalytics is of the opinion that the Comunidad de Madrid Sustainable Finance Framework is credible and impactful, and aligns with the Green and Social Bond Principles and Green Loan Principles 2018**

1. The full Second Party Opinion is available at: <http://www.comunidad.madrid/inversion/relacion-inversores/deuda-sostenible>

Source: Comunidad de Madrid



# Use of proceeds: transparent and audited programs

Eligible categories	Brief category description	Program in the General Budget	Amount in € million (2020)
Affordable Housing	<ul style="list-style-type: none"> <li>Provision of affordable housing and shelter to disadvantaged populations</li> </ul>	261B	113.3
Education	<ul style="list-style-type: none"> <li>Provision of education to the youth (including disadvantaged groups) and support of public schools and universities</li> </ul>	232A / 322A,B,C,F / 324M	1,189.8
Healthcare	<ul style="list-style-type: none"> <li>Support to Madrid's Public Healthcare System and financing of high impact medicines against rare diseases</li> </ul>	312A	2,928.1
Social Inclusion	<ul style="list-style-type: none"> <li>Fight against gender violence and promotion of equal opportunities</li> <li>Integration, education and employment programmes and financial assistance to vulnerable groups at risk of social exclusion</li> <li>Universal accessibility to the public transportation system (reduced price ticket)</li> <li>Provision of goods and services to the elderly and the mentally and/or physically disabled</li> </ul>	232B / 231A,C,F,D,E / 232A,B,E / 241A,M / 261B / 322A,B,F / 422B / 431A / 433A / 453N / 463A	3,180.3
Economic Inclusion and SME Financing	<ul style="list-style-type: none"> <li>SMEs financing</li> <li>Employment promotion and advancement, including people with distance to labour market</li> </ul>	241A,M / 422B / 431A / 433A / 463A	360.3
Climate Change and Environmental Management	<ul style="list-style-type: none"> <li>Waste management</li> <li>Clean Transportation</li> <li>Environmental conservation and biodiversity</li> </ul>	422B / 453N / 456A,N	700

Source: Comunidad de Madrid



# Contribution to the UN SDGs

Comunidad de Madrid Sustainable Finance Framework contributes to the achievement of the EU 2030 Agenda for Sustainable Development



- Affordable Housing (Target 1.4)
- Social Inclusion (Target 1.1 and 1.B)



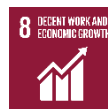
- Healthcare (Target 3.8)



- Education (Target 4.1, 4.2, 4.4, 4.A)



- Social Inclusion - Fight against gender violence and promotion of equal opportunities (Target 5.1 & 5.2)



- Social Inclusion (8.6)
- SMEs financing (8.3, 8.6)



- Affordable Housing (11.1)
- Clean and Sustainable Transportation (11.2)



- Climate Change Policies (13.2, 13.3)



- Environmental conservation and biodiversity (15.1, 15.2)

Source: Comunidad de Madrid

# Management of Proceeds

- An amount equivalent to the proceeds of the Sustainable Finance Instruments will be allocated to a **mix of environmental and social projects** and provision of service. All amounts can be traced back to Madrid's General Budget for a specific fiscal year.
- The use of revenue may include **capital and operating expenditures** of eligible project categories and programs, as well as **indirect lending to projects** such as grants 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 **chapters** of the relevant budgetary programs that will be **excluded are**:
  - Personnel expenditures (Chapter 1 of the budgetary programs),
  - Financing costs (Chapter 3 of the budgetary programs),
  - Contingency Funds (Chapter 5 of the budgetary programs),
  - Financial assets (Chapter 8 of the budgetary programs), 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 (Chapter 9 of the budgetary programs)
- It is possible to issue **multiple Sustainable Finance Instruments** as long as the total amount of funding does not exceed the amount of eligible programs in the annual budget.
- 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.
- **An external auditor will verify** the amounts within one year from the date of the Sustainable Finance Instruments issuance.
- **Comunidad de Madrid ensures** that the **systems and processes** as specified above **meet their requirements** over the lifetime of the instrument.



# Projects List 2020

ELEGIBLE CATEGORY	PROJECT NAMES	SUM
Affordable Housing	Social Housing Agency as an intermediate entity of the FEDER operating program of the Community of Madrid: Realajo Cañada Real and Río Guadarrama. Acquisition of houses.	9.068.225,00
	Conservation and maintenance of inhabited social housing	2.585.000,00
	Urbanization of land designated for the construction of social housing	3.697.761,00
	Construction of new social housing development	14.355.300,00
	Reparation of uninhabited social housing for its second adjudication	4.790.000,00
	Neighborhood Assistance Service of the Community of Madrid, ASIVECAM	982.057,00
Education	Attention to certain students with specific needs for educational support	1.811.302,00
	Book loaning program	49.997.776,00
	Maintenance expenses in Secondary Education Centers of the Community of Madrid	14.000.000,00
	Tutoring Program (support and academic reinforcement)	1.889.800,00
	Training and awareness-raising for women in situations of social exclusion	144.499,00
	Vocational training scholarships of higher degree	16.000.000,00
Health	Educational compensation classrooms	707.594,00
	High impact medications and orphan drugs (for uncommon diseases)	480.000.000,00
	Collaboration with local entities	116.800,00
	Collaboration with professional entities	110.000,00
	Nursing Care Report 2.0	20.000,00
	Collaboration with citizen entities	500.000,00
Social Inclusion	Drogodependientes mobile service and referral to treatment	1.238.102,00
	Reduced cost of school menu	30.000.000,00
	Assist beneficiaries of economic benefits recognized in their PIA	206.000.000,00
	Assist the beneficiaries of home help recognized in their PIA	66.000.000,00
	Care for the elderly in centers	292.972.990,00
	Subsidy for the user of public transportation in Madrid	302.777.633,00
	Senior Centers	13.955.287,00
	Comprehensive care in residential centers	4.576.872,00
	Soup Kitchens	2.704.359,00
	Attention in non-residential centers	6.600.338,00
	Free transportation services to special education centers for students	5.561.417,00
	Free school transport services for students with physical disabilities from early childhood, primary and secondary education centers	2.154.545,00
	Economic benefits for social integration of victims	300.000,00
	Free lunch service for students in special education centers	2.949.474,00
	Free school transportation service for students in shanty towns	982.851,00
	Participation and integration centers	1.900.000,00
	Volunteer School of the Community of Madrid	112.314,00
	Housing First program	500.000,00
	Center for people in situation of social exclusion	1.000.000,00
	Network of volunteer information points (PIV)	69.320,00
Economic Inclusion and SMEs Financing	Information and attention program, LGTBI	400.000,00
	Minimum Insertion Income	168.626.480,00
	Subsidies for integration projects linked to minimum insertion income	4.700.000,00
	Cooperation for development subsidies	3.100.000,00
	Pre-commercial public purchase	1.500.000,00
	Help for the promotion of technological sectors	2.500.000,00
Climate Change and Environmental Management	Help for the promotion of technological Start-Ups	1.925.000,00
	Aid to encourage the use of innovation services in small businesses. Check Innovation Program	1.500.000,00
	Aid for the industrial SECs for industry project 4.0	1.500.000,00
	Aid to intermediary innovation entities	1.500.000,00
	Financing for the management of household waste	7.032.256,00
	Measures to promote efficient mobility	2.000.000,00
	Measures of conservation of the protected natural areas of the community of Madrid	3.879.562,00
	Measures to protect and improve the environment	1.137.006,00
	Conservation measures for green areas and preurban parks of the Community of Madrid	1.700.000,00
	Assistance to non-profit entities with environmental purposes	500.000,00
TOTAL	Inventory of emissions. Study of contribution of sources. Study of impact quantification measures Strategy of Air Quality and Climate Change of the Community of Madrid 2013-2020. Blue plan +	142.279,00
	Maintenance and support for the management for the air quality of the Community of Madrid	1.019.361,00
	Subsidy for the user of public transportation in Madrid	700.000.000,00
		2.447.793.560,00



# Reporting Framework example: Sustainability Bond Allocation Reporting 2019

## Comunidad de Madrid Sustainable Finance Allocation Reporting 2019

Eligible Sustainability Project Portfolio	Amount (EUR)	Allocation of Sustainability	Amount (Eur)
Affordable Housing	35.478.343	Sustainability Bonds	1.300.000.000
Education	84.550.971	Sustainability Loans	420.000.000
Healthcare	481.984.902		
Social inclusion	1.817.943.880		
Economic inclusion	10.425.000		
Environmental Management	17.410.464		
<b>Eligible Sustainability Project Portfolio</b>	<b>2.447.793.560</b>	<b>Sustainability Funding</b>	<b>1.720.000.000</b>

**% of Eligible Sustainable Project Portfolio allocated: 70,3%**

**% Sustainable net proceeds allocated: 100%**

Source: Comunidad de Madrid



# Impact Reporting Indicators

Comunidad de Madrid will report over the most important social and environmental impacts produced by the eligible programs, based on the impact indicators. The following is a sample of the indicators by category:

Eligible category	Sample of impact indicators
<b>Affordable housing</b>	Number of vulnerable individuals or families benefiting from subsidized housing
<b>Education</b>	Number of supported special education centers Number of education programs or professional development aimed at young people in risk of exclusion
<b>Healthcare</b>	Number of people with rare diseases who are provided access to adequate services and medication
<b>Social inclusion</b>	Number of supported victims of domestic violence (in terms of housing, financial, and other) Number of individuals or families who benefit from social minimum income
<b>Economic inclusion</b>	Number of SMEs that receive support for equipment and facilities and technological modernization
<b>Clean Transportation<sup>1</sup></b>	Number of electric vehicles acquired New points of electric vehicle recharge Annual GHG emission reduced/avoided
<b>Waste Management</b>	Amount of recycled or composted waste (tons)
<b>Environmental conservation and Biodiversity</b>	Area/Number of Protected Natural Parks and other areas with unique conservation value where there has been an intervention

1. Comunidad de Madrid may hire an external expert consultant to perform the impact reporting calculation of the indicators for this category

Source: *Comunidad de Madrid*



# Reporting Framework example: Sustainability Bond Impact Reporting 2019

Comunidad de Madrid Sustainability Bond Impact Reporting 2019									
Project category		Target population	Allocation information			Number of beneficiaries (*d)		Other impact indicators	
Eligible Project Category	SDG Addressed (a*)	Target Group (if applicable)	Budgetted amount (b*)	Allocated to sustainable bond (amount)	Share of Total Budget Financing (c*)				
			EUR	EUR	%	Number	Unit of measure	Additional Indicators	number / unit of measure
Affordable Housing	Goal 1: No Poverty Goal 11: Sustainable Cities and Communities	Disadvantaged and underserved groups	35.478.343	39.922.495	2,3%	181	Families with social housing	Number of social housing units acquired	188
Education	Goal 4: Quality education	Youth, disadvantaged groups	84.550.971	72.561.614	4,2%	320927	Number of vulnerable students	Number of special education centres	36
								Number of special education students	2.976
								Number of public schools (0-18 years)	1.437
Healthcare	Goal 3: Good Health and Well-being	Citizens (including disadvantaged and underserved groups)	481.984.902	471.736.604	27,4%	233	Number of people with a rare disease being provided access to services and adequate medication	Number of people treatment medication high impact	52.251
Social inclusion	Goal 1: No Poverty SDG 5: Gender equality	Disadvantaged and underserved groups	1.817.943.880	1.114.754.677	64,8%	3771686	Number of individuals or families benefiting from social benefits	Number of individuals or families benefiting of social minimum income	33.000 families
								Number of subsidized trips	295 millions
Economic inclusion	Goal 4: Quality education Goal 8: Decent work and economic growth	SMEs and long-term unemployed	10.425.000	6.395.879	0,4%	147	Number of SMEs that received support		
Environmental management	Goal 13: Climate Action		17.410.464		0,9%			Amount of recycled or composted waste (tons)	277.957
								Interventioned Area (ha)/ Number of Protected Natural Parks and other areas with unique conservation value	119.079
								Number of electric vehicles acquired / new points of electric vehicle recharge	984 Taxis
Total			2.447.793.560	1.720.000.000	100,0%	4.093.174			

\*a: Eligible SDGs which are addressed by the financed portfolio/project and fit to the chosen SBP (sub)category

\*c: This is the share of the total portfolio cost that is financed by the issuer.

Source: Comunidad de Madrid

\*b: Signed/budgetted amount committed by the issuer for the portfolio or portfolio components eligible for sustainable finance.

\*d: Impact indicators



# Leadership in Sustainable Bonds

- *First Spanish Region to issue Sustainable Bonds*
- *Largest Sustainable Bonds issued in Spain*
- *Ability to Issue Green, Social and Sustainable Bonds and Loans*
- *4 Sustainable benchmark public bond issues since 2017*
- *47% of Sustainable Bonds in Comunidad de Madrid's annual issuance in 2019 (62% Sustainable Financing in 2019 total funding)*
- *Largest amount outstanding in Sustainable Bonds (5,772 MM)*
- *Transparent and public reporting on projects financed by under the framework*

	Amount (€ million)	Settlement	Tenor
<b>Sustainable Bond (Public)</b>	700	04/18/2017	5
<b>Sustainable Bond (Public)</b>	1,000	02/23/2018	10
<b>Sustainable Bond (Public)</b>	1,250	02/14/2019	10
<b>Sustainable Bond (Public)</b>	1,250	02/27/2020	10

Source: Comunidad de Madrid





## IV. INAUGURAL GREEN BOND



# Rationale for Madrid's inaugural green bond



- **Take action:** Comunidad de Madrid has a **strong and unanimous commitment**: the transition to a low-carbon development model that has no way back, and the region wants to be at the forefront



- Finance the region's great variety of green initiatives and projects **aligned with the Climate Change Strategy** of the region



- **Support Spain's** to meet the objectives set out in **the Paris Agreement** and within the framework of the European Union



- **Transportation sector:** work and influence one of the most important sectors in the region and in Spain due to the volume of GHG emissions while improving our expertise in the calculation, monitoring and reporting of green KPIs associated to these green projects



- **Diversify and extend our fixed income investor base**, particularly including specialized green investors with dedicated green mandates







- Pioneer and therefore, **to drive the issuance of green bonds** within **Spanish regional governments**

Source: Comunidad de Madrid



# Focus on the Green Use Of Proceeds

## Overview of the Green Use of Proceeds

Eligible Category	Main eligible expenditures	Budgetary Programme	Budget code	UN SDGs	EU Environmental Objectives
Climate change and environmental management	<b>Waste Management:</b> <ul style="list-style-type: none"> <li>Measures to implement the Waste Strategy of Comunidad de Madrid</li> </ul>	16: Environment, Local administration and territorial planning	456N		EU Objective 4: Circular economy
	<b>Clean transportation:</b> <ul style="list-style-type: none"> <li>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>	14: Transport, Social Housing & Infrastructure	422B 453N	 	EU Objective 1: Climate Change Mitigation
	<b>Environmental conservation:</b> <ul style="list-style-type: none"> <li>Management and restoration of Protected Natural Parks and other unique spaces with important conservation value</li> </ul>	16: Environment, Local administration and territorial planning	456A		EU Objective 6: protection and restoration of biodiversity and ecosystems

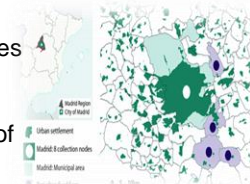
Source: Comunidad de Madrid

# Overview of Green Eligible Expenditures

Green Eligible Expenditures: Budget year 2020		
ICMA / LMA Green Eligible Category	Eligible Amount (€m)	Project examples
Waste Management	c.€16m	<ul style="list-style-type: none"> <li>Waste Strategy development</li> <li>Maintenance, quality control and support for network management</li> <li>Advice and technical support for atmospheric emissions</li> <li>Environmental control of groundwater</li> </ul>
Clean Transportation	c. €664m	<ul style="list-style-type: none"> <li>Fully-electrified metro</li> <li>Electric buses<sup>1</sup></li> <li>Metro Ligerio Madrid</li> <li>Metro Ligerio Oeste</li> </ul>
Environmental conservation and biodiversity	c. €20m	<ul style="list-style-type: none"> <li>Guadarrama River Regional Park</li> <li>Valdebernardo Park</li> <li>Forest Program</li> <li>Improvements in green areas</li> <li>Monitoring river water level of pollution Manzanares Reserve</li> <li>Study, control and improvement of protected wildlife</li> <li>Environmental education</li> <li>Maintenance recreational areas</li> </ul>

## Waste Strategy 2017-2024

Comunidad de Madrid assumes **all waste collection and treatment costs** of municipalities with populations of less than 1,000, and 50 % of the costs of municipalities with populations of between 1,000 and 2,500. The Strategy gives great attention to the **Prevention Programme**



## Supporting electric mobility

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



## Addressing climate change

Comunidad de Madrid has launched a **Scientific Technical Committee** on Climate Change to define a roadmap to 2050, including measures to improve air quality



**Comunidad de Madrid's 2020 Green Eligible Portfolio amounts to c.€700m: 95% Clean Transportation, 3% Environmental conservation and biodiversity and 2% Waste Management**

1. For the purpose of the inaugural green bond issuance, hybrid buses are excluded

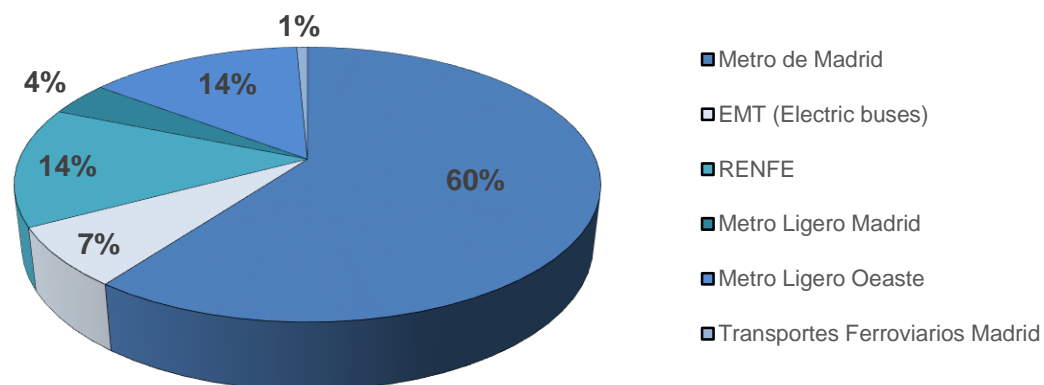
# Advancing Clean Transportation in Madrid's region

Comunidad de Madrid is financing low carbon transportation aimed at reducing greenhouse gas emissions and promoting modal shift towards public transportation



Financings to clean and sustainable mobility	Percentage (%)
Metro de Madrid	60%
EMT (Electric Buses only)	7%
RENFE	14%
Metro Ligero Madrid	4%
Metro Ligero Oeste	14%
Transportes Ferroviarios Madrid	1%
Total	100%

Breakdown of Clean Transportation Category by type of operator



Source: Comunidad de Madrid



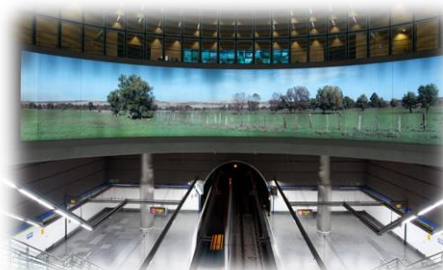
# Examples of specific Green Eligible Projects

## Increasing the share of electric buses in Madrid's public bus fleet



- Comunidad de Madrid supports the **decarbonization of the Region's public transport**
- In 2020, EMT Madrid has approved a **€39m investment** for the purchase of **50 new electric buses and 15 electric micro-buses**
- This is in line with the **company's strategy** of gradually reducing the fleet's carbon emissions

## Fully electrified Madrid underground



- Comunidad de Madrid supports the maintenance and development of the fully-electrified Madrid's metro
- Thanks to the Energy Saving Plan 2012-2017 and the current Energy Efficiency Plan, **Metro de Madrid** – the public enterprise of the Madrid underground – **has reduced electricity consumption in daily operations by 25%**

## Environmental Conservation of Public Parks



- Comunidad de Madrid finances the **maintenance and restorations of public Natural Parks** in the Region
- One of the them is the Valdebernardo park, peri-urban park located at the eastern end of the Valdebernardo neighborhood, which covers 108 hectares and which offers a variety of 180.540 trees and numerous sports facilities and children's areas

**Comunidad de Madrid strongly supports the decarbonization of the Region's public transport and takes very seriously the mandate of protecting, restoring and enhancing green public areas**

Source: Comunidad de Madrid



# Thanks you for your attention

## Contact Information



**Rodrigo Robledo Tobar**

*Director General for Financial Policy and Treasury*

**M<sup>a</sup> Luz García Aliaga**

*Deputy Director Financial Policy*

**Beatriz Mula Coso**

*Head of Funding*

*[dgpf@madrid.org](mailto:dgpf@madrid.org)*

*<http://www.comunidad.madrid/inversion/relacion-inversores>*

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## ANNEXES

# Overview of outstanding Sustainable transactions

	Amount (€ million)	Settlement	Maturity	Tenor
<b>Social Bond (PP)</b>	48	08/18/2016	08/18/2031	15
<b>Social Loan</b>	20	11/08/2016	11/08/2026	10
<b>Sustainable Bond (Public)</b>	700	04/18/2017	04/30/2022	5
<b>Sustainable Loan</b>	240	06/28/2017	06/28/2032	10
<b>Sustainable Bond (Public)</b>	1000	02/23/2018	04/30/2028	10
<b>Sustainable Loan</b>	39	02/05/2018	02/05/2028	10
<b>Sustainable Loan</b>	340	01/29/2018	01/29/2032	10
<b>Sustainable Bond (PP)</b>	150	10/22/2018	10/22/2058	40
<b>Sustainable Bond (Public)</b>	1250	02/14/2019	04/30/2029	10
<b>Sustainable Loan</b>	50	03/14/2019	03/14/2030	11
<b>Sustainable Loan</b>	97	03/15/2019	03/15/2029	10
<b>Sustainable Loan (Blockchain)</b>	220	03/29/2019	03/29/2030	11
<b>Sustainable Loan</b>	53	04/05/2019	04/05/2029	10
<b>Sustainable Bond (PP)</b>	50	04/25/2019	10/22/2058	40
<b>Sustainable Bond (Public)</b>	1250	02/07/2020	04/30/2030	10
<b>Sustainable Bond (PP)</b>	265	04/08/2020	10/31/2050	30

Source: Comunidad de Madrid



# 2018 Transactions

2018 Placements and Loans			
Operation	Amount (€ mill)	Settlement date	Tenor
Loan	75,000,000	01/22/2018	12
Loan	100,000,000	01/23/2018	12
Loan	25,000,000	01/24/2018	9
Loan	150,000,000	01/24/2018	11
Loan (Sustainable)	340,000,000	01/29/2018	14
Loan	36,000,000	02/05/2018	15
Loan	65,000,000	02/06/2018	6
Loan	10,000,000	02/05/2018	8
Loan (Sustainable)	39,000,000	02/05/2018	10
Loan	75,000,000	02/06/2018	11
Tap	385,000,000	02/20/2018	28
Public Placement (Sustainable)	1,000,000,000	02/23/2018	10
Loan	200,000,000	03/16/2018	30
Loan	250,000,000	04/27/2018	30
Private Placement	92,000,000	10/10/2018	35
Private Placement (Sustainable)	150,000,000	10/22/2018	40
Loan	70,000,000	12/14/2018	5
<b>Total</b>	<b>3,062,000,000</b>		

**-Moderate interest rate with  
“Contained financial costs”**

**-5-40 years tenors executed**

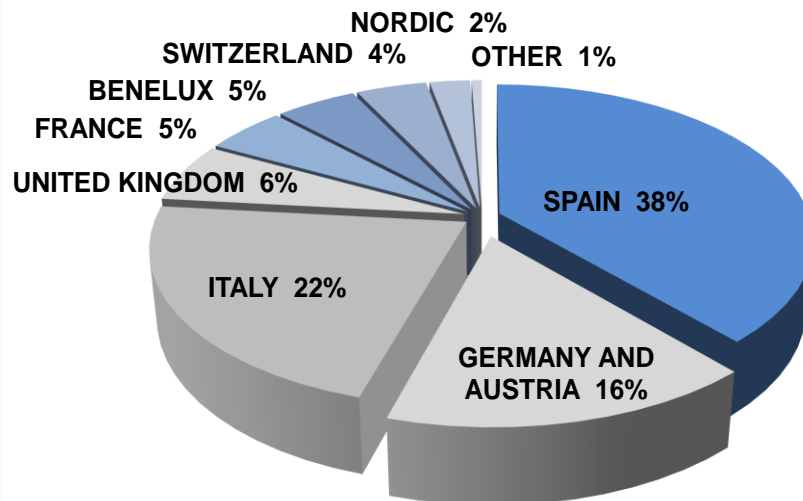
**-The average Funding cost for  
201 was 2.1% and the average  
tenor was over 18 years.**



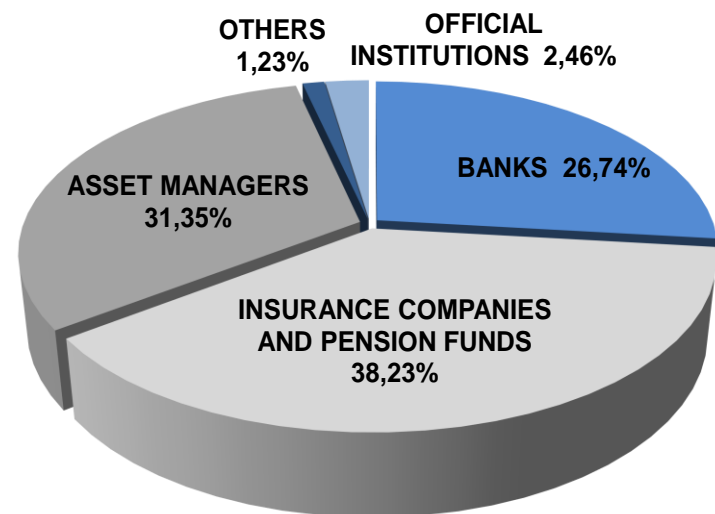
# 2018 Bond Profile

## BOND TRANSACTIONS

### BY REGIONS



### BY INVESTOR TYPE



TOTAL AMOUNT 1,627,000,000 €

Source: Comunidad de Madrid



# Debt issuance Procedure: Public issue (I)

## Authorizations

- Authorization from the Regional Government.
- Authorization from the Central Government.

## Contact with Investors and Financial Institutions

- Continuous contact is maintained with investors and financial institutions, indicating deadlines, levels and amounts in which Comunidad de Madrid has more interest.
- Instructions to a group of institutions that are selected taking into account those which have realized higher amounts of private placements with Comunidad de Madrid, as well as those which have participated successfully in public issue of equivalent terms of the Treasury; FADE, ICO, FROB and even private companies. If market conditions are good the transaction will carry out.
- Range price formation. The syndicate, in communication with Comunidad de Madrid, sets a price range to trade the issue within the agreed timeframe with Comunidad de Madrid; the eventual commission to be received by the syndicate is discussed, and on the issue date, Comunidad de Madrid informs via email of the roles to be played by each one of the participants of the group and seeks the approval of the syndicate.
- On the scheduled issue date, the transaction is announced on the trading screens of Bloomberg and Reuters in order to capture the attention of investors.
- The order book is opened.
- The order book is closed.

## Fixing of Issue Price

- Once the bonds have been allotted to the investors who have recorded orders in the book, a time is announced to fix the issue price; at the scheduled time, a joint call for fixing the price is made. Once Comunidad de Madrid and all banks are connected online with the screens of Bloomberg, the transaction is priced in accordance with the agreed terms in the Termsheet, based on the Treasury references. Fixing the issue price, coupon and IRR for the transaction. A first simulation of the relevant calculations is made.

## Documentary Process

- Sending the final Termsheet, with the terms and conditions of the transaction that has just been established, to his approval. At this stage, a distribution by type of investor and nationality is requested. At this point, the institution that has been assigned this role, advises Bloomberg of the price, date, coupon, and ISIN code for the transaction.
- Preparation internal report to be signed by the Managing Director of Financial Policy, Treasury and Real Estate and then sent out to our Legal Services.
- Legal Service, in accordance with the terms of the report, applies for the corresponding ISIN code to the Bank of Spain and prepares the transaction authorization order to be signed by Regional Minister of Economy and Finance once it has been examined by the Intervención Delegada de Tesorería.
- The Orden is published in the BOCM at least two days before payment takes place, since during this period of time the Bank of Spain must be advised of the list of subscribers and the application for the credit of securities; this Orden becomes the Prospectus for the public issue. Letters are also sent to the rating agencies in order to request a specific rating for the transaction in question, that is submitted to the subscribing institution.
- At the same time, over this period, Legal Services, along with the Financial Institution, prepare the Contract which is signed the day before disbursement day and requires a preparatory report by Legal Services and by the Intervención Delegada de Tesorería. That Contract:
  - Is a subscription contract.
  - Is excluded from the scope of Law 30/2007, of 30 October, on Public Sector Contracts.

## Disbursement: T+7

- Disbursement: T+7
- At this stage, the rating letters from the rating agencies are submitted to the subscribing institution.

# Debt Issuance Procedure. Private placement or retap (II)

## Authorizations

- Authorization from the Regional Government.
- Authorization from the Central Government.

## Contact with Investors and Financial Institutions

- Continuous contact is maintained with investors and financial institutions, and the communications indicate that Comunidad de Madrid has the necessary authorizations to execute financial transactions, as well as the deadlines, levels and minimum amounts that interest us.
- A specific offer is submitted by an investor or financial institution which should have been assigned a code by the Bank of Spain (Banco de España); for this reason, sometimes the operation is carried out through a bank that has been assigned such code and functions as an intermediary.
- The offer submitted is then studied by means of an indicative termsheet, in which key elements that must be included are:
  - Amount
  - Pricing date
  - Date of disbursement
  - IRR all-in (including all commissions), indicating the Treasury reference levels.

## Fixing of Issue Price

- Once the operation has been internally approved, taking into account the financial strategy of Comunidad de Madrid, the pricing time is fixing with the financial institution.
- On the day and agreed time for pricing, the financial institution contacts by telephone with Comunidad de Madrid in order to establish the price.
- Connected online with the screens of Bloomberg, and in accordance with the terms established in the indicative Termsheet, a first simulation of the relevant calculations is made, and if the parties agree, the transaction is established in a real way.

## Documentary Process

- The final Termsheet, with the terms and conditions of the transaction that has just been established, is submitted to the issuer for his approval. At this stage, a distribution by type of investor and nationality is requested. At this point, the financial institution advises Bloomberg of the amount, coupon, maturity date and ISIN code for the transaction.
- Preparation Internal Report to be signed by the Managing Director of Financial Policy, Treasury and Real Estate.
- Legal Services, in accordance with the terms of the Report, applies for the corresponding ISIN code to the Bank of Spain (provided that the transaction is not a reopening) and prepares the authorization order to be signed by the Regional Minister of Economy and Finance, once it has been examined by the Intervención Delegada de Tesorería.
- The Order is published in the BOCM at least two days before payment takes place. Bank of Spain is advised of the list of subscribers and the application for the credit of securities. This Order becomes the Prospectus for the private placement. Letters are also sent to the rating agencies in order to request an specific rating for the transaction in question, that is submitted to the subscribing institution.
- At the same time, over this period, Legal Service, along with the Financial Institution, prepare the Contract which is signed the day before disbursement day and requires a preparatory report by Legal service and by the Intervención Delegada de Tesorería. Said Contract:
  - Is a subscription contract.
  - Is excluded from the scope of Law 30/2007, of 30 October, on Public Sector Contracts.

## Disbursement (T+6)

- Disbursement: T+6
- At this stage, the rating letters from the rating agencies are submitted to the subscribing institution.



# Affordable Housing

**Use of proceeds:** Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at **fighting against housing exclusion** by providing **affordable housing** and shelter to disadvantaged populations.

Eligible expenditures include:

- Development and **provision of social housing** in Comunidad de Madrid;
- Renovation, maintenance and **improvements of affordable housing projects**;
- Provide affordable housing with **adjusted rents to disadvantaged targeted populations**;
- Maintenance, adaptation and **modernization of shelters for at risk youth**, improving spaces for accommodation.



By financing affordable housing, Comunidad de Madrid directly supports Spain's State Housing Plan

Source: Comunidad de Madrid



# Education

**Use of proceeds :** Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at providing **educational programs and vocational training to youth**, as well as allowing for a successful **integration of disadvantaged groups in the education system**, preparing them for future labor market opportunities.

Eligible expenditures include:

- Construction, rehabilitation and maintenance of **public education schools**;
- Construction, rehabilitation and maintenance of **public education centers**;
- **Acquisition of equipment** to ensure a quality education in public education schools;
- Financing expenses related to **home educational support service (SAED)**, **hospital classrooms (AAHH)** and **therapeutic educational centers (CET)**;
- Financing **educational programs and vocational training** for young people at **risk of exclusion or unemployed**;
- Collaboration to support the **integration of students with special educational needs**;
- Expenses related to **subsidized school transport services**;
- Financing the **development and maintenance of public universities**;
- Providing financial support to university students, based on **socioeconomic criteria such as income level and patrimony, or disabilities**.



**Comunidad de Madrid finances public education for all, and devolves particular attention to allocate resources to guarantee access to education for disadvantaged students**

Source: Comunidad de Madrid



# Healthcare

**Use of proceeds:** Proceeds of the Sustainable Finance Instruments 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).

Eligible expenditures include:

- Development, maintenance and modernization facilities integrated in the **public healthcare service system** (hospitals, health-care centers, mental health facilities, etc.);
- Provision of health care or social services in **underdeveloped areas or vulnerable populations**;
- Acquisition of **medical equipment** or **provision of diagnostic services**;
- Financing programs for the **promotion of health**;
- Financing activities to **prevent and treat drug addiction**.

***Expenditures related financing to healthcare aimed at fighting COVID-19 in the Madrid's Region can be used for the purpose of the issuance of thematic social bonds.***



**The financing of the healthcare programme will facilitate the ongoing provision of quality healthcare services to the local population, including, but not solely, to the disadvantaged groups**

Source: Comunidad de Madrid



# Social Inclusion

**Use of proceeds** : Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at supporting, integrating and **providing basic services to several vulnerable population groups** (victims of domestic violence, the elderly, risk population and minorities, physically and/or disabled people, etc.) and to **integrate, education and employment programs** as well as financial assistance to vulnerable groups at risk of social exclusion.

Eligible expenditures include:

- Fighting against domestic violence and promotion of **equal opportunities**;
- Support integration of **families and individuals at risk** (social action and education);
- Provision of **financial assistance** (i.e minimum income) to people **at risk of social exclusion**;
- Ensure universal accessibility to the **public transportation system**;
- Support to **the elderly**;
- Support to **the mentally and/or physically disabled**.



**Comunidad de Madrid supports social cohesion and inclusion, protection of children and women, and care for the elderly and incapacitated via its measures and policies**

Source: Comunidad de Madrid

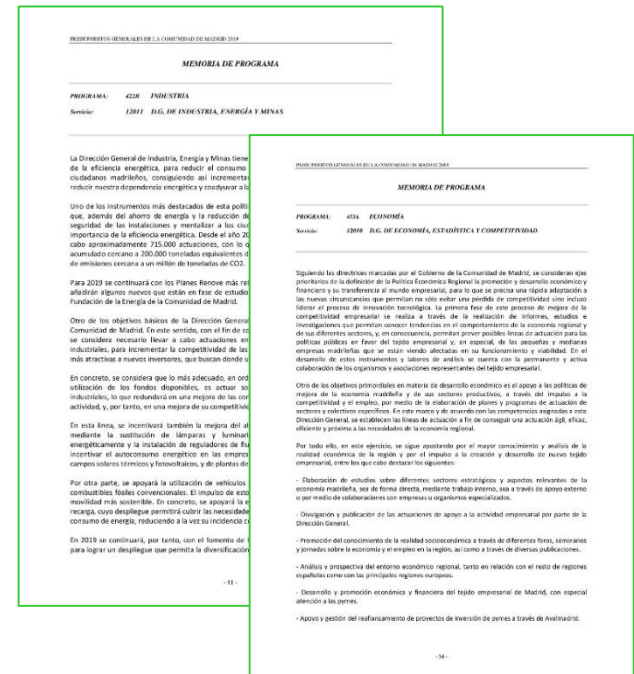


# Economic Inclusion & SME Financing

**Use of proceeds:** Proceeds of the Sustainable Finance Instruments will be allocated to projects and programs aimed at **promoting labor market entry opportunities for long-term unemployed or people with lower employment prospects, and financing 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.

Eligible expenditures include:

- Supporting professional training directed at the **unemployed in the Comunidad de Madrid;**
- Conducting studies and labor market research to plan and **implement policies of employment;**
- Support in **orientation programs** for those distant to the labor market that allow for a direct contact with employment agencies and employers;
- Promote **integration in the labor market of persons with disabilities** and those who are in **risk of social exclusion;**
- Provide **finance to SMEs, including start-ups** in order to stimulate their competitiveness and job creation;
- Provide **training and advising to commercial SMEs** to help them improve their skills and business;
- Support SMEs in the **Handicraft and Artisan Market** to improve their competitiveness.



**The support provided to Madrid's SMEs, will strengthen the competitiveness of SMEs and leading to the creation and preservation of jobs, and promote the integration of vulnerable people**

Source: Comunidad de Madrid

# Climate Change and Environmental Management

**Use of proceeds:** Proceeds of the Sustainable Finance Instrument will be allocated to financing the measures to promote the sustainable mobility solutions, 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 Conservación').

Eligible expenditures include:

## Clean Transportation

- 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**;
- **Renewal of the most polluting fleets** (replacing vehicles with lower emission vehicles);
- Funding the installation of **charging points for electric vehicles**;
- **Urban planning and development** that leads to a reduction in the use of passenger cars.



## Waste Management

- Measures to **decrease the volume of waste generated**;
- Treatment of **electrical and electronic equipment waste**;
- Programmes for **new uses of recycled materials** such as rubber from tires;
- Development of **research studies on contaminated soils** and financing necessary measures to ensure **decontamination** of identified sites.



## Environmental conservation and biodiversity

- **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;
- 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;
- Monitoring and development of the **Forestry Plan of the Comunidad de Madrid**

**Comunidad de Madrid is heavily financing low carbon transportation and subsequently contributing to the reduction of greenhouse gas emissions in the Region**