

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainable credentials of the "Social Bond" to be issued by Comunidad de Madrid (the Community of Madrid), according to the Vigeo Eiris Environmental, Social and Governance (ESG) assessment methodology. The opinion is based on the review of the three components of a sustainable Social Bond, in line with the Green Bond Principles¹:

- Issuer: Analysis of the issuer ESG performance, controversies on ESG issues and capacity to mitigate these risks.
- Project framework: Analysis of the Eligible Projects categories, of expected social benefits (use of proceeds), the evaluation and selection process of projects, and of the ESG integration.
- Reporting framework: Assessment of reporting commitments for projects fund allocation, social benefits and ESG project management.

Vigeo Eiris' sources of information have been gathered from the issuer, from press content providers and publicly available information. In addition, Vigeo Eiris reviewed documents and conducted interviews with people from across different departments of the Community of Madrid.

VIGEO EIRIS OPINION

Vigeo Eiris confirms that the bond to be issued by the Community of Madrid is a "Social Bond", aligned with the Social Bond Guidance principles published by the Green Bond Principles¹. Vigeo Eiris' level of assurance on the sustainability of the bond is reasonable²:

- The issuer displays an overall limited² ESG performance, although it achieves a robust² performance on the Social domain (see Part I.).
- The Social Bond framework of the Community of Madrid is considered as robust (see Part II.)
 - The net proceeds of the issuance will be used to finance projects with social objectives and expected social benefits, in particular in terms of access to employment and services to vulnerable populations, local economic development, and improvement of public health.
 - In addition, the eligible projects will meet a set of Environmental, Social and Governance (ESG) criteria, which are robust on social and community issues, but are limited regarding environmental and governance issues.
- The reporting commitments made by the issuer cover the fund allocation to Eligible Projects and its use, the estimate of social benefits generated by the projects and the Bond, but don't cover its responsible management as there is no ESG indicator, showing the overall reasonable capacity of the Community of Madrid to report with transparency on the Social Bond (see Part III.).

¹ Second Party Opinion – Green Bond Principles: This opinion is to be considered as the "Second Party Opinion" described by the Green Bond Principles (2016 edition in the 'External Review' section). The Green Bond Principles include the Voluntary Process Guidelines for Issuing Green Bonds and the Guidance for Issuers of Social Bonds. <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/>

² Vigeo Eiris' scales of assessment (detailed definitions are available on page 12):
Performance : Advanced, Robust, Limited, Weak.
Level of Assurance : Reasonable, Moderate, Weak.

Part I. ISSUER

Level of the issuer's ESG performance:

As of July 2016, the overall Community of Madrid's ESG performance is considered as limited but has improved since the last review. The issuer achieves a robust performance on the Social area, while its performance related to Environmental and Governance pillars is limited. In particular, its performance is limited in most domain under review, except for Audit & Internal controls, Human Resources and Human Rights domains, where its overall performance is robust.

Stakeholder-related ESG controversies³:

As of July 2016, the Community of Madrid faced occasional controversies, related to Procurement & Services, Community Development and Human Resources. The severity ranges from significant to high, based on the analysis of its impact on the issuer and on its stakeholders. The Community of Madrid is overall reactive and reports transparently on the existence of these allegations.

Part II. PROJECT FRAMEWORK

Use of proceeds:

In line with Community of Madrid's commitments and core competencies, the issuer will finance, in whole or in part, Eligible Projects with social objectives, corresponding to one or several of the 3 defined categories of Social Projects:

- Employment and development of economic activity
- Social action aimed at helping vulnerable groups and people at risk of social exclusion
- Prevention and protection of public health

In addition, these Eligible Projects are only projects which have already been approved by the regional Budget Law, and are located in Community of Madrid's territory.

Vigeo Eiris considers the Eligible Projects' contribution to sustainable development is positive, due to expected social benefits on contribution to local development, access to employment and to decent living conditions for the most vulnerable people, and improvement of public health, which have been described and ex-ante estimated.

Process for projects evaluation and selection:

The process for the evaluation and selection of Eligible Projects is clearly defined and disclosed to investors, and relies on:

- Use of proceeds requirements: based on the definition of each Social Projects category, in line with Community of Madrid's strategy, which are clear, relevant and exhaustive.
- Additional selection criteria and overall policies applying at project level, which have been evaluated regarding key ESG issues. These criteria partially cover the ESG risks faced by the Eligible Projects: social and community criteria have been defined at project level, whereas environmental and governance criteria remain general.

The list of Eligible Projects will be established by a specific Selection, Monitoring and Evaluation Committee, based on suggestions formulated by relevant Community of Madrid's Directorates for each project category. This Committee will analyse and select projects regarding the highest expected social benefits, both in quantitative and in qualitative terms.

Vigeo Eiris considers that the evaluation and selection process is clearly defined, and that the integration of ESG issues in the issuer's commitments is robust regarding social and societal issues but remains limited regarding environmental and governance issues.

Management of proceeds:

The process for fund allocation to Eligible Projects is clearly defined, and the issuer will implemented internal measures to track the allocation of the proceeds. This monitoring is ensured by the Treasury department.

³ The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of the Community of Madrid nor on its financial obligations.

Part III. REPORTING FRAMEWORK

The issuer commits to report annually and until all funds have been spent, with transparency on the use of the proceeds of the Social Bond, through a publicly available report made accessible on the website of the Community of Madrid, covering:

- Use of proceeds: list of financed projects, with detailed description and allocated amounts.
- Social benefits: ex-ante estimates of impact indicators, collected at project level and aggregated at category and bond levels, using detailed methodology, at least on the number and type of beneficiaries from the projects.

Monitoring conditions are clearly defined and selected reporting indicators are exhaustive and relevant regarding the use of proceeds and social outcomes, showing a consistent capacity to assess and transparently report on funds allocation and social benefits.

Furthermore, regarding the responsible management of the financed projects, the issuer will only undertake general monitoring at Community of Madrid level, without information at project level, which is an area of improvement. Due to this lack of dedicated indicators, the reporting on ESG issues is partial, showing a limited level of transparency on responsible management of financed projects.

Vigeo Eiris provides an overall reasonable level of assurance on Community of Madrid's reporting commitments.

EXTERNAL REVIEW

The Community of Madrid's Social Bond issuance is supported by external review provided by:

- The hereby Vigeo Eiris' review ("Second Party opinion") on sustainability credentials of the Social Bond, based on pre-issuance commitments and covering all the bond dimensions, i.e. issuer's ESG profile, issuer commitments for the eligible projects (use of proceeds and ESG integration) and reporting.
- An external third party audit (on ESG and/or financial aspects), on the annual verification of the tracking bond proceeds, the compliance of the selected projects with the above eligibility process and the reporting metrics, during the fund allocation process and until the maturity date of the bond.
- The periodic review of the Second Party opinion, every 3 years and over the term of the bond, based on post-issuance findings, on the sustainability credentials of the Social Bond, and to reaffirm conformance with pre-issuance commitments and with international principles (including the Social Bond Guidance, Green Bond Principles).

More detailed results are provided in the next pages, for each component.

This opinion is valid as of the date of issuance limited to Community of Madrid's Social Bond

Paris, August 2nd 2016



Muriel Caton
Director



Laurie Chesné
CSR Consultant

Disclaimer

Transparency on the relation between Vigeo Eiris and the issuer: Vigeo Eiris has never executed any consultancy activity for the Community of Madrid until so far and no established relationship (financial or others) exists between Vigeo Eiris and the Community of Madrid.

This opinion aims to explain for investors why the Social Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris and which has been analysed by Vigeo Eiris. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects financed by the Social Bond. The Community of Madrid is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Social Bond, nor on the effective allocation of funds or use of proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

DETAILED RESULTS

Part I. ISSUER

Level of the issuer's ESG performance:

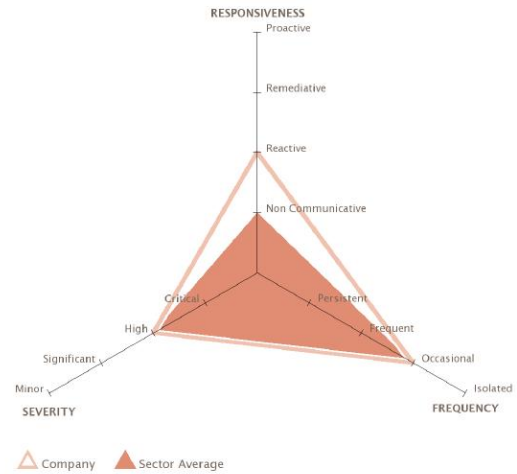
As of July 2016, the overall ESG performance of the Community of Madrid is considered as limited and has improved since last reviews (December 2014 and 2015). The issuer achieves a robust performance on the Social area, while its performance related to Environmental and to Governance domains is limited.

Domain	Comments	Assessment level*
Environment	<p>The Community of Madrid performance in the Environment domain is limited, but has improved since the last reviews. Through its policies in terms of management of water, waste, air quality and climate change, and its Forest Plan, the Community of Madrid has set targets and measures to reduce environmental impacts of agricultural activities and of urban growth. The new Government Plan includes some environmental commitments and a law on Environmental responsibility has been adopted to harmonize and develop local regulation in terms of environmental protection. Regarding the management of green areas and to the protection of biodiversity, the Community of Madrid committed to cover most issues under review. In addition, the Community of Madrid commits to control local pollution and apply measures to improve air quality (PM10) and energy efficiency of its public buildings.</p> <p>However, the Community still fails to reduce environmental impacts in terms of water resources protection and emissions related to transport, and don't limit urban sprawl and its associated impacts.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p>The Community of Madrid performance in the Social domain is robust.</p> <p>First, the Community continues to improve its Human Resources management since 2015, with robust commitments, especially in terms of promotion of labour relations through the implementation of comprehensive policies supported by significant means. In addition, the Community applies the reform of the Basic Statute of Public Employees and has improved employment conditions for its employees. However, the disclosed information is insufficient in order to evaluate associated measures and results.</p> <p>Regarding Human Rights, the Community of Madrid has adopted robust commitments, with comprehensive policies and strategies against discrimination and to protect human rights. In particular, the approved regional law against gender-based violence is now a reference standard in Spain, completed in 2015 by a local Integrated Action Against Gender-based Violence strategy (2016-2021) with relevant measures. Other measures and local laws related to protection of minors, gender identities, social equality and non-discrimination have also been implemented.</p> <p>In terms of Community involvement, the Community of Madrid has adopted robust commitments, supported by detailed obligations defined in local decree and national law regulating the public attention services, with new Local Government's commitments for improved access to public information</p>	Advanced
		Robust
		Limited
		Weak
Governance	<p>Community of Madrid's performance in Governance domain is almost robust and has improved since last reviews, in particular in terms of transparency and commitment. It is worth noticing that the issuer appears clearly committed to continue its efforts and to inform regularly and publically at this regard.</p> <p>On the one hand, the Community of Madrid displays a robust performance in Audit & Internal control ensured by the General Inspection of the Community, and by an Accounting Chamber which is an independent body with members nominated based on recognized competences. Moreover, the Community of Madrid has improved its performance in terms of representative and participative democracy to a robust level: commitments and measures have been taken to systematically involve representative organizations in the definition of its sector policies, to promote the access to public information (e.g. : "transparency portal" on its website) and the new Plan for democratic regeneration is also contributing to the improvements. However, we don't have information on these policies results.</p> <p>On the other hand, the Community of Madrid has improved its business ethics practices, but its commitments are still limited. Regarding public procurement, environmental, labour and social factors and the promotion of sustainable relationships with suppliers are integrated in the rules of procedure of the Community of Madrid, and the General Guide of Environmental Aspects defines contractual requirements.</p> <p>The Community of Madrid adopted formalized commitments to fight corruption, beyond legal requirements. However, the Community faces several controversies on corruption.</p>	Advanced
		Robust
		Limited
		Weak

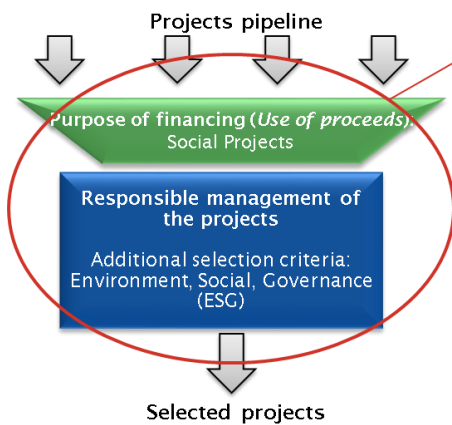
Stakeholder-related ESG controversies:

- **Frequency:** As of July 2016, the Community of Madrid is involved in 8 ESG controversies, related to social cohesion (5 cases), corruption (2 cases) and public agent remuneration (1 case).
- **Severity:** The level of severity ranges from significant (2 cases related to social cohesion) to high (all 6 other cases).
- **Responsiveness:** The Community of Madrid is overall reactive : it reports transparently on the existence of these allegations related to social cohesion and remuneration, but isn't communicative on allegations related to corruption.

Sources: Factiva research and Company's sources



Part II. PROJECT FRAMEWORK



Project Evaluation and Selection Framework

1. Ensure the Social Bond proceeds will finance Eligible Projects with social benefits
2. Attest the sustainable value and the responsible management of these projects, through Environmental, Social and Governance (ESG) selection criteria, in line with relevant ESG issues

Community of Madrid's evaluation and selection framework is considered as robust, based on the governance of the bond process, on the use of proceeds, and on the evaluation and selection process, as evaluated below.

Governance of the process

A list of selected projects is set up by the Committee of Selection, monitoring and evaluation (*Comité de Selección, Seguimiento y Evaluación*), composed of 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 (Technical General Secretariats of the Departments in charge with social projects, and the Managing Director in charge of the financial management of the Social Bond), based on proposals submitted for each project category by competent Directorates.

The Committee will evaluate and select Eligible projects based on the higher social outcomes, in terms of both quantitative (beneficiaries, cost) and qualitative (compared to government programme targets for social development and social cohesion).

The list of Eligible Projects will be updated and completed by the Committee, at least twice annually and depending on the needs, according to this framework.

Use of proceeds:

The net proceeds of the Social Bond issuance will be used to finance, in whole or in part, Eligible Projects, which include 3 Social Projects categories and will meet a set of additional Environmental, Social and Governance (ESG) selection criteria and the global ESG Community of Madrid's policies evaluated by Vigeo Eiris.

Use of proceeds criteria and expected social benefits are defined in the table below:

Eligible categories	Definition	Project examples (but no limited to)	Main social benefits
<p>Employment and development of economic activity</p>	<p>Projects aiming to improve the intermediation in the labour market, connecting job seekers with companies; to provide professional training in order to reduce unemployment and to socially integrate vulnerable groups (e.g. people with disabilities, people over 45 years of age, young people, women, victims of domestic violence and of terrorism...)</p>	<ul style="list-style-type: none"> - Support to professional training : labour intermediation, operating subsidies to foster employment and profesional integration, for people with disability through financing programmes dedicated to special facilities for employment. - Promotion of the employment: profesional training for the development/implementation of training programs for unemployed and employed people - Technical innovation and support to SMEs: support to commercial SME's to develop technological innovation 	<p>Social and Economic development</p> <ul style="list-style-type: none"> - Improved professional opportunities - Employment protection - Improved professional skills - Development of SME's activity <p>Promotion of fundamental human rights</p> <ul style="list-style-type: none"> - Improved equity and professional opportunities for vulnerable populations
<p>Social action aimed at helping vulnerable groups</p>	<p>Projects aiming to improve the attention and assistance to people in need or/and facing risks of social exclusion</p>	<ul style="list-style-type: none"> - Coordination of dependent persons: information, guidance, recognition of dependent adult status. Development of individual attention programmes for dependent persons. Management of economic benefit in collaboration with other public assistance institutions. Promotion of autonomy. - Minimum Income for social inclusion: economic benefit to ensure a minimum income to all resident in need. Special attention to foster social inclusion, to access social service programmes such as profesional training or personal insertion programme. 	<p>Access to decent living conditions for vulnerable people</p> <ul style="list-style-type: none"> - Improved attention to dependent adults, and enhanced autonomy - Improved social inclusion
<p>Prevention and protection of public health</p>	<p>Projects of prevention and promotion of public health, in order to reduce specific diseases, injuries and disabilities among the population, and to mitigate its negative impacts</p>	<ul style="list-style-type: none"> - Public health: programmes for the promotion of health, programmes for drugs use prevention, attention to drug users - High economical impact medication: upgrade the existing epidemic monitoring and tracking system, supply medical treatments to population exposed to epidemics 	<p>Access to medicines and to healthy life</p> <ul style="list-style-type: none"> - Improved attention/reduction of drug addict and drug user population - Reduced cost for medical treatments, for the user and for the public health system - Promotion of healthy life (benefits for individual health, for the financial balance of public health services...)

The contribution of Eligible Projects to sustainable development is positive, due to expected social benefits, in particular in terms of access to employment and to decent living conditions for the most vulnerable people, local development, and improvement of public health. The associated objectives are precise, measurable and relevant.

Process for project evaluation and selection:

In its Social Bond Framework, the Community of Madrid commits to ensure the responsible management and sustainable value of the projects financed by the Social Bond, through additional selection criteria and its overall policies applied at project level. These criteria have been evaluated by Vigeo Eiris regarding Environmental, Social and Governance issues related to the projects, according to international standards of social responsibility and sustainable development.

Vigeo Eiris considers that these ESG criteria used for the evaluation and selection of Eligible Projects appear to be partly exhaustive and relevant:

- **Social** (human rights and labour rights) and **Community** (user relation, promotion of local development, social cohesion and local consultation) criteria are complete and robust.
- **Environment** (prevention and reduction of impacts; minimizing of consumption) and **Governance** (public procurement, prevention of corruption, audit and internal control) criteria are not accurate nor exhaustive: they are generally defined at Community of Madrid level, but are not detailed at project level.

Sustainability Criteria	Commitment and supporting elements
Social	
Respect for fundamental human rights and labour rights	<p>In its Social Bond Framework, the Community of Madrid commits to:</p> <ul style="list-style-type: none"> - Promote a democratic society, socially inclusive, cohesive, healthy, safe and fair, which respects fundamental human rights and cultural diversity, offers equality of opportunities for all and fight against all forms of discrimination - Ensure the rights for all citizen to access to information and to justice. Develop channels to support the consultation and participation of all associations and stakeholders - The eligible projects promote and protect the promotion and protection of fundamental rights against all forms of discrimination, and contribute to global poverty reduction <p>The issuer ensures the promotion and protection of fundamental labour rights in all its activities, including in favour of its employees, of beneficiaries and of any person related to the eligible projects</p>
Promotion of social dialogue and collective bargaining	In its Social Bond Framework, the Community of Madrid commits to improve social dialogue and promote partnerships between public and private organizations, in order to reach enhanced cooperation and set up common responsibilities to accomplish a sustainable production and consumption
Skills development, career development of employees	In general, the Community of Madrid promotes professional training, competencies improvement and career development of its employees in all its activities, including the eligible projects
Improvement of health and security conditions of workers	In general, the Community of Madrid promotes the protection, the improvement of health and security of the employees (including psychosocial risks) in all its activities, including in the eligible projects
Safety of the services/goods proposed to the beneficiaries	In general, the Community of Madrid promotes the security and safety of its services and products, in all its activities, including in the eligible projects
Transparent information and customer service	In general, the Community of Madrid ensures high quality of service to the citizens, transparency and access to all public information regarding all its activities, including the eligible projects
Community Involvement	
Promotion of local economic development	<p>In its Social Bond Framework, the Community of Madrid commits to:</p> <ul style="list-style-type: none"> - Promote a prosperous, innovative, knowledge-rich, competitive and eco-efficient economy for high living standards with full employment in all the European Union territory - Promote partnerships between public and private organizations, in order to reach enhanced cooperation and set up common responsibilities to accomplish a sustainable production and consumption - Ensure the development, assessment and implementation of its policies with best available knowledge, and ensure that its policies are economically profitable and viable
Social cohesion and socially inclusive development	<p>In its Social Bond Framework, the Community of Madrid has committed to:</p> <ul style="list-style-type: none"> - Promote a prosperous, innovative, knowledge-rich, competitive and eco-efficient economy for high living standards with full employment in all the European Union territory - Promote a democratic society, socially inclusive, cohesive, healthy, safe and fair, which respects fundamental human rights and cultural diversity, offers equal chances for all and fight against all forms of discrimination

Dialogue with stakeholders	<p>In its Social Bond Framework, the Community of Madrid has committed to:</p> <ul style="list-style-type: none"> - Impulse the citizen participation in decision making processes. Improve the education and awareness of public opinion on sustainable development challenges - Rise citizens awareness regarding the impacts of their way of life on environment and on possible alternative solutions - Ensure the rights for all citizen to access to information and to justice. Develop channels to support the consultation and participation of all associations and stakeholders
Governance	
Responsible Public procurement and relation with suppliers	<p>In general, the Community of Madrid ensures the integration of robust environmental, labour and social criteria in all its public procurements and in its specific administrative clause specifications, such as obligation for the supplier to comply with existing regulation in the area of labour rights, social security, social inclusion of people with disabilities, prevention of occupational risks, for all its activities including in the eligible projects .</p> <p>Furthermore, the Environmental protection guidelines are mandatory and apply in the contracts, including in the eligible projects</p>
Prevention of corruption and fraud	<p>In general, the Community of Madrid ensures the prevention and the fight against corruption (both active and passive) for its employees in all its activities including the eligible projects.</p>
Audit and internal control	<p>In its Social Bond Framework, the Community of Madrid commits to ensure the development, assessment and implementation of its policies with best available knowledge, and to ensure that its policies are economically profitable and viable</p>
Environment	
Minimizing consumption of resources	<p>In its Social Bond Framework, the Community of Madrid commits to promote a prosperous, innovative, knowledge-rich, competitive and eco-efficient economy for high living standards with full employment in all the European Union territory.</p>
prevention and mitigation of environmental impacts	<p>Moreover, all the projects included in the third category of social projects (see above) must define and apply measures for the prevention and mitigation of the environmental impact caused by consumption and the generated wastes.</p>

Vigeo Eiris considers that the process for evaluation and selection of the eligible projects is clearly defined and that the integration of ESG issues in issuer's commitments is robust regarding Social and Community involvement issues, but only limited regarding Environmental and Governance issues.

Management of proceeds:

The net proceeds of the Bond issuance will be managed within Community of Madrid's treasury liquidity portfolio. The issuer will track expenditures of the proceeds allocated to each Eligible Project through emitted invoices, so the Treasury Department will be able to ensure its internal follow up. Before the fund allocation, the net proceeds will include neither Greenhouse Gas (GHG) intensive activities nor disputable activities. All funds will be allocated to eligible projects within the current year.

Part III. REPORTING FRAMEWORK

Selected projects

Reporting framework

3. Report to investors on financed projects and on social benefits, via reporting indicators



Reporting conditions are clearly defined, with reporting indicators on:

- Use of proceeds: list of the financed projects, with detailed description and invested amounts in Eligible Projects.
- Social Benefits, assessed at project level and consolidated at categories level and at the overall Social Bond level, using methodologies that will be detailed in the annual reports.

Regarding the responsible management of the projects, Community of Madrid commits to only undertake general monitoring, without ESG reporting at project level. The selected projects are included in annual finance programs and are fully integrated in the overall activity of the Community of Madrid. This lack of reporting on ESG issues at project level is an area of improvement.

The Community of Madrid is committed to transparently report on the Social Bond, through the publication of a yearly report provided to the Social Bond investors and integrated to the Community of Madrid's financial reporting process. The yearly report will be made publicly available on the issuer website. The financed projects will be added/excluded from the yearly report every time the issuer, i.e. the dedicated Committee, will decide that a project has to be financed/removed from the Social Bond portfolio. The content of these annual reports will be audited by a Third independent expert Party (ESG consultants and/or financial auditors). The issuer commits to communicate these reports until all funds have been spent.

In order to report on the social benefits of the financed projects, the issuer could substitute any of the proposed indicators assessed below when convenient and appropriate, keeping at least the same criteria covered in the reports, as a way to facilitate the reporting on the performance and on the management of the selected projects.

Use of proceeds:

Criteria	Reporting indicators
For all the eligible categories of projects financed by the Social Bond proceeds	<p>At Project level:</p> <ul style="list-style-type: none"> - List of projects financed by the Social Bond's proceeds, with a detailed description of each project, consolidated by category of projects - Financial data and proceeds allocation: date of the allocation, allocated amount (in € and in % of the total amount), project cost (total budgeted, total used) for each project and consolidated by category of projects - Financial data related to co-financed projects (when relevant)
	<p>At Bond level:</p> <ul style="list-style-type: none"> - Total budgeted and total allocated amounts vs. total proceeds (in %) - Details on unallocated funds (investments on capital market or in instruments on financial market)

Social benefits:

Benefits	Reporting indicators
Employment and development of economic activity	<p>For every indicator, compare ex ante estimates vs. effective results:</p> <ul style="list-style-type: none"> - Number and type of people beneficiaries from the project, for each sub-category of projects, detailed: <ul style="list-style-type: none"> o By type of persons who attend to the trainings (unemployed or occupied persons) o By type of vulnerable groups (e.g. people with disabilities, people over 45 years of age, young people, women, victims of domestic violence and of terrorism...) - Number and type of contracts signed, organized by sub-category of projects (e.g. full time vs. part time contracts, permanent vs. fixed-term contracts) - Number of companies / entities people beneficiaries from the subsidies - Share of employees with permanent contract within the SMEs beneficiaries from the subsidies, (in %)
Social actions aimed at helping vulnerable population groups	<p>For every indicator, compare ex ante estimates vs. effective results:</p> <ul style="list-style-type: none"> - Number of persons who benefited from the project (or number of individual attention programs for dependent adults implemented), detailed for each sub-category - Number of persons benefiting from a Minimum Income for social inclusion - Share of the population in Community of Madrid's territory who demand and access to the Minimum Income for social inclusion
Prevention and protection of public health	<p>For every indicator, compare ex ante estimates vs. effective results:</p> <ul style="list-style-type: none"> - Number of people beneficiaries from aids to drug addicted persons - Number of drug addicted persons reckoned through the electronic medical record system of the AP Madrid - Drug use among young people and starting age, perception of risks related to drug use - Number of affected person contaminated by epidemics - Pharmaceuticals budgetary savings obtained regarding High economical impact medications, due to the control of alignment between prescriptions and clinical evidences

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance factors are intertwined and complementary and cannot be separated when assessing the management of ESG in any organization or in any activity, including the issuance of bonds.

In this sense, Vigeo Eiris writes an opinion on the issuer's corporate responsibility as an organization, and on the objectives, the management and the reporting of the projects financed by this bond.

Vigeo Eiris' methodology to define and to assess corporate ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behavior and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the Local Authorities assessment framework and specificities inherent to the Eligible Projects' sectors.

Vigeo Eiris reviewed information provided by the Community of Madrid, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. In total, Vigeo Eiris has reviewed documents and websites of the Community of Madrid related to the bond evaluation (decrees and laws, draft detailing the targeted projects and the 3 categories of eligible projects for this Social Bond, ...) and interviewed members from several services and Directorates of the Community of Madrid.

Part I. ISSUER

Level of the issuer's ESG performance:

The Community of Madrid has been evaluated by Vigeo Eiris during December 2015 regarding its social responsibility performance, based on 24 relevant ESG drivers organized in the 6 sustainability domains, according to the Local Authorities assessment framework. Community of Madrid's ESG performance has been assessed by Vigeo Eiris based on three "items":

- Leadership: relevance of the commitments (content, visibility and ownership)
 - Implementation: coherence of the implementation (process, means, control/reporting)
 - Results: indicators, stakeholders feedbacks and controversies.
- Scale for assessment of ESG performance: Advanced, Robust, Limited, Weak.

NB : The commitments, processes, results of the Community of Madrid related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating. Furthermore, this assessment has been completed based on additional information provided by the Community of Madrid to Vigeo Eiris Enterprise using the ESG assessment methodology developed by Vigeo Eiris.

Stakeholder-related ESG controversies:

A controversy is information, a flow of information, or contradictory opinions that are public, documented and traceable, allegation against an issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of three factors :

- Severity: the more a controversy will relate to stakeholder's fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the Company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the Company (scale: Minor, Significant, High, Critical)
 - Responsiveness: ability demonstrated by an issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Company for all cases faced (scale: Proactive, Remediate, Reactive, Non Communicative)
 - Frequency: reflects for each ESG challenge the number of controversies faced. At Corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Scale for assessment of ability to mitigate stakeholder-related ESG controversies: Advanced, Robust, Limited, Weak.

Part II. PROJECT FRAMEWORK

Use of proceeds:

The use of proceeds requirements are defined to ensure that the funds raised are used to finance and/or refinance an Eligible Project and are traceable within the issuing organization, and include the management of proceeds. Each project endorsed shall comply with all of the Eligible Project criteria in order to be eligible. The sustainability purpose of the bond's associated Eligible Projects has been precisely defined, with regard to Community of Madrid's commitments, and assessed regarding described and estimated benefits of the Eligible Projects. The contribution of Eligible Projects to Sustainable Development is evaluated regarding the UN Sustainable Development Goals.

Process for project evaluation and selection:

The evaluation and selection process has been assessed by Vigeo Eiris regarding the exhaustiveness and relevance of ESG selection criteria and associated supporting elements integrated in the Green Debt Instrument framework, and the coherence of the process. The analysis was conducted focusing on the most relevant drivers regarding projects issues - based on 15 relevant ESG drivers, aligned with public international standards - and on the evaluation methodology.

- Scale for assessment of ESG integration in the selection process: Advanced, Robust, Limited, Weak.

Part III. REPORTING FRAMEWORK

Reporting indicators are selected from existing indicators to enable annual reporting on fund allocation, environmental and social benefits and on responsible management of the project financed by the Social Bond proceeds, collected at project level and aggregated at bond level. Vigeo Eiris has evaluated the relevance of these indicators according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of level of assurance on reporting on the project: Reasonable, Moderate, Weak

VIGEO EIRIS'S ASSESSMENT SCALES

Performance evaluation	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.

Level of assurance	
Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework