

Threading the Blue Thread

CONVERSATION WITH
SANTIAGO LAFUENTE, CEO OF AQUALIA

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We cannot reflect on the past year without addressing one of the most pressing issues of 2024, one that, unfortunately, may persist in the future: the water crisis. The reality is that drought periods are becoming increasingly prolonged, representing a global phenomenon that particularly affects Mediterranean countries, where water reserves fell below 20% in some areas during 2024.

We often talk about climate change as an abstract, distant concept, disconnected from everyday reality. However, phenomena like this water crisis and other extreme weather events—such as severe floods in Spain and the Czech Republic in 2024— clearly illustrate what the **climate emergency** truly means: A real and immediate risk to people, economic activity, and, ultimately, life as we know it.

In the face of what the United Nations has called "the most serious threat to humanity," the time for declarations of intent and good intentions is over. The time for action —acting within the scope where we can truly make an impact— calls on all of us. At Aqualia, we embrace this challenge with responsibility and determination, as well as with the confidence that our experience provides. We operate in 18 countries and serve nearly 45 million people. We know how to manage critical situations like prolonged droughts, we have done it before, and we make our knowledge and resources available to public administrations to safeguard this essential service, even in the most adverse circumstances.

Over the past year, we have provided **key support in mitigating the water crisis** through numerous initiatives. In several of the regions where we operate,

we are committed to leveraging advanced technology and implementing remote monitoring solutions to reduce water losses and optimize water consumption. But we go even further, because if there is one thing that characterizes us at Aqualia, it is our comprehensive approach to water cycle management. This is why we are actively working - with very positive results - on projects for wastewater reuse, water purification, and desalination.

Additionally, we raise awareness in society about what lies behind the simple act of turning on the tap, and we humbly believe we are making a difference. We are committed to strategic communication and awareness-raising methods that empower citizens to protect the blue thread.

We believe that in the coming years, given the evident acceleration of climate change, all these efforts must be accompanied by a strong commitment to adapting existing infrastructure to this reality. This includes facilities and resources for water storage, flood control, city permeability, riverbed conservation, and the renewal of obsolete infrastructure.

With all this, we will continue to drive what gives meaning to our work at Aqualia: **preserving this thread, so powerful**, sometimes fragile, yet always essential for life in all its forms and for the development of prosperous societies around the world.

A recent report by Forética (*ESG Trends 2025. Keys for the Business Sustainability Agenda*) highlights the need for companies to continue leading the transformation towards a sustainable future, despite regulatory challenges and the growing threat of

polarization around sustainability. At the same time, the new European Commission signals a strategic shift in the key priorities that have shaped the EU in recent years. Are we at the start of a new cycle or is this simply the recognition of the need to combine economic competitiveness and the creation of positive impact?

There is no doubt that we are hearing the first notes of a changing melody in the continent that has led the transition towards a green and digital economy. The **Draghi Report** and the **Competitiveness Roadmap strategy**, presented by the European Commission in January 2025, outline a new approach to climate transition, one that is clean and fair, of course, but also competitive. The signals coming from Brussels are indeed promising, and for companies like Aqualia, which see sustainability not as an add-on but as a core pillar of the business, this brings optimism for the future.

“Because real impact, with the perspective of time, will give us the ability to measure our achievements and identify our errors. The knowledge of this, ultimately helped us in the design of the SSP”

This same harmony between sustainability and competitiveness drives the transformation we are undergoing. Guided by the **Aqualia's Strategic Sustainability Plan (ASSP) 2024-2026**, we are strengthening our established achievements while exploring new challenges and turning them into opportunities. And speaking of challenges, one of the most insightful conclusions from the Forética report, is that companies cannot afford to let the regulatory compliance —though essential— overshadow impact management. In this regard, the European Commission's Omnibus proposal to simplify the administrative burden of sustainability regulations could provide greater clarity

for companies and allow them to focus their efforts on generating meaningful impact.

Because real impact is what, over time, will ultimately measure our achievements and mistakes. This understanding shaped the design of the ASSP, which was built from listening to our stakeholders through a double materiality study, anticipating the requirements of the Corporate Sustainability Reporting Directive (CSRD). In this solid and cross-cutting roadmap, strategic priorities are translated into tangible projects and measurable objectives, with a firm commitment to monitoring and accountability from everyone at Aqualia.

Staying on this topic, last year marked the first year of practical implementation of the Aqualia's Strategic Sustainability Plan (ASSP) 2024-2026, and we would like to discuss specific initiatives. How is such an ambitious plan put into action, and to what extent are projects prioritized? What role does the company's internationalisation play?

When updating the ASSP for the 2024-2026 period, we were clear that it had to be a **dynamic plan, adapting to the evolving needs** of the business, especially in such a rapidly changing context. The focus must always be on the company's strategic objectives: consolidating an efficient organization and ensuring sustainable growth.

With this in mind, we have begun rolling out the Strategic Sustainability Plan by prioritizing key projects based on Aqualia's position in the various markets where we operate, and the main demands identified through our stakeholder engagement processes.

Although this report provides an exhaustive and detailed overview of these initiatives, I would like to highlight a few that were particularly relevant to Aqualia in 2024. One such initiative is the approval of the **Sustainability Policy**, which serves as a guiding framework for coherent action in promoting the well-being of people and the environment through responsible water management. I mentioned that I wanted to highlight key projects, and this one is particularly significant because it allows us to align our approach across the different regions where we operate, ensuring a clear and consistent application of the principles that must guide our actions at all times. In 2024, we took a significant step forward in our commitment to **preserving natural capital and preventing ecosystem deterioration**, a risk with an estimated cost of \$44 trillion for the global economy. For the first time, we conducted a risk and opportunity

analysis related to nature using the LEAP methodology. By adopting this reference framework, proposed by the Taskforce on Nature-related Financial Disclosures (TNFD) and the CSRD, we align with best practices in biodiversity protection and ecosystem recovery, while laying the foundations for defining action plans across our facilities.

We often talk about Aqualia's transformation, but this would not be possible without the engagement of our employees. As part of our vision for the future, we aspire to be a **"people for people" company**, and that begins with ensuring the well-being and the professional growth of our teams. The evolution of the Be Aqualia programme into Be Aqualia 360, which we began developing in 2024, will integrate the latest trends in people management with the needs of a global, diverse, and committed workforce.

Beyond these advances, and others that we will discuss later, which highlight the cross-cutting nature of the plan, 2024 was also marked by the beginning of the ASSP's capillarization. With Aqualia's rapid international expansion, we have faced the challenge of adapting this roadmap to the local context of each country. Although still in its early stages, we are confident that this territorial rollout will continue to progress, significantly strengthening the company's contribution to fair and sustainable development worldwide.

You just mentioned the company's growth, and in recent years, we have seen technology and digitalisation emerge as two of Aqualia's main drivers of innovation and the circular economy. At the same time, when discussing digitalisation, it is essential to address one of the most pressing topics of our time: artificial intelligence both as a challenge and an opportunity.

Some narratives around innovation frame it as an end itself but this is not the case at Aqualia. We see innovation as a driving force for the future we aspire to, a strategic tool to achieve our sustainability and economic efficiency goals. And always in service of the purpose that drives us every day: ensuring the well-being and progress of people and communities through the provision of a public service such as sustainable water management.

Our R&D+i strategy focuses on developing solutions and products that add value to our services. A prime example of this approach is the transformation of Wastewater Treatment Plants (WWTP) into biofactories, minimizing energy and reagent consumption, avoiding

waste production, and generating new products. Energy efficiency and circular economy define the innovation we drive at Aqualia's. This vision is notably reflected in the microalgae biofactory project, one of the largest in Europe, inaugurated in 2024 at the Mérida WWTP (Spain) to generate bioproducts from

“ Innovation is a key driver for the future we aspire to, serving as a strategic tool for achieving our goals in sustainability and economic efficiency”

wastewater. Additionally, it is worth highlighting the Lleida WWTP (Spain), where we obtained the verified neutrality declaration from AENOR.

On the other hand, significant progress has been made in **digitalisation** over the past year, including the awarding of five PERTE projects for the digitalisation of the water cycle in different Spanish regions. These projects demonstrate our commitment, our drive and our leadership in this field, where we are making significant investments. A significant portion of these investments focuses on the Aqualia Live technology platform with the goal of continuing to digitally transform our processes.

Artificial Intelligence is a fundamental component of this platform (enabling demand predictions, water distribution management in drought crisis scenarios, fault and leak detection in the network, fraud prevention and more). We are determined to further integrate this tool into more business processes. The reason is clear: the results we are achieving are very positive, and we believe that this digital and technological momentum has the potential to mark a turning point in the sector, one in which we are leading the way.



“At Aqualia, we have proven our ability to address immediate needs effectively while maintaining a long-term perspective on future challenges”

With all the above, that is, the volume of information and data generated by AI, field sensors (IoT), external agents, and our Aqualia Live platform, we are already on the path to becoming a data-driven company. This transformation enhances our ability to make decisions as objectively as possible and to adapt quickly to new market conditions.

Of course, we are fully aware of the risks associated with artificial intelligence also, including cybersecurity threats, an issue that concerns (and demands action from) all companies. That is why, at Aqualia, we are already working on implementing an AI Governance and Ethics framework to ensure that we comply with the corresponding legal obligations, according to Regulation (EU) 2024/1689.

While we are fully aware of these challenges, we firmly believe that the opportunities offered by this technology far outweigh its risks. In fact, at a time when progress towards the 2030 Agenda is slowing, studies by the Global Compact estimate that the proper use of artificial intelligence could contribute to achieving 24% of the Sustainable Development Goals.

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Many of the regulations approved under the European Green Deal, which we have been discussing, are closely tied to the demand for greater transparency from the private sector. How is this impacting a company like Aqualia, which, due to the nature of its activities, is subject to even greater scrutiny? And how does it influence the relationship with key stakeholders in water cycle management?

Transparency is not a new requirement for us. In fact, it is so deeply embedded in our identity that it is one of Aqualia's core values and defining attributes as a corporate brand. There is no alternative when our responsibility—managing the blue thread that connects us all— makes this activity an essential service. As providers of a public service, we are committed to upholding the highest standards of transparency, honesty, and integrity.

This requirement, already inherent to Aqualia, is fully aligned with the framework for **sustainable investments** established by the European Union's Sustainable Finance Plan and Taxonomy. The financial community demands transparency from companies in reporting their ESG performance and acknowledges

the efforts of those that meet all criteria. A clear example is our subsidiary in Georgia (GGU), which issued a green bond worth 300 million dollars in 2024. This will support projects aimed at improving water cycle infrastructure in the country and enhancing energy efficiency in service delivery.

Just as we meet the expectations of investors and financial institutions, we do the same for our **clients**. In a relationship built on transparency, we worked alongside the municipalities of the areas where we operate to restructure the Citizen Information Portals in 2024. This initiative ensures that users have access to clear, high-quality information about this essential service. As a result, there are now 200 portals available, all accessible through Aqualia's website.

Active listening and direct engagement with customers strengthen relationships, build trust, and reveal real needs. Ultimately, it helps us grow as a company. That is why, we are committed to honest communication, rejecting greenwashing, an approach that leads to distrust and inaction in sustainability.

For some years now, the words 'volatility' and 'uncertainty' have been the most commonly used to describe the global context. Companies must manage ever-changing daily obligations —the urgent short-term needs— with the important long-term goal of building a better future. Looking ahead, the latest Global Risks Report by the World Economic Forum, indicates that half of the risks in 10 years will be environmental. Is a two-speed change possible, the realism of the present combined with the ambitiousness of the future?

At Aqualia, we have demonstrated our ability to address the most immediate needs —none more critical than access to water and sanitation— in the most effective way, without losing sight of the long-term perspective. In the short term, we remain committed to a transformation rooted in sustainability, international expansion, and innovation. In this regard, our greatest competitive advantage lies in ensuring that all our operational actions —infrastructure investments, acquisition of auxiliary resources, maintenance, or integration of technological innovation— are designed to achieve both economic efficiency and positive impact objectives.

At the same time, we must tackle the challenges facing our sector that could shape its medium and long-term future. One of the most pressing issues is the need for greater financial resources to build and maintain the **infrastructures** essential for the water cycle. In Spain alone, there is an annual investment gap of between 2.5 and 3 billion euros. If redirected into infrastructure development, these funds could significantly enhance this industry's competitiveness. We already have the experience, knowledge, and best-prepared professionals; now let's match that with the ambition to move forward.

The mobilization of resources will, therefore, be a key factor in our relationship with administrations. We view **public-private collaboration** as the only possible way to guarantee efficient service and sustainable water management. Thanks to these alliances—with notable initiatives such as the PERTE for the Digitalisation of the Urban Water Cycle (Spain)—we are developing innovative solutions to improve the urban water cycle in various parts of the world. Collaboration with other productive sectors will also be essential in directing innovation efforts towards generating clean energy and resource utilization.

In short, at Aqualia, we are already bringing the future into the present agenda. In this regard, we fully

embrace the call of the United Nations Pact for the Future—adopted in September 2024—to accelerate the progress toward the SDGs and strengthen the private sector's role as a key driver of the transition to a low-carbon economy, the promotion of sustainable investments, and the guarantee of ethical governance.

“**We are committed to honest communication, avoiding greenwashing which leads to distrust and inaction in sustainability efforts**”

The United Nations calls it a 'pact' to talk about it, but the truth is that the future has been described in many ways: ranging from the first utopias of antiquity to the dystopian scenarios that proliferated in the 20th century. Far from that pessimism, I prefer to embrace the reflection of paleoanthropologist Juan Luis Arsuaga: "not only is it possible to dream of a better future, it is our duty to do so." It is certainly not an easy task, but if recent times have taught us anything—as we saw during the pandemic and more recently in Valencia—it is that resilience fuels the human spirit. And with it, this blue thread will not only continue to connect countries, continents, and people, but will also serve as the strongest link between past, present and future.

Safeguarding this legacy will remain our top priority at Aqualia.