



Sustainability Bond Framework



Rationale

The City of Barcelona aims to build up and strengthen a collective development project which must include all of its stakeholders, from active citizenship groups to its governmental institutions, in equal collaboration.

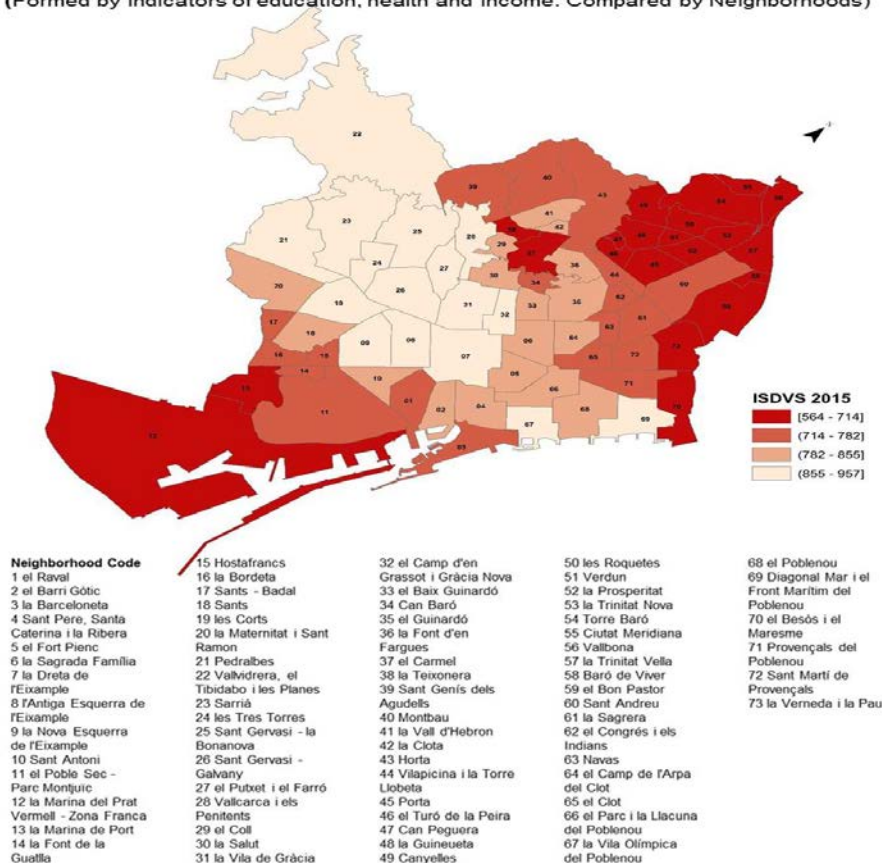
The main goal of this project, to be completed in the following years, is to design the path for the renovation of a more equitable and inclusive city.

To reach this objective, there is a need for measures in the short, medium and long term that concern socio-economic and cultural development, technological innovation, gender equality, pollution prevention and adaptation to climate change.

The latest economic crisis highlighted the vulnerability of the socioeconomic model that had fuelled the development of the city up until then; Barcelona will devote the maximum amount of its efforts and available resources to reverse this reality. The city will promote a shift towards more fair and sustainable urban development.

For this to happen, it is essential to create, innovate and experiment. It is necessary to explore new forms of public-private and public-community collaboration aimed at defending the general interest. Barcelona counts with a municipality reinforced team in which the action of all social actors contributes to the achievement of a collective progress.

Synthetic Index of Development / Social Vulnerability of Barcelona, 2015
(Formed by indicators of education, health and income. Compared by Neighborhoods)





1. Objectives of the City of Barcelona Action Plan for 2016-2019

The City of Barcelona's plan of action for 2016-2019 highlights the city's objectives to generate social, economic and sustainable development, reverse the effects of the polarization of inequality, and move towards a city of rights and opportunities.

This strategy is based on 5 priority areas that allow for the recovery of Barcelona's neighborhoods (73 in total, with 1.6 million habitants from 166 different nationalities):

1. A diverse city that assures good quality of life.

Barcelona is committed to guaranteeing the protection of all human rights, including those concerning housing, education, health, culture and sport, and especially those that concern the most vulnerable population groups, with the aim of promoting inclusion and social cohesion. This strategy focuses on different aspects, such as social justice, personal autonomy, education and knowledge, gender equity and sexual diversity, and housing.

2. A Barcelona aiming at a plural economy.

Barcelona has an economic system based on the diversity and richness of its actors that are characterized as practicing differing methods of participating in the city's economy. Starting from this plurality, the city intends to promote a transition to a more integrated socio-economic model, which generates increasing stable employment. This model is based on the usage of natural resources efficiently, by generating the minimal amount of contamination and waste possible.

3. A more human Barcelona in ecological transition.

A sustainable city is that one that can last over time, while ensuring the best resources and conditions needed to maintain and improve quality of life for all. The achievement of this priority includes objectives that are distributed in different areas. These include environment and public spaces; urban green zones and biodiversity; urbanism for the neighborhoods; sustainable mobility; and energy and climate change adaptation.

4. A participative city that guarantees good governance

The strategy to achieve this is based on promoting transparency and a government that renders accounts of its actions, promoting citizen participation and community action.

5. An open Barcelona committed to the world

Barcelona looks to strengthen its international position and foster the role of cities and local governments; transform Barcelona into an international reference for global justice through co-operation, education, municipal and metropolitan coherence; strengthen the international networks of cities; give support to city organizations; encourage and attract economic initiatives, with special attention to the consolidation of a new socio-economic model; and the reinforcement of the role of Barcelona as a host city.



2. City of Barcelona Sustainable Bond

In this context, the City of Barcelona is launching a Sustainable Bond Program, promoting social and environmental development that is at the heart of the city's mandate, and simultaneously responding to the increasing demand for investments that have significant environmental and social impacts and that promote greater transparency in terms of use of funds.

This document serves as the City of Barcelona's framework for issuing debt instruments within the context of the aforementioned Sustainable Bond Program.

2.1 Use of Proceeds

The City of Barcelona's Sustainable Bond Framework covers financing, in whole or in part, from any of the Eligible Project Categories defined below, that are part of the annual budget of the fiscal year of issuance of each Sustainable Bond.

Specifically, the Use of Proceeds of any bonds issued under the City of Barcelona's Sustainability Bond Framework will be applied to projects that fall under the following Eligible Project Categories and contribute to one or more of the following Social and/or Environmental objectives:

- Access to Essential Services
- Socioeconomic advancement
- Affordable Housing
- Employment generation
- Energy efficiency
- Clean Transportation
- Pollution prevention and control
- Sustainable water

Project Categories	Eligible projects	Targeted groups	Sustainability objectives
Access to Essential Services	Access to public education, culture, leisure, sports and health : investment in infrastructures such as schools, preschools, social infrastructures including libraries, social and solidarity facilities, health centers etc.	<ul style="list-style-type: none"> ▪ Low-income population ▪ Young people ▪ Elderly people ▪ People with disabilities ▪ Families ▪ Homeless people 	<ul style="list-style-type: none"> ▪ Reduce social exclusions and inequalities ▪ Ensure quality public education for all ▪ Improve, extend and diversify early childhood education ▪ Increase leisure and sports infrastructure capacities
Socioeconomic advancement	Improvement and/or acquisition of social equipment such as teleassistance devices, facilities for drug addicts, elderly people etc., urban gardens, and acquisition of ICT devices.	Barcelonans in general including <ul style="list-style-type: none"> ▪ People with disabilities ▪ Dependent people ▪ Drug addicts ▪ Young people ▪ Elderly people 	<ul style="list-style-type: none"> ▪ Supporting integration of targeted groups ▪ Reduce social exclusions and inequalities
Affordable Housing	Construction and renovation of residencies	<ul style="list-style-type: none"> ▪ Low income families ▪ Elderly people ▪ Women victims of domestic violence ▪ Homeless people 	<ul style="list-style-type: none"> ▪ Promote access to housing for targeted groups ▪ Reduce precarious situations ▪ Increase social housing capacity ▪ Reduce homelessness ▪ Promote the social function of housing
Employment generation	Entrepreneurship development Improvement of employment centers and training Development of information systems	<ul style="list-style-type: none"> ▪ Unemployed people ▪ People working in SMEs 	<ul style="list-style-type: none"> ▪ Maintain jobs and create new jobs ▪ Increase social solidarity economy network ▪ Facilitate the access to the labor market, fight against job insecurity ▪ Promote quality jobs as a vector territorial rebalancing
Energy efficiency	Buildings : construction or renovation works integrating energy efficiency solutions both in the installations and materials used while paying special attention to insulation, consumption etc. Maintenance of public spaces, markets taking into account environmental criteria such Energy and environmental self-sufficiency Public signals : installation of electrical consumption meter reading	<ul style="list-style-type: none"> ▪ Barcelonans in general 	<ul style="list-style-type: none"> ▪ Climate change mitigation ▪ Increase energy efficiency and energy savings
Clean Transportation	Public transport Alternative transport : increasing of bicycle use Electric vehicles infrastructures	<ul style="list-style-type: none"> ▪ Barcelonans in general 	<ul style="list-style-type: none"> ▪ Climate change mitigation ▪ Reduction of GHG emissions, due to low-carbon transport and reduction of private vehicles use ▪ Reduce social exclusions with deployment of new bus network, improving frequency and accessibility
Pollution prevention and control	Construction and development of waste treatment centers	<ul style="list-style-type: none"> ▪ Barcelonans in general 	<ul style="list-style-type: none"> ▪ Environment protection ▪ Reduction of polluting waste
Sustainable water	Improvement of groundwater tables refurbishment of irrigation networks , valorization of alternative hydraulic resources etc.	<ul style="list-style-type: none"> ▪ Barcelonans in general 	<ul style="list-style-type: none"> ▪ Environment protection ▪ Increasing water quality, recycling and safe use



2.2 Exclusionary Criteria

The Use of Proceeds includes capital expenditures of eligible project categories and programs, as well as indirect lending to projects such as grants for private and public organizations and consortiums for special purposes. Only the City of Barcelona's own expenditures (net of EU grants, EIB loans, state grants or other revenues earmarked for specific purposes) are eligible (Sections 6 and 7). Specific sections of the relevant budgetary programs that will be excluded include:

- Personnel expenditures (Section 1 of the budgetary programs),
- Current Goods and Services Expenses (Section 2 of the budgetary programs),
- Financing expenditures (Section 3 of the budgetary programs),
- Current Transfers (Section 4 of the budgetary programs),
- Contingency Funds (Section 5 of the budgetary programs),
- Financial assets (Section 8 of the budgetary programs)
- Financial liabilities (Section 9 of the budgetary programs)

3. Process for Project Selection and Evaluation

The City of Barcelona has a set up a dedicated internal Selection, Monitoring and Evaluation Committee that will meet prior to the issuance of a Sustainability Bond to select eligible programs and/or projects from the General Budget.

The Committee is formed by members from both the Financing Administration and Budget and Investment Services Office (assigned to the Presidency and Economy Office); as well as by representatives of the Urban Ecology Management and the Social Rights Management, along with other members.

4. Management of Proceeds

The proceeds of the Sustainability Bond will be allocated to eligible programs in the General Budget of the City of Barcelona, corresponding to the fiscal year of the Sustainability Bond issuance.

- The total expenditures required for the eligible programs will equal or exceed the net bond proceeds.
- Proceeds from the Sustainability Bonds will be immediately allocated. In any case where this does not occur, the management of proceeds pending allocation is carried out in line with the City of Barcelona's liquidity management practice.

If there are any projects that do not materialize in the fiscal year of the bond issuance, or if an allocated project no longer meets the eligibility criteria, proceeds from the bond will be re-allocated towards new Eligible Projects.



5. Reporting

5.1 Allocation reporting

Allocation reporting will be available to investors within approximately one year from the date of the bond issuance, and thereafter once a year until all of the bond proceeds have been fully allocated. The reporting will detail the total amount of funds allocated to the various eligible projects. This information will be externally reviewed and will be publicly available on the City of Barcelona’s website.

5.2 Performance reporting

On an annual basis, or until full allocation, the City of Barcelona will provide a Performance Report, whereby, for each category of Eligible Projects, the City of Barcelona will report on relevant impact metrics, wherever feasible.

Examples of relevant metrics could include:

Project Categories	Key Performance Indicators
Access to essential services	<ul style="list-style-type: none"> ▪ Number of beneficiaries ▪ Number of projects
Socioeconomic advancement	<ul style="list-style-type: none"> ▪ Number of beneficiaries ▪ Number of projects
Affordable housing	<ul style="list-style-type: none"> ▪ Number of dwellings ▪ Number of beneficiaries
Employment generation	<ul style="list-style-type: none"> ▪ Number of SMEs supported ▪ Number of beneficiaries (for facilities and system information)
Energy efficiency	<ul style="list-style-type: none"> ▪ Ex-ante estimation of annual energy savings (MWh) ▪ Ex-ante estimation of annual Greenhouse Gas (GHG) emissions reduced or avoided (tCO2e)
Clean transportation	<ul style="list-style-type: none"> ▪ Ex-ante estimation of annual Greenhouse Gas (GHG) emissions reduced (tCO2e) ▪ % of population with access to a public transport stop that are less than 300m
Pollution prevention and control	<ul style="list-style-type: none"> ▪ Project specific targets
Sustainable water	<ul style="list-style-type: none"> ▪ Project specific targets



6. External Review

6.1 Second Opinion

Sustainalytics was appointed to provide a Second Party Opinion on this Sustainability Bond Framework.

This Second Party Opinion document will be made available on the City of Barcelona's website.

6.2 External Verification

An external auditor will verify the tracking of the Bond proceeds on an annual basis, until the proceeds of the Bond are completely allocated.