



AQUALIA GREEN LOAN PERIODIC REPORTING 2023



Document title: Second Party Opinion on AQUALIA GREEN LOAN PERIODIC REPORTING 2023

Prepared by: DNV Business Assurance Spain S.L.U.

Location: Madrid, Spain

Date: 30 June 2024

This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial Framework being assessed.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organisation were applied as per the scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this assessment.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data reviewed as part of this assessment. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from the DNV website (www.dnv.com)

AQUALIA GREEN LOAN PERIODIC REPORTING 2023

DNV GREEN LOAN PERIODIC REPORTING REVIEW

Scope and Objectives

AQUALIA (henceforth referred to as “AQUALIA” or the “Company”) is an international specialist operator in water supply, sanitation and purification of the end-to-end water cycle, serving 29 million users in 17 countries in Europe, Latin America, Middle East and North Africa.

AQUALIA has received its first green loan (henceforth referred to as “the Loan”) under its Green Financing Framework (henceforth referred to as the “Framework” or “GFF”) of a nominal value of € 1.100 million.

AQUALIA has used the net proceeds of the Loan to finance the nominated projects and assets falling under the following categories:

- Sustainable Water and Wastewater Management
- Renewable Energy
- Clean Transportation

DNV Business Assurance Spain, S.L.U. (henceforth referred to as “DNV”) has been commissioned by AQUALIA to provide a Periodic Review of the GREEN LOAN REPORTING with regards to allocation of proceeds. Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding impact reporting, the financial and environmental performance of the Loan, the value of any investments in the Loan, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the allocation of proceeds has met the criteria established on the basis set out below.

Responsibilities of the Management Team of AQUALIA and DNV

The management of AQUALIA has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform AQUALIA management and other interested stakeholders in the Periodic Reporting as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by AQUALIA. DNV is not responsible for any aspect of the nominated 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 AQUALIA management and used as a basis for this assessment were not correct or complete.

Basis of DNV’s opinion

We have adapted our green eligibility assessment methodology to create an AQUALIA-specific Green Loan Periodic Reporting Eligibility Assessment Protocol (henceforth referred to as “Protocol”) - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that a borrower of a green loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that a borrower of a green loan should outline the process it follows when determining eligibility of an investment using Green Loan proceeds and outline any impact objectives it will consider.

- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green loan should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the loan investors should be made of the use of loan proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by AQUALIA in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion included:

- Creation of a AQUALIA specific Protocol, adapted to the purpose of the Loan as described above;
- Assessment of the documentary evidence provided to us by AQUALIA on the Loan, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with AQUALIA's management, and a review of the relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of the findings against each element of the criteria, as detailed in Schedule 2 of this document.

Our opinion, as detailed below, is a summary of these findings.

Findings and DNV's opinion

DNV's findings are listed below:

1 PRINCIPLE ONE: USE OF PROCEEDS.

AQUALIA has reported use of the proceeds of the Loan by 31st December 2023, to finance and refinance projects and assets of a total value of 1.100 M€, falling under eligible categories as defined in Schedule 1. DNV reviewed the criteria for the project categories above to determine the eligibility of the nominated projects and assets.

2 PRINCIPLE TWO: PROCESS FOR PROJECT EVALUATION AND SELECTION.

The Loan's proceeds have been allocated solely to finance and refinance eligible assets as defined in Schedule 1. DNV has reviewed evidence of the application of eligibility criteria as defined in AQUALIA's GREEN FINANCING FRAMEWORK, and evidence that demonstrates that AQUALIA regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental impacts from its operations.

3 PRINCIPLE THREE: MANAGEMENT OF PROCEEDS.

DNV has reviewed evidence showing how AQUALIA traced the proceeds from the Loan, from the time of issuance to the time of disbursement. The full amount of the proceeds is managed within treasury or equivalent, and thereafter disbursed in accordance with the debt obligation. The funds raised have been incorporated into AQUALIA's "cash pooling" system and have subsequently been distributed to the subsidiaries of AQUALIA for the finance of eligible projects aimed at improving environmental performance (both new investments and projects refinancing). At the end of financial period 2023 the outstanding balance of non-assigned proceeds amounts to 0 €. As stated above, DNV provides no assurance regarding the financial performance of the Loan, the value of any investments in the Loan, or the effects of the transaction.

4 PRINCIPLE FOUR: REPORTING.

AQUALIA has issued a Green Loan Report including sustainability performance, impact reporting and allocation reporting. This includes a description of the project categories, and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. DNV has only conducted an assessment on the allocation reporting. DNV provides no assurance on AQUALIA sustainability performance and on quantitative and qualitative environmental impacts associated to the proceeds invested.

On the basis of the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that, in all material respects, the reviewed loan projects, are not in conformance with the Use of Proceeds and Allocation Reporting criteria outlined in the AQUALIA's Green Financing Framework.

for DNV Business Assurance Spain S.L.U.

Madrid, 30 June 2024

A handwritten signature in blue ink, appearing to read "Lars Appel".

Lars Appel
Project Manager
DNV – Business Assurance

A handwritten signature in blue ink, appearing to read "Juan Andrés Salido".





Juan Andrés Salido
Project Sponsor and Technical Reviewer
DNV – Business Assurance

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 15,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: NOMINATED ACTIVITIES FINANCED BY AQUALIA GREEN LOAN

	Eligible Green Category	SDG	Funding (Million €)	Funding (Million €)	Funding (Million €)
			TOTAL by 31.12.2022	TOTAL in 2023	TOTAL by 31.12.2023
Construction, extension and operation of water collection, treatment and distribution systems	Sustainable Water and Wastewater Management	 	522,67	92,28	614,95
Renovation of water collection, treatment and distribution systems			236,49		236,49
Construction, extension and operation of wastewater collection and treatment systems			46,93		46,93
Renovation of wastewater collection and treatment systems			95,85		95,85
Anaerobic digestion of sewage sludge			2,41		2,41
Anaerobic digestion of bio-waste			0		0
Desalination plants			94,66		94,66
Total	Sustainable Water and Wastewater Management		999,01	92,28	1091,29
Hydropower generation infrastructure	Renewable Energy		1,46		1,46
Transformation of the vehicle fleet	Clean Transportation		7,25		7,25
Total funding allocated			1007,72	92,28	1100,00

SCHEDULE 2: AQUALIA-SPECIFIC GREEN LOAN REPORT REVIEW PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of loan	<p>The loan must fall in one of the following categories, as defined by the Green Loan Principles (GBP):</p> <ul style="list-style-type: none"> • Green Use of Proceeds Loan • Green Use of Proceeds Revenue Loan • Green Project Loan • Green Securitized Loan 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • AQUALIA Green Financing Framework, September 2021 • Term Sheet Sindicación Aqualia 2022 <p>Discussions with borrower</p>	<p>AQUALIA Green Loan falls within the category of a Green Use of Proceeds Loan.</p>
1b	Green Project Categories	<p>The cornerstone of a Green Loan is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • AQUALIA Green Financing Framework, September 2021 • Term Sheet Sindicación Aqualia 2022 • Register of projects/investments reviewed • Discussions with borrower • 	<p>We conclude that the legal documentation confirms that utilization of proceeds is appropriately described.</p>
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • AQUALIA Green Financing Framework, September 2021 • Term Sheet Sindicación Aqualia 2022 	<p>The GFF Framework outlines the expected environmental benefits that will be realised by this Loan issuance:</p> <ul style="list-style-type: none"> • Water supply systems: Improved energy consumption and leakage level • Wastewater treatment plants: Improved energy efficiency.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		quantified or assessed by the borrower.	<ul style="list-style-type: none"> Register of projects/investments reviewed Discussions with borrower 	<ul style="list-style-type: none"> Anaerobic digestion of sewage sludge and bio-waste: minimisation of methane leakage, use of biogas as fuel, feedstock or for generation of electricity. Desalination plants with carbon intensity below 100g CO₂ e/kWh. Generation of hydroelectric energy with power density above 5 W/m² and GHG emissions lower than 100g CO₂ e/kWh. Transportation by vehicles with emissions lower than 50g CO₂/km until 31 December 2025. Vehicles with zero emissions after 1 January 2026.
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that borrowers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	Evidence reviewed: <ul style="list-style-type: none"> AQUALIA Green Financing Framework, September 2021 Register of projects/investments reviewed Minutes from the Committee 26.02.2024 Discussions with borrower 	Register of projects reviewed confirms that: <ul style="list-style-type: none"> proceeds used for refinancing investments made in the period 2016-21 amounts to 479,42 million € proceeds used for financing investments made in 2022 amounts to 528,30 million €. Proceeds used for financing investments made in 2023 amounts to 92,28 million € All green projects, including those for re-financing, have been reviewed according to the same eligibility and exclusionary criteria as defined in the GFF.

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The borrower of a Green Loan should outline the decision-making process it follows to determine the eligibility of projects using Green Loan proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories identified in the GLP; • The criteria making the projects eligible for using the Green proceeds; and • The environmental sustainability objectives 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • AQUALIA Green Financing Framework, September 2021 • Register of projects/investments reviewed • Minutes from the Committee 26.02.2024 • Discussions with borrower 	<p>The Framework describes that AQUALIA has created a Committee to review that projects meet eligibility, apply exclusionary criteria, and monitor eligible projects during lifetime of the loan. The Framework also outlines the actions that will be taken if a project is no longer eligible.</p> <p>We conclude that the investment decision process is committed to under this issuance.</p>
2b	Borrower's environmental and social and governance framework	<p>In addition to information disclosed by a borrower or a borrower on its Green Loan process, criteria and assurances, Green Loan investors may also take into consideration the quality of the borrower's overall framework and performance regarding environmental sustainability.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • AQUALIA Green Financing Framework, September 2021 • AQUALIA Sustainability Strategy Plan 2021-2023 • AQUALIA Management System Handbook, ed 7, 2020. 	<p>We conclude that, from the information provided and publicly available information, AQUALIA's approach to managing environmental sustainability is in line with the objective of the Loan.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green Loans should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the borrower in an appropriate manner and attested to by a formal internal process that will be linked to the borrower's lending and investment operations for Green Projects.	Evidence reviewed: <ul style="list-style-type: none"> AQUALIA Green Financing Framework, September 2021 Minutes from the Committee 26.02.2024 Discussions with borrower 	Formal internal process for tracking of Proceeds is documented in the Framework.
3b	Tracking procedure	So long as the Green Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green investments or loan disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> AQUALIA Green Financing Framework, September 2021 Discussions with borrower 	The evidence reviewed shows that AQUALIA has traced the proceeds from the Loan, from the time of issuance to the time of disbursement.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the borrower should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> AQUALIA Green Financing Framework, September 2021 Discussions with borrower 	It has been reported that at the end of the financial period 2023, the outstanding balance of non-assigned proceeds was 0 € .

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, borrowers should provide at least annually a list of projects to which Green Loan proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Evidence reviewed: <ul style="list-style-type: none"> • AQUALIA Green Financing Framework, September 2021 • Term Sheet Sindicación Aqualia 2022 • Register of projects/investments reviewed • AQUALIA Green Loan Report 2023 • Discussions with borrower 	AQUALIA has issued a Green Loan Report including sustainability performance, impact reporting and allocation reporting. This includes a description of the project categories, and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. DNV has only conducted an assessment on the allocation reporting. DNV provides no assurance on AQUALIA sustainability performance and on quantitative and qualitative environmental impacts associated to the proceeds invested.