

GREEN BOND ALLOCATION AND IMPACT REPORTING
EU Taxonomy Alignment

Comunidad Autónoma de Madrid



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EU TAXONOMY ALIGNMENT

DNV INDEPENDENT ASSESSMENT

SCOPE AND OBJECTIVES

COMUNIDAD AUTÓNOMA DE MADRID (henceforth referred to as “Comunidad de Madrid”) is one of the seventeen autonomous communities of Spain. It is located in the centre of the Iberian Peninsula, and on the Central Plateau (Meseta Central). Its capital and largest municipality is the City of Madrid, which is also the capital of the country.

The Community of Madrid is the third most populous in Spain with 6,661,949 (2019) inhabitants mostly concentrated in the metropolitan area of Madrid. It is also the most densely populated autonomous community. Madrid has the largest economy and the highest GDP per capita in Spain.

On 26 November 2021, Comunidad de Madrid issued a Green Bond with ISIN: ES00001010G6 and use of proceeds of EUR 500 million (henceforth referred to as “UoP”) invested in following Clean Transport categories:

- Metro: EUR 387.8 million
- Bus (Electric): EUR 102.03 million
- Bus (Hybrid): EUR 10.16 million

DNV GL Business Assurance España, S.L.U. (henceforth referred to as “DNV”) has been commissioned by Comunidad de Madrid to provide a review of the UoP, against the technical screening criteria of the EU Taxonomy for Sustainable Activities. Our methodology to achieve this is described under the ‘Work Undertaken’ section below. DNV has not been commissioned to provide independent assurance or other audit activities.

No assurance has been provided regarding the financial performance of any loans issued under the Framework, the value of any investments, or the long-term environmental benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

RESPONSABILITIES OF THE MANAGEMENT OF COMUNIDAD DE MADRID AND DNV

The management of Comunidad de Madrid has provided the information and data on the UoP used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Comunidad de Madrid's management and other interested stakeholders, as to whether the UoP are aligned with the technical screening criteria of the EU Taxonomy for Sustainable Activities. DNV's assessment is supplemented with international guidelines and standards, as well as DNV's own technical expertise to assess sustainability credentials of the eligible investments proposed under this Framework. In our work we have relied on the information and the facts presented to us by Comunidad de Madrid. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Comunidad de Madrid and used as a basis for this assessment were not correct or complete.

BASIS OF DNV'S OPINION: SCREENING CRITERIA

The set of suitable criteria that can be used to underpin DNV's opinion is Commission Delegated Regulation (EU) 2021/2139, Annex 1 6.3 Urban and suburban transport, road passenger transport.

Description of the activity: Purchase, financing, leasing, rental and operation of urban and suburban transport vehicles for passengers and road passenger transport.

For motor vehicles, operation of vehicles designated as category M2 or M3, in accordance with Article 4(1) of Regulation (EU) 2018/858, for the provision of passenger transport.

The economic activities in this category may include operation of different modes of land transport, such as by motor bus, tram, streetcar, trolley bus, underground and elevated railways. This also includes town-to-airport or town-to-station lines and operation of funicular railways and aerial cableways were part of urban or suburban transit systems.

The economic activities in this category also include scheduled long-distance bus services, charters, excursions and other occasional coach services, airport shuttles (including within airports), operation of school buses and buses for the transport.

The economic activities in this category could be associated with several NACE codes, in particular H49.31, H49.3.9, N77.39 and N77.11 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Where an economic activity in this category does not fulfil the substantial contribution criterion specified in point (a) of this Section, the activity is a transitional activity as referred to in Article 10(2) of Regulation (EU) 2020/852, provided it complies with the remaining technical screening criteria set out in this Section.

EU Taxonomy Technical Screening Criteria for Mitigation

The activity complies with the one of following criteria:

- a) The activity provides urban or suburban passenger transport, and its direct (tailpipe) CO₂ emissions are zero;

- b) Until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as categories M2 and M3 that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single-deck articulated vehicle) or 'CD' (double-deck articulated vehicle), and comply with the latest EURO VI standard, i.e. both with the requirements of Regulation (EC) No 595/2009 and, from the time of the entry into force of amendments to that Regulation, in those amending acts, even before they become applicable, and with the latest step of the Euro VI standard set out in Table 1 of Appendix 9 to Annex I to Regulation (EU) No 582/2011 where the provisions governing that step have entered into force but have not yet become applicable for this type of vehicle. Where such standard is not available, the direct CO₂ emissions of the vehicles are zero.

EU Taxonomy DNSH Criteria

- **Climate change adaptation:** the activity complies with the criteria set out in Appendix A to Annex 1 (EU) 2021/2139
- **Sustainable use and protection of water and marine resources:** N.A.
- **Transition to a circular economy:** Measures are in place to manage waste, in accordance with the waste hierarchy, both in the use phase (maintenance) and the end-of-life of the fleet, including through reuse and recycling of batteries and electronics (in particular critical raw materials therein).
- **Pollution prevention and control:** For road vehicles of categories M, tyres comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the two highest populated classes as set out in Regulation (EU) 2020/740 of the European Parliament and of the Council and as can be verified from the European Product Registry for Energy Labelling (EPREL). Where applicable, vehicles comply with the requirements of the most recent applicable stage of the Euro VI heavy duty emission type- approval set out in accordance with Regulation (EC) No 595/2009.
- **Protection and restoration of biodiversity and ecosystems:** N.A

WORK UNDERTAKEN

The work undertaken to form our opinion included:

- Assessment of documentary evidence provided by Comunidad de Madrid on the UoP and supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with Comunidad de Madrid' management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria as outlined in Schedule 2 of this document.

Our opinion, as detailed below, is an overview of these findings.

FINDINGS AND DNV'S OPINION- ALIGNMENT TO EU TAXONOMY

DNV's findings are listed below:

Table 1: Compliance with the technical screening criteria

EU Taxonomy Technical Screening Criteria	Project EU Taxonomy Alignment- Comunidad de Madrid
The activity provides urban or suburban passenger transport, and its direct (tailpipe) CO ₂ emissions are zero	Use of proceeds for Metro (EUR 387.8 million) and electric buses (EUR 105.375 million) are zero emissions and hence considered aligned with substantial contribution criteria set by the EU Taxonomy.
Until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as categories M2 and M3 that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single-deck articulated vehicle) or 'CD' (double-deck articulated vehicle), and comply with the latest EURO VI standard, i.e. both with the requirements of Regulation (EC) No 595/2009 and, from the time of the entry into force of amendments to that Regulation, in those amending acts, even before they become applicable, and with the latest step of the Euro VI standard set out in Table 1 of Appendix 9 to Annex I to Regulation (EU) No 582/2011 where the provisions governing that step have entered into force but have not yet become applicable for this type of vehicle. Where such standard is not available, the direct CO ₂ emissions of the vehicles are zero.	Use of proceeds for Hybrid busses (EUR 11.125 million) fit in as a transitional activity as referred to in Article 10 of Regulation 2020/852 and are aligned with the technical screening criteria. Comunidad de Madrid has provided type approvals and technical specification of the busses showing compliance with EURO VI standard.
N.A.	Emissions avoided with this UoP have been calculated by Comunidad de Madrid as 137,895 tCO ₂ for Metro, and 6,280 tCO ₂ for busses (EMT).

Table 2: Compliance with the "Do no significant harm" ("DNSH") criteria.

DNSH Criteria	Project EU Taxonomy Alignment – Comunidad de Madrid
<p>(2) Climate change adaptation</p> <p>The activity complies with the criteria set out in Appendix A to Annex 1 (EU) 2021/2139.</p>	<p>Following climate change vulnerability and risk analysis, Comunidad de Madrid issued Plan Azul + 2013-2020, a strategical program of measures for mitigation and adaptation to climate change, to be implemented in Comunidad de Madrid. Furthermore, a new strategy is under development that will set out the broad lines of action up to 2030 to make progress in terms of climate action (mitigation and adaptation) and improvement of air quality, in line with recent international and national guidelines and requirements.</p> <p>The UoP in Metro and Busses is deemed not to interfere with the adaptation measures contained in Plan Azul, measures for water resources, other vulnerable systems and industries, indicators for climate change adaptation, reforestation,</p>

	<p>increase of carbon sequestration in agricultural soils in the region.</p> <p>DNV considers this is in line with the criteria established for Climate Change Adaptation in Commission Delegated Regulation (EU) 2021/2139, Annex 1, 6.3 Urban and suburban transport, road passenger transport.</p>
<p>(3) Sustainable use and protection of water and marine resources</p> <p>N.A</p>	<p>Not applicable as per Commission Delegated Regulation (EU) 2021/2139, Annex 1, 6.3 Urban and suburban transport, road passenger transport.</p> <p>However, Metro has provided evidence of extensive water use and management plans for each underground station showing plans and measures to mitigate effects on water resources.</p>
<p>(4) Transition to a circular economy</p> <p>Measures are in place to manage waste, in accordance with the waste hierarchy, both in the use phase (maintenance) and the end-of-life of the fleet, including through reuse and recycling of batteries and electronics (in particular critical raw materials therein).</p>	<p>Metro de Madrid and EMT operate under an Environmental Management Systems certified according to ISO 14001.</p> <p>Responding to a new organisational model in Metro, actions and initiatives are implemented based on integral sustainability, using and optimising stocks and flows of resources (water and energy), materials and waste. Among others recovery of more than 95% of the waste generated, including batteries and electronic products, through improved waste segregation and management.</p> <p>A strategic plan in place in EMT for circular economy includes projects like the design and construction of a Hydrogen Fuelling Station and purchasing of biogas for the supply of CNG.</p> <p>DNV considers this is in line with the criteria established for circular economy in Commission Delegated Regulation (EU) 2021/2139, Annex 1, 6.3 Urban and suburban transport, road passenger transport.</p>
<p>(5) Pollution prevention and control</p> <p>For road vehicles of categories M, tyres comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the two highest populated classes as set out in Regulation (EU) 2020/740 of the European Parliament and of the Council and as can be verified from the European Product Registry for Energy Labelling (EPREL). Where applicable, vehicles comply with the requirements of the most recent applicable stage of the Euro VI heavy duty emission type- approval set out in accordance with Regulation (EC) No 595/2009.</p>	<p>Comunidad de Madrid has provided type approvals and technical specification of the busses showing compliance with EURO VI standard and external noise requirements.</p> <p>DNV considers this is in line with the criteria established for pollution and prevention control in Commission Delegated Regulation (EU) 2021/2139, Annex 1, 6.3 Urban and suburban transport, road passenger transport.</p>
<p>(6) Protection and restoration of biodiversity and ecosystems</p> <p>N.A</p>	<p>Not applicable as per Commission Delegated Regulation (EU) 2021/2139, Annex 1, 6.3 Urban and suburban transport, road passenger transport</p>

Table 3: Compliance with the minimum social safeguards

Minimum social safeguards	Project EU Taxonomy Alignment – Comunidad de Madrid
<p>As per article 18 of Regulation (EU) 2020/852: The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p>	<p>CSR Policy and Code of Conduct is in place for both Metro and EMT, aligned with the principles and rights set in the UN Guiding Principles on Business and Human Rights and the principles and rights set out in the fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p> <p>As part of public administration, procurement is regulated by the Public Sector Contracts Act and subject to principles and requirements of responsible procurement, including compliance with ethical standards and respect for the human rights, integrity, transparency and protection of the environment.</p> <p>DNV has reviewed the information provided and concludes that Comunidad de Madrid complies with the minimum social safeguards in Article 18 of Regulation (EU) 2020/852.</p>

On the basis of the information provided by Comunidad de Madrid and the work undertaken, it is DNV’s opinion that proceeds have been used on Clean Transport projects that are aligned with the criteria established in the EU Taxonomy for Sustainable Activities– ANNEX 1 to Regulation (EU) 2021/2139 Section 6.3 (i).

for DNV GL Business Assurance España S.L.U.

Madrid, September 23rd, 2022



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REFERENCES

Discussions with COMUNIDAD DE MADRID management

Review of:

- Management System Documentation: policies, procedures, results.
- Non Financial Reports
- Financial Reports
- Type approvals
- Technical Documentation (Busses)
- Impact and Allocation Reporting
- Sustainable management plans for water
- Procurement terms
- Plan azul +
- Information on climate change adaptation

ABOUT DNV

DNV is the independent expert in risk management and assurance, operating in more than 100 countries. Through its broad experience and deep expertise DNV advances safety and sustainable performance, sets industry benchmarks, and inspires and invents solutions.

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