

Second-Party Opinion

Metropolitano de Tenerife S.A. Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Metropolitano de Tenerife S.A. Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Clean Transportation and Renewable Energy, are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7,9, and 11.



PROJECT EVALUATION / SELECTION Metropolitano De Tenerife’s internal process in evaluating and selecting projects is the responsibility of Cabildo de Tenerife, the Tenerife local government. Metropolitano de Tenerife is wholly owned by the Cabildo, and has set up a Green Bond Committee to evaluate selected projects. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Metropolitano De Tenerife’s processes for management of proceeds is to deposit net proceeds into the general account and earmark to eligible green projects. In the event of insufficient eligible projects, Metropolitano de Tenerife will invest the balance of net proceeds into cash or cash equivalents in accordance with its treasury management policy. This is in line with market practice.



REPORTING Metropolitano De Tenerife intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, Metropolitano De Tenerife is committed to reporting on relevant quantitative and qualitative impact metrics, where feasible. Sustainalytics views Metropolitano De Tenerife’s allocation and impact reporting as aligned with market practice.

Evaluation date	March 17, 2021
Issuer Location	Tenerife, Spain

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Introduction

Founded in 2001, Metropolitano De Tenerife S.A. (“Metropolitano de Tenerife”, or the “Company”) is a public transportation company that operates railway lines in Tenerife, with offices in Ecuador, Peru in addition to the headquarters in Spain. The Company is wholly owned by the Cabildo Insular de Tenerife (“Tenerife Island Government” or “Cabildo de Tenerife”) and currently operates two tramlines in the region.

Metropolitano de Tenerife has developed the Metropolitano de Tenerife S.A. Green Bond Framework (the “Framework”) under which it intends to issue bonds and use the proceeds to finance and/or refinance projects in the areas of clean transportation and renewable energy with the goal of contributing to a carbon neutral economy. The Framework defines eligibility criteria in two areas:

1. Clean Transportation
2. Renewable Energy

Metropolitano de Tenerife engaged Sustainalytics to review the Metropolitano de Tenerife S.A. Green Bond Framework, dated March 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published on Metropolitano de Tenerife’s website.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Metropolitano de Tenerife’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Metropolitano de Tenerife’s representatives have confirmed (1) they understand it is the sole responsibility of Metropolitano de Tenerife to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Metropolitano de Tenerife.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Metropolitano de Tenerife S.A. Green Bond Framework is available on Metropolitano De Tenerife’s website at: <https://inversor.metrotenerife.com/>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Metropolitano de Tenerife has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Metropolitano de Tenerife S.A. Green Bond Framework

Sustainalytics is of the opinion that the Metropolitano de Tenerife S.A. Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Metropolitano de Tenerife S.A.'s Green Bond Framework:

- Use of Proceeds:
 - The eligible categories, Clean Transportation and Renewable Energy, are aligned with those recognized by the GBP.
 - Metropolitano de Tenerife has confirmed to Sustainalytics that it intends to allocate 100% of the proceeds from its green bond immediately upon issuance to refinance a portfolio of projects that are aligned with the eligibility criteria outlined in the Framework (“Green Portfolio”).
 - For the Clean Transportation category, Metropolitano de Tenerife intends to allocate proceeds to projects that will increase the capacity of Tenerife’s public transportation system, including the expansion of the network, public transit services, and the refurbishment and maintenance of existing infrastructure.
 - Metropolitano de Tenerife has confirmed that it will only invest in electric rail transportation, including the expansion of its current electric-powered lines. Sustainalytics views investments in electrified transportation to be environmentally impactful and in line with market practice.
 - The Renewable Energy category includes investments in the acquisition and maintenance of renewable energy and its supporting infrastructure, including wind, solar and geothermal sources. The Framework defines a threshold of <100g CO₂e/kWh in direct emissions for geothermal projects. Sustainalytics views this threshold and activities in this category to be in line with market practice.
- Project Evaluation and Selection:
 - Cabildo de Tenerife, the Island of Tenerife’s Government, is responsible for overseeing the project evaluation and selection process, while Metropolitano de Tenerife. is responsible for determining how selected projects will be financed. Metropolitano de Tenerife. is a public company that has a concession agreement with the Cabildo de Tenerife to build and operate transit infrastructure in Tenerife.
 - Metropolitano de Tenerife intends to set up an internal Green Bond Committee (the “Committee”), comprised of senior members from the Company’s Finance, Projects and Maintenance teams, that will meet annually to propose, review, report and evaluate selected projects against the Eligibility Criteria, as well as provide Framework updates if necessary. The Committee has committed to removing projects which no longer comply with the eligibility criteria and replacing them with eligible ones on a best effort basis.
 - Based on the proposed process and clear delegation of duties, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:

- Metropolitano de Tenerife will deposit proceeds into its general account and will earmark an amount equal to the Green Portfolio. The Company will set up an internal tracking system to monitor the allocation process, and the Committee will meet on an annual basis to monitor the allocation of net proceeds. In exceptional cases, net proceeds may be deposited in an escrow account with a bank account controlled by an escrow agent until the investment or refinancing date, in cash or other liquidity instruments that do not include any GHG intensive or controversial activities.
- In the event of insufficient eligible projects, Metropolitano de Tenerife will invest the balance of net proceeds into cash or cash equivalents in accordance with its treasury management policy.
- Based on the presence of internal tracking systems and disclosure of temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Metropolitano de Tenerife is committed to publishing allocation and impact reporting annually on its website until the bond proceeds have been fully allocated.
 - Allocation reporting will include the total amount of the net proceeds allocated to the Green Portfolio, including a breakdown per project category and a breakdown of proceeds allocated to financing vs. refinancing.
 - Impact reporting will draw on several qualitative and quantitative metrics, including, estimated annual avoided GHG emissions (in tCO₂e/year), expected renewable energy generation (MWh/year), and capacity installed (MWh), as outlined in the Framework.
 - Based on Metropolitano de Tenerife's reporting processes, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Metropolitano de Tenerife S.A. Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Metropolitano de Tenerife

Contribution of framework to Metropolitano De Tenerife's sustainability strategy

Sustainalytics is of the opinion that through its investments in public transportation, including electric vehicles, trains and trams, and infrastructure to reduce GHG emissions, Metropolitano de Tenerife has demonstrated a clear commitment to improving the sustainability of the Island of Tenerife, and contributing to the EU's broader emissions reduction commitments.

In May 2017, Metropolitano de Tenerife published its Sustainability Policy "POLÍTICA DE SOSTENIBILIDAD", outlining the Company's broad focus areas regarding sustainable operations and its commitment to the people of Tenerife.⁴ By investing in and expanding electrified public transportation, Metropolitano de Tenerife intends to satisfy the needs of the island of Tenerife by mitigating pollution, providing sustainable mobility options, utilizing innovative technologies, and managing environmental risks.⁵ As Metropolitano de Tenerife is fully owned by the Tenerife Island Government, large infrastructure projects must follow the planning processes and objectives laid out by local legislation which takes into consideration the sustainability of projects from an economic, legal, political and environmental lens.

Sustainalytics acknowledges that Metropolitano de Tenerife is committed to sustainability by virtue of its commitment to sustainable public transportation. The Company has informed Sustainalytics that it is a part of the Tenerife Island Government's 'PACES' program which aims to reduce GHG emissions by 40% by 2040 by measuring the actions of various companies and stakeholders.⁶ From an operational perspective, the Company adopted the ISO14001:2015 certification in 2015,⁷ which focuses on electricity consumption and renewable electricity generation. Going forward, Sustainalytics encourages the Company to strengthen its

⁴ MetroTenerife, "Sustainability Policy", (2017), at: <https://metrotenerife.com/wp-content/uploads/2017/06/Politica-Sostenibilidad-2017.pdf>

⁵ MetroTenerife, "Sustainability Policy", (2017), at: <https://metrotenerife.com/wp-content/uploads/2017/06/Politica-Sostenibilidad-2017.pdf>

⁶ Cabildo de Tenerife, 'El proceso del Pacto', at: <https://oficinarenovables.es/el-proceso-del-pacto/>

⁷ MetroTenerife, "Memoria Annual", (2015), at: https://metrotenerife.com/MEMORIAS/2015/wp-content/uploads/2016/09/MEMORIA_2015_METROTENERIFE.pdf

sustainability strategy by setting its own environmental goals and disclosing its performance publicly. Overall, Sustainalytics is of the opinion that the Metropolitano de Tenerife S.A. Green Bond Framework is aligned with its overall strategy and mandate and will further the Company's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, as with any project involving large-scale construction and installation, operation and maintenance of heavy equipment and machinery, there are associated risks that must be mitigated. Some key environmental and social risks associated with Metropolitano de Tenerife's investments include, emissions, waste and effluents generation during construction, as well as occupational health and safety during construction.

Sustainalytics is of the opinion that Metropolitano de Tenerife is able to manage and/or mitigate potential risks through implementation of the following:

- Environmental Management System (EMS) – Metropolitano de Tenerife achieved the implementation of its EMS, which was most recently renewed in 2017, to include new procedures with the goal of better identifying and evaluating the environmental impacts of its activities.⁸ This includes the analysis and measurement of residual discharges and noise generated, controlling its consumption of energy, water and other resources, as well as waste management.⁹ Sustainalytics views positively that Metropolitano de Tenerife's EMS adheres to the ISO 14001 standard as a key part of its approach to environmental risk mitigation.
- Infrastructure Investments – Metropolitano de Tenerife has confirmed with Sustainalytics that all infrastructure projects are developed in accordance with EU Regulations including Directive 2001/42/CE and 2011/92/UE. These directives ensure the environmental protections necessary during construction and infrastructure development.
- Occupational Health and Safety Management System – Metropolitano de Tenerife has adopted an occupational health and safety management system based on the OHSAS 180001 standard: 2007. The standard improves the prevention of health and safety risks beyond those protected through legislation.¹⁰ In addition, MetroTenerife has adopted the Occupational health and safety management system (ISO45001:2018) for the public transport of passengers by tramway, and the maintenance of the following rolling-stock, fixed infrastructures, stations and electrical substations.¹¹ This includes monitoring, measurement and reinforcement measures such as ongoing evaluation of risk actors, planning of preventative activities, and ongoing monitoring the health of workers in relation to the risks related to their jobs.

Based on these policies and standards, Sustainalytics is of the opinion that Metropolitano de Tenerife has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The two use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has elaborated below on their impact in the local context.

The role of public electric rail infrastructure in Tenerife in helping the Canary Islands reduce energy costs and transportation-related emissions

According to a research study conducted in 2017, the Canary Islands power generation system relies almost exclusively on the use of fossil fuels, with only 7.3% of electricity generation coming from renewable sources.¹² The study further notes that the power generation cost of using fossil fuel plants on the Canaries

⁸ MetroTenerife, "Sustainability Policy", (2017), at: <https://metrotenerife.com/wp-content/uploads/2017/06/Politica-Sostenibilidad-2017.pdf>

⁹ MetroTenerife, "Sustainability Policy", (2017), at: <https://metrotenerife.com/wp-content/uploads/2017/06/Politica-Sostenibilidad-2017.pdf>

¹⁰ MetroTenerife, "Safety and Health Policy", (2017), at: <https://metrotenerife.com/wp-content/uploads/2017/06/Politica-Seguridad-y-Salud-2017.pdf>

¹¹ MetroTenerife shared this certification with Sustainalytics and it was assessed confidentially.

¹² HAL, 'Impact of Electric Vehicles as Distributed Energy Storage in Isolated Systems: The Case of Tenerife' (2017), at: <https://hal.archives-ouvertes.fr/hal-01424460/document>

is higher than the Spanish continental power system given the isolated nature of the electricity systems, presenting renewables as both a more carbon-neutral and cost-effective alternative.¹³ A supporting paper released by the European Commission's Science for Environmental Policy in 2017 posits that despite its dependence on fossil fuels, the Canary Islands have the potential to become carbon neutral by 2050 by improving energy efficiency, building new grid connections, and by shifting to a 100% renewable energy supply.¹⁴ The study states that while transitioning to a renewable energy supply system may be more challenging for islands that have small isolated markets for energy and associated technologies which can generate operational challenges, 100% renewable energy can be achieved by incorporating energy storage systems that reduce the intermittency problems of renewables while helping facilitate their penetration into the electricity system.¹⁵ This includes investing in energy saving mechanisms across sectors, including transport, industry, and the residential sector.¹⁶ In this context, Sustainalytics expects that the Company's investments in expanding and scaling its electric public transportation system play will directly contribute to the island's ability to improve its energy-mix over time. In addition to its local impact, improvements in rail transportation such as the Metropolitano de Tenerife railways will be key to helping the EU achieve its 2030 and 2050 goals of reducing GHG emissions by at least 40% and achieving climate-neutrality, respectively.¹⁷

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond issued under the Metropolitano de Tenerife S.A. Green Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

¹³ HAL, 'Impact of Electric Vehicles as Distributed Energy Storage in Isolated Systems: The Case of Tenerife' (2017), at: <https://hal.archives-ouvertes.fr/hal-01424460/document>

¹⁴ European Commission: Science for Environmental Policy, "A carbon-free future for the Canary Islands possible by 2050", at: https://ec.europa.eu/environment/integration/research/newsalert/pdf/carbon_free_future_for_canary_islands_possible_by_2050_489na1_en.pdf

¹⁵ European Commission: Science for Environmental Policy, "A carbon-free future for the Canary Islands possible by 2050", at: https://ec.europa.eu/environment/integration/research/newsalert/pdf/carbon_free_future_for_canary_islands_possible_by_2050_489na1_en.pdf

¹⁶ European Commission: Science for Environmental Policy, "A carbon-free future for the Canary Islands possible by 2050", at: https://ec.europa.eu/environment/integration/research/newsalert/pdf/carbon_free_future_for_canary_islands_possible_by_2050_489na1_en.pdf

¹⁷ European Parliament, "European policies on climate energy towards 2020, 2030 and 2050":

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/631047/IPOL_BRI\(2019\)631047_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/631047/IPOL_BRI(2019)631047_EN.pdf)

Conclusion

Metropolitano de Tenerife has developed the Metropolitano De Tenerife S.A. Green Bond Framework under which it will issue green bonds and the use of proceeds to finance projects in the areas of clean transportation and renewable energy with the goal of contributing to a carbon neutral economy. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Metropolitano De Tenerife S.A. Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Metropolitano De Tenerife S.A. Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Metropolitano de Tenerife has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Metropolitano De Tenerife is well-positioned to issue green bonds and that the Metropolitano De Tenerife S.A. Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Metropolitano De Tenerife S.A.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Metropolitano de Tenerife S.A. Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 17, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds, Clean Transportation and Renewable Energy, are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7,9, and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Metropolitano De Tenerife's internal process in evaluating and selecting projects is the responsibility of Cabildo de Tenerife, the Tenerife local government. Metropolitano de Tenerife is wholly owned by the Cabildo, and has set up a Green Bond Committee to evaluate selected projects. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Metropolitano De Tenerife's processes for management of proceeds is to deposit net proceeds into the general account and earmark to eligible green projects. In the event of insufficient eligible projects, Metropolitano de Tenerife will invest the balance of net proceeds into cash or cash equivalents in accordance with its treasury management policy. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

Metropolitano De Tenerife intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, Metropolitano De Tenerife is committed to reporting on relevant quantitative and qualitative impact metrics, where feasible. Sustainalytics views Metropolitano De Tenerife's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*):

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): Several qualitative and quantitative metrics as described in the Framework.

Frequency

- Annual Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (*please specify*): Company's website.
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

https://metrotenerife.com/home/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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