



# Green Bond Framework

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## 1. METROPOLITANO DE TENERIFE

### 1.1. BACKGROUND

Metropolitano de Tenerife S.A. (Metrotenerife) is a public transport company founded in 2001 with the goal of developing new alternative public transport solutions in the form of railway lines, in a territory limited in size and highly congested.

The company has now offices in Ecuador and Peru in addition to the headquarters in Spain.

Fully owned by the Cabildo Insular de Tenerife (Tenerife Island Government), Metrotenerife is a solid and self-sufficient company with income from the two tramlines covering all operating and maintenance costs. In November 2019, S&P Global Ratings assigned its 'A/A-1' long- and short-term ratings with a stable outlook to Metrotenerife, equal to the rating of the Kingdom of Spain.

With the purpose of building a railway network that would serve the whole island, Metrotenerife is working on railway projects in the north and south of the island. Simultaneously, the company improves the existing facilities and develops other projects to continue expanding and proposing innovative solutions in public transport.

Metrotenerife has expanded the scope of its activities to provide a variety of consultancy services on the back of the extensive knowledge accumulated at each stage of a railway transportation project: studies and design, construction management, testing and commissioning, operating and maintenance. Clients located in Europe, Latin America, Africa and Middle East have trusted the company's expertise.

### 1.2. METROTENERIFE CORPORATE SOCIAL RESPONSIBILITY

Rail transportation sector will play a key role in the achievement of EU's commitments to reduce GHG emissions by at least 40% by 2030 as well the climate-neutrality goal by 2050.

As a provider of public transport services in the Metropolitan area of Tenerife, Metrotenerife contributes greatly to this commitment at local level.

Sustainability is also one of Metrotenerife's three corporate pillars, hence the entity's management. The company strives to provide innovative and effective solutions that are environmentally sustainable and accessible to all including the most vulnerable.

On the back of its public service vocation and social commitment which are instrumental for the local government to achieve its policy of fostering the use of public transportation, Metrotenerife is highly committed to best practices in environment management as illustrated below.

- Metrotenerife has first obtained the ISO 14001 certification in 2012 which has been regularly renewed thanks to the implementation of several measures to minimise its activities' environmental impact including own photovoltaic plant, fleet of electric maintenance vehicles, waste recycling etc.
- In 2017, Metrotenerife has renewed its Environmental Management System (EMS) and developed new procedures with the goal of better identifying and evaluating the environmental impacts related to its activities: monitor the operations with the highest potential of environmental

impact; analysis and measurement of residual discharges and noise generated; control on the consumption of energy; water and other resources; waste management; identification and evaluation of the compliance with environmental regulation and prevention and intervention in case of environmental emergencies.

This EMS is subject to periodical monitoring to ensure its continuous improvement: regular internal and external audits contribute to validate the adequacy of the system considering both, the company and the stakeholders, and to identify risks and opportunity areas to improve it.

- Aware of the sector's needs in terms of safety, technology and energy, the company's engineering team develops innovative solutions for safer and more efficient transport systems that meet the needs of operators and users worldwide. Examples of the innovative and recognised solutions developed by Metrotenerife include:
  - o **System for Monitoring of On-Board Speed (SIMOVE)**<sup>1</sup> is a monitoring operation tool allowing continuously monitoring and controlling the speed of the vehicles, comparing the position and speed of any railway vehicle with the appropriate speed for any given section of the lane. SIMOVE minimises the risk of accidents caused by excess speed, improves service quality and increases the overall safety of the system and operational efficiency.

The system has been recognized as a significant safety system by operators in Europe and Latin America and received several awards.
  - o **Via-Movil**<sup>2</sup> is an integral ticketing system that unifies - through the user's mobile telephone - the purchase, validation and ticket control process, allowing a direct communication between the transport operator and passengers. The system simplifies the management of ticket issuance systems in a multi-operator environment, as well as being economical to implement and maintain, environmentally friendly and easy to use for the customer. In 2019, 23.15% of the total validations in the tramlines were done through vía-móvil.
  - o **Ten+VAO**<sup>3</sup> is a solution developed by Metrotenerife that allows the private vehicle and the tram to complement each other. Indeed, the high proportion of population who travel by private transport from the periurban regions of Tenerife to the metropolitan area leads to material environmental and social repercussions, notably in terms of CO2 emissions and traffic congestion. This new application rewards carpooling users with free access to the tram's infrastructures while obtaining reward points that can be exchanged for other services such as entries to cultural events. During the 3-month pilot phase in 2018, ten+VAO achieved a reduction of 75% in the use of private vehicles for the application users, with the consequent increase in demand for the tram, and an average saving of 3.4674 grams of CO2 for each journey of thirteen kilometres with three users.
  - o **Track jacket: insulating chamber for grooved rail**<sup>4</sup>, developed and patented by Metrotenerife, this technology aims at providing the electric and acoustic isolation needed by the track lines in urban zones. This special insulating chamber allows the

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<sup>1</sup> SIMOVE : <https://simoverail.com/en/#exito>

<sup>2</sup>Via-Movil: <https://via-movil.es/en/>

<sup>3</sup> ten+VAO: <https://vao.tenmasmovil.es/>

<sup>4</sup> track jacket: <http://magazine.mafex.es/chaqueta-de-carril-extraible-que-facilita-y-economiza-el-mantenimiento-de-la-via/>

installation and maintenance of the isolation without demolition of the road coating, as it the common practice with traditional isolation techniques, leading to time and money savings.

- A photocell plant of 960kW was installed in 2008 at the company depot premises producing 16% of the total year energy needs.
- Metrotenerife is an active member of national & international public transport associations such as ATUC (Spain), UITP (International Association of Public Transport based in Brussels) & ALAMYS (Latin American Association of Public Transport). Currently Metrotenerife CEO is the Chairman of the UITP Light Rail Committee.
- Metrotenerife signed a collaboration agreement with MAFEX (Spanish Railway Industry Association) in March 2019 in order to promote the internationalization of the Spanish railway sector.
- In July 2020, Metrotenerife has joined the BuildingSMART Spanish Chapter association. Comprising all actors in the construction sector, the association's main objective is to promote efficiency in this industry by using open standards of interoperability on BIM (Building Information Modelling) to reach new levels in cost and time-reduction as well as increasing quality.
- As part of its plan for Corporate Social Responsibility, Metrotenerife also channels numerous actions including donations and sponsoring projects such as the Sustainable Mobility Contest, the Pardela Project by the Association Coordinating the Physically Disabled in the Canary Islands or the Tenerife Food Bank Aid.
- Metrotenerife's strong CSR actions has earned it a number of recognition in the course of its existence, including: Best environmental and Sustainability Initiative (Ten+VAO) – Global Light Rail Awards 2018, Vision of the year (Ten+VAO) – Global Light Rail Awards 2018, Highly Commended Project of the Year (SIMOVE) – Smart Rail Awards 2018.

## 2. GREEN BOND FRAMEWORK






Metrotenerife deeply believes that Green Bonds are an effective funding tool to meet the financing gap that needs to be bridged to combat climate change, thus transitioning towards a carbon neutral world. Through its Green Bond issuance, Metrotenerife strives to contribute to the development of the Sustainable Debt Market by providing both itself and the investor community an opportunity to channel Use of Proceeds financing in the two key sectors, namely, clean transportation and renewable energy sectors.

This Green Bond Framework has been designed in alignment with ICMA's Green Bond Principles 2018 (GBP) and its core four components with the aim of providing transparency and disclosure to investors:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

## 2.1. USE OF PROCEEDS

An amount equivalent to the net proceeds of the Green Bonds issued will be used to finance and/or refinance, in whole or in part, Eligible Green Projects that meet the eligibility criteria specified below:

Eligible Green Projects categories	Eligibility criteria	Examples of eligible projects	Contribution to the UN SDGs
<b>Clean transportation</b>	Investments aimed at maintaining and increasing Tenerife's public transport capacity and services including: <ul style="list-style-type: none"> <li>- Expansions of current electric public transportation network</li> <li>- Refurbishment and maintenance of existing electric public transportation network and infrastructure</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>• Investments in extensions, new tram lines and stations (i.e. Tram 1 and 2)</li> <li>• Electric vehicles acquisition</li> <li>• Development of technologies providing enhanced services/frequencies.</li> <li>• Investments in signaling and stations upgrades</li> <li>• Traffic information, passenger guidance systems</li> </ul>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <b>Industry, innovation and infrastructure</b>  <i>Targets 9.1, 9.5</i> </div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <b>Sustainable cities and communities</b>  <i>Targets 11.2</i> </div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <b>Climate action</b>  <i>Target 13.2</i> </div> </div> </div>
<b>Renewable energy</b>	Investments aimed at financing the acquisition, equipment, operation and maintenance of renewable energy sources: <ul style="list-style-type: none"> <li>- Wind energy</li> <li>- Solar energy</li> <li>- Geothermal energy: with direct emissions <math>\leq 100\text{g CO}_2\text{e/kWh}</math></li> </ul>	<ul style="list-style-type: none"> <li>• Solar photovoltaics integrated to the transportation system infrastructure</li> </ul>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <b>Affordable and clean energy</b>  <i>Target 7.2</i> </div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <b>Climate action</b>  <i>Target 13.2</i> </div> </div> </div>

Furthermore, the projects included in this Framework will be part of sustainable activities as defined by the European Commission EU Taxonomy regulation. Taking into account the fact that the Taxonomy is still not in force, MetroTenerife will apply a selection criteria based in the most relevant information available (draft of November 2020<sup>5</sup>).

<sup>5</sup> More information: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

## 2.2.PROCESS FOR PROJECT EVALUATION AND SELECTION

Metrotenerife as a public company, has a contract with the Island Government Cabildo de Tenerife to design, build and operate railway transportation on the island of Tenerife. It is therefore the Government who decides what new infrastructures are to be built and operated by Metrotenerife. Once Cabildo choses the new projects, the contract is modified accordingly and Metrotenerife Board is responsible for deciding how to finance the selected projects.

Metrotenerife’s Board, designated by Cabildo, decides the financing strategy based on a previous proposal from the company management.

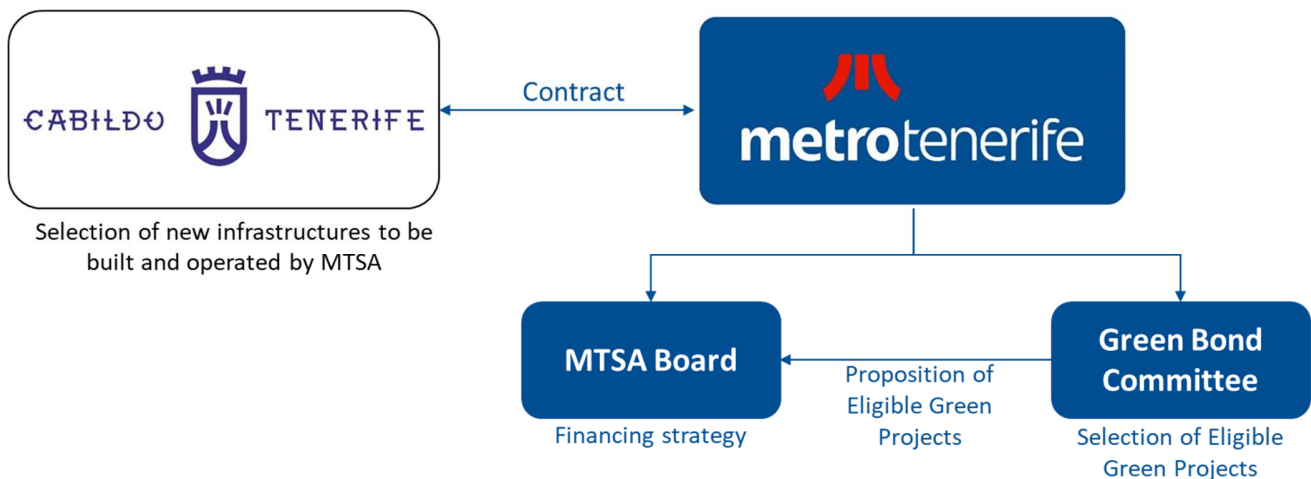
A dedicated internal Green Bond Committee will be set by Metrotenerife and in charge of:

- proposing to the Board the financing of such new infrastructures or refinancing existing infrastructures in alignment with the eligibility criteria defined in this Green Bond Framework;
- constituting and monitoring the Green Portfolio of Metrotenerife composed of Eligible Green Projects: in this context, the Green Bond Committee is also responsible for the removal of Eligible Green Projects which are no longer compliant with the Eligibility Criteria and replace them with eligible ones on best effort basis;
- validating the Green Bond reporting;
- reviewing and updating the present Framework because of the evolution of market standards and practices in the Sustainable Bond market.

The Committee will meet annual basis until full allocation and more if required. It will be composed of:

- Director of Administration and Finance;
- Project Director;
- Director of Maintenance.

This process is described in Figure 1 hereunder.



## 2.3. MANAGEMENT OF PROCEEDS

Metrotenerife will deposit the net proceeds from its Green Bond issuance in the general account and an amount equal to the net proceeds will be earmarked to the Green Portfolio in alignment with the criteria defined in section 2.1.

An internal tracking system to monitor the allocation of the Green Bond proceeds to the Green Portfolio will be set up. On annual basis, the Committee will monitor the Green Portfolio in order to ensure that the total amount of the Eligible Green Projects exceeds the total amount of Green Bonds issued.

In case of insufficient Eligible Green Projects in the Portfolio, Metrotenerife will invest the balance of the net proceeds in cash or cash equivalent instruments according to its treasury management policy.

In exceptional cases, the net proceeds of the bond may be deposited in an escrow account with a bank account controlled by an escrow agent until the investment or refinancing date, to be invested in cash or other liquidity instruments excluding Greenhouse Gas (GHG) intensive activities as well as any controversial activity.

In case of refinancing, and considering that projects costs would be fully disbursed in the past, no separate management of proceeds is required.

Metrotenerife is committed to perform an external assurance of the already invested capital from the accounting records in order to check the correct use of proceeds.

The projects to be refinanced will have always been commissioned at a date where all Eligibility Criteria were met.

## 2.4. REPORTING

Metrotenerife will provide to investors and other stakeholders a two-fold reporting on the allocation of the net proceeds and the environmental impact of the Eligible Green Projects financed.

The reporting will be published within approximately one year from the date of the Green Bond issuance, and thereafter once a year until the bond proceeds have been fully allocated.

The reporting will be made available on Metrotenerife's website: <https://metrotenerife.com/home/>.

### 2.4.1. ALLOCATION REPORTING

Allocation reporting will include the following information:

- Information on the Green Bonds issued: ISIN, pricing date, maturity date etc.
- Total amount of the net proceeds allocated to the Green Portfolio per Eligible Green Projects category (with breakdown per project category and breakdown of the allocation of proceeds between financing and refinancing).
- An analysis of the Green Portfolio by Eligible Green Projects category
- The balance of unallocated proceeds, if any.



### 2.4.2. IMPACT REPORTING

Impact reporting will provide information on the environmental impact of Eligible Green Projects, including relevant impact metrics when feasible:

Eligible Green Projects categories	Output metrics	Impact metrics
Clean transportation	<ul style="list-style-type: none"> <li>• Number of passengers transported annually</li> <li>• Average number of passengers transported per day vs number of inhabitants</li> <li>• Kilometers of infrastructure constructed or renovated</li> <li>• Estimated time savings per day within the network thanks to enhanced services</li> <li>• Number of App-users</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual avoided GHG emissions (in tCO<sub>2</sub>e/year)</li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>• Capacity installed (MW)</li> <li>• Expected renewable energy generation (MWh/year)</li> </ul>	

## 3. EXTERNAL REVIEW

### 3.1. SECOND PARTY OPINION

Metrotenerife has selected Sustainalytics and S&P to provide a Second Party Opinion on this Green Bond Framework and confirm its alignment with the GBP.

The Second Party Opinion documents will be available on Metrotenerife's website: <https://inversor.metrotenerife.com/>.

### 3.2. EXTERNAL VERIFICATION

Metrotenerife will mandate an independent external auditor to provide a limited assurance on the allocation of the Green Bond proceeds to the Eligible Green Projects. The report will be made available on Metrotenerife's website: <https://inversor.metrotenerife.com/>.