Green Finance

2023 Report

March 2024

aqualia

INDEX

Green Finance

1. ABOUT THIS REPORT

1.1. Introduction and objectives. Governance.

In September 2021, Aqualia published its green financing framework(1), which has allowed it to use the funds received to finance or refinance, in whole or in part, projects that promote sustainable water and wastewater management, the use of renewable energy in the facilities it manages and the use of clean transport for its operation.

The framework was externally and independently verified by DNV(1) as credible, impactful and aligned.

Aqualia undertook to report annually the details of the allocation of funds from the previous year, as well as the beneficial impacts that these investments may have generated during the same. This, for the year 2023, is included in the report that follows these pages.

The governance of this project evaluation and selection process rests with the Coordination Committee, which has been assigned the role of evaluating and managing all aspects related to the use of green finance. It has the function of cross-cutting coordination of all matters affecting the company and meets, in principle, on a fortnightly basis. This Committee is made up of the following members: CEO, CFO, Director of Spain, International Director, Director of the Legal Department, Director of People and Culture, Director of Communication and Corporate Sustainability and the Director of Operations and Technology.

The Coordination Committee (Evaluator) has reviewed this green financing framework without making any corrections or updates.

(1) The Green Funding Framework and External Verification can be found at https://www.aqualia.com/informacion-financiera/emisiones-de-deuda/framework

1.2. About Aqualia, its business model and strategic pillars

Aqualia is the fourth largest water company in Europe in terms of population served and the ninth largest in the world, according to the latest Global Water Intelligence ranking (December 2023). A specialised international operator that, through the search for efficient responses and solutions to the supply, management, sanitation and treatment needs of each community, provides technical solutions and quality services in all phases of the end-to-end water cycle, preserving water resources, the environment, recovering social cohesion and caring for people's lives.

Aqualia is a company that is sensitive to the new challenges that today's society demands. Its performance during 2023, integrating sustainability into its business strategy through its 2021-23 Strategic Sustainability Plan (PESA in Spanish), can be consulted in the 2023 Sustainability Report [(2)]. This shows its commitment to investors and society as a whole, contributing to social well-being while generating value for its shareholders.

(2) The 2023 Sustainability Report can be found at www.aqualia.es

2. PERFORMANCE OF AQUALIA'S 2021-23 STRATEGIC SUSTAINABILITY - LINE 2 - CLIMATE EMERGENCY AND ENVIRONMENTAL CARE

In accordance with the provisions of its 2021-23 Strategic Sustainability Plan, Aqualia tackles the fight against climate change through four main lines of work, developed through specific action plans.

2.1. Reduction of water consumption

In this strategic area, Aqualia is developing the following action plans to address the global challenges of water scarcity as a result of climate change, waste management and care for the environment.

L2 CLIMATE EMERGENCY AND CARE FOR THE ENVIRONMENT - ODS 6				
Line of work	**Reduction of water consumption**			
Action Plan	Reduction of non-revenue water volumes (NRA)		Improving the efficiency of water distribution networks	
Performance in 2023	28.36% of the volume of non-revenue water (NRA) over the total volume of water injected into the distribution network. Target 27% by 2023		Volume of non-revenue water per kilometre of network per day 11.84 m /km/day^3 Target: 12 $^{m3/km/day}$ by 2023	
Sustainable development	Target 6.6		Target 6.3	
Potential impact metrics	Annual water savings	Annual volume of wastewater treated or prevented	Sewage sludge treatment and disposal	Reuse of sewage sludge

COMPANY PERFORMANCE IN 2023

The indicator corresponding to non-revenue water for all drinking water distribution networks, as of December 2023, stands at 28.36%, which represents a reduction of more than 1% on the value as of December 2021. Despite the considerable effort made, there is still work to be done to reach the value established for this indicator in the Plan at the end of 2023 (27%). However, the value achieved for the indicator corresponding to the volume of non-revenue water per kilometre of network per day is 11.84, very close to the target set in the Plan for the end of 2023 (12.0).

2.2. Energy optimisation and emission reduction

In this strategic area, Aqualia is developing the following action plans for energy optimisation and emissions reduction, in order to face the global challenge of pollution and climate change.

L2 CLIMATE EMERGENCY AND ENVIRONMENTAL CARE - SDG 7 and 13

Line of work	Energy optimisation and emission reduction			
Action Plan	Country-specific carbon footprint calculation	Transformation of the vehicle fleet	Improving energy efficiency	Use of renewable energies
Performance in 2023	100% countries where the carbon footprint is calculated over the total number of countries where Aqualia operates. Target: 100% of countries	32.2% low emission vehicles CO2 over total vehicle fleet Target: 100% by 2030	Reduction in % of kWh/m^3 energy used in Drinking water supply, treatment and distribution in 0.55 kWh/m^3 Target: 3% s/2020 Reduction of % kWh/kg COD removed, energy used in sanitation and wastewater treatment 0.72 kWh/kg Target: 3% s/2020	30.08 % of renewable energy used from own installations, PPA or purchase, out of total energy consumed. Target: 50% by 2030
Sustainable development	Target 7.2	Target 13.2	Target 13.2	Target 13.2
Potential impact metrics	Annual GHG emissions reduced/avoided in tonnes of CO2 equivalents	Absolute (gross) annual GHG emissions in tCO2-e Number of clean vehicles deployed	Capacity of built or rehabilitated renewable energy plants in MW	Annual renewable energy generation in MWh/GWh and GJ/TJ
	GHG emissions intensity	Estimated fuel consumption reduction	Power density: W/m^2	Capacity of built or rehabilitated renewable energy plants in MW

CALCULATION OF THE CARBON FOOTPRINT

EMISSIONS BY COUNTRY

2023	SPAIN	ALGERIA	CHEQUIA	COLOMBIA	EGYPT	ITALY	MEXICO	PORTUGAL	EMIRATES	SAUDI ARABIA	FRANCE	GEORGIA	TOTAL
Scope 1	65,768	0	7,819	1,556	6,537	715	0	704	4,860	0	241	11,037	99,237
Scope 2	79,206	172,805	10,438	8,635	6,544	3,493	12,457	809	6,892	38,642	459	3,975	344,355
Scope 3	127,958	21,887	4,600	2,994	4,524	3,187	2,559	860	1,573	4,850	846	376,888	552,726
Total	**272,932**	**194,692**	**22,856**	**13,185**	**17,604**	**7,396**	**15,016**	**2,374**	**13,325**	**43,492**	**1,547**	**391,900**	**996,318**
Other emissions*	**19,775**	**0**	**4,245**	**0**	**0**	**47**	**0**	**0**	**0**	**0**	**0**	**0**	**24,021**

* Associated with fuels of biogenic origin

COMPANY PERFORMANCE IN 2023

Energy efficiency

At the end of the year, the value of the indicator corresponding to KWh/m^3 of energy used in the processes of adduction, treatment and distribution of drinking water was 0.5, which represents a reduction of 2.27% over the value of this indicator in 2020, substantially improving the target set in the Plan (3%). With regard to the indicator corresponding to KWh/kg COD removed by energy used in wastewater treatment processes, its value at the end of 2023 was 0.72, which represents a reduction of 4.6% over the value of this indicator in 2020, also substantially improving the target set in the Plan (3%).

Use of renewable energy

The use of renewable energy has grown to 30.08% of the total energy consumed. We continue to approach the target established in the Plan to reach 50% by 2030.

Low-emission vehicle fleet

In accordance with the established plan, the incorporation of low-carbon vehicles has continued, despite some vehicle supply problems during the year due to the lack of electronic components that has affected manufacturers. At the end of the year, the Spanish fleet had 32.2% low-carbon emission vehicles.

2.3. Ecosystem protection and restoration: biodiversity

In this strategic area, Aqualia is developing the following action plans to protect and recover ecosystems, in order to meet the global challenge of caring for the environment.

L2 CLIMATE EMERGENCY AND ENVIRONMENTAL CARE - SDG 15 and 17

Line of work	Ecosystem protection and recovery. Biodiversity	
Action Plan	Identification of spaces protected (biodiversity)	Initiatives with the environment to promote biodiversity.
Performance in 2023	143 spaces of biodiversity identified Target: 5 more spaces each year	5 new biodiversity protection and ecosystem recovery projects. Target: 5 projects
Sustainable development	Target 6.6	Target 6.3

COMPANY PERFORMANCE IN 2023

In accordance with the requirements of the Plan, 143 protected areas have been identified in the geographical area where Aqualia provides its services. During 2023, important biodiversity protection projects have been developed in Spain, Colombia, Saudi Arabia and the Czech Republic.

2.4. Technology transfer of the solutions obtained in R&D projects to Production

In this strategic axis, Aqualia is developing the following action plans for the transfer of technological solutions obtained in R&D projects to production, in order to meet the global challenge of the circular economy and care for the environment.

L2 CLIMATE EMERGENCY AND ENVIRONMENTAL CARE - SDG 9 and 17

Line of work	Technology transfer of the solutions obtained in R&D projects to Production	
Action Plan	Portfolio of innovative solutions for the fight against climate change	Transfer mechanisms from R&D to Production
Performance in 2023	2 new R&D projects initiated during the year that include the development of innovative solutions for combating climate change Objective: 2 new projects	10 transfer actions from R&D to production Objective: 2 new actions
Sustainable development	SDGS 12, 9, 13	SDGS 12, 9, 13

COMPANY PERFORMANCE IN 2023

Significantly exceeding the objectives set out in the Plan, two new innovation projects were launched in 2023 and ten technology transfer actions were carried out, always with the aim of developing and applying new solutions that can help us to achieve the objectives set for mitigating the effects of climate change.

3. MANAGEMENT AND USE OF FUNDS

The funding obtained has been granted for the purpose of:

a) Refinance debt derived from debt instruments as detailed below, the proceeds of which were originally applied by Aqualia or its investees, as appropriate, to finance eligible projects:

   a. Bonds issued for an original amount of USD 250,000,000,000 and maturing on 30 July 2025, carried out by the subsidiary company Georgia Global Utilities (GGU). In this case partially contributing up to an amount of USD 174,000,000.

   b. Cancellation of a €600,000,000 fully drawn down bilateral financing contract signed with Caixabank on 4 November 2021.

   c. Cancellation of a €300,000,000 bilateral financing contract, drawn down in full, signed with Caixabank on 28 March 2022.

   d. Cancellation of bilateral financing contract, drawn down in the amount of €25,000,000 out of a total amount of €200,000,000 drawn down on 25 January 2022

b) To finance general corporate needs related to eligible projects.

3.1. Characteristics of the signed green loan

Financed by: FCC Aqualia SA

Contract date: 22 June 2022

Expiration date: 22 June 2025 (ext. 1 year)

Loan nominal amount: 1.100.00 thousand EUR

Interest rate: Euribor 6m + 97 bp

Agent Bank: CAIXABANK

Funding entities:

- ✓ CaixaBank, S.A.
- ✓ Banco Bilbao Vizcaya Argentaria, S.A.
- ✓ Crédit Agricole Corporate & Investment Bank, Spanish Branch
- ✓ ING Bank NV, Branch in Spain
- ✓ Banco de Sabadell, S.A.
- ✓ Societe Generale, Sucursal en España
- ✓ Komerční banka, a.s.
- ✓ Intesa Sanpaolo, S.P.A. Spanish Branch
- ✓ Kutxabank, S.A.
- ✓ Banco de Crédito Social Cooperativo, S.A.
- ✓ Unicaja Banco, S.A.

3.2. Eligible investments made in the period 2023

ELIGIBLE INVESTMENTS REALISED IN THE PERIOD 2023

Project categories	2023
1 Construction, extension and operation of water collection, treatment and distribution systems	92.28
Sustainable water management and wastewater management TOTAL	**92.28**
Grand Total	**92.28**

Summary table and SDG impact

		2023	
	**Sustainable water and wastewater management**	**92.28**	

(*) All data are presented in millions of euro

3.3. Amount of green funding to be allocated

AMOUNT OF GREEN FUNDING TO BE ALLOCATED	
Loan	1,100
Investment period 2016 – 2022	1,007.72
Investment period 2023	92.28
Total investment	1,100
Pending	-

(*) All data are presented in millions euro

4. EXAMPLES OF PROJECTS WITH GREEN FINANCE IN 2023

This section of the report includes, without the aim of being exhaustive, some representative examples of investments made during the 2023 financial year in different countries where Aqualia operates. In these projects, only the investments in category 1 (Construction, expansion and operation of water collection, treatment and distribution systems) have been covered with funds from the green loan subscribed.

4.1. Acque di Caltanissetta (Italy)

Country: Italy

Investment description: Renovation of drinking water and sewerage networks, as well as the adequacy of catchments and reservoirs. It includes the improvement of wastewater treatment plants in different municipalities in the Sicilian province of Caltanissetta.

The implementation of these projects is intended to provide 24/7 water distribution, avoiding the need for sectorial water distribution in some of the towns. In addition, hydraulic efficiency will be improved, closing the gap between the current situation and the target ILI of 1.5, by more than 20% in three years.

Likewise, the energy efficiency of the treatment and pumping facilities will be improved, which will increase by more than 20%.

Funding Framework categories to which it belongs and value of the investment:

1 Construction, extension and operation of water collection, treatment and distribution systems	1.47 M€
2 Renovation of water collection, treatment and distribution systems	7.91 M€
3 Construction, extension and operation of sewage collection and treatment systems	0.40 M€
4 Renovation of sewage collection and treatment systems	3.36 M€

Value of the investment: 13 M€

4.2. SmVak (Czech Republic)

Country: Czech Republic

Investment description: Renovation, modernization and development of drinking water treatment plants, networks (supply and sanitation) and wastewater treatment plants. The main objective is to maintain and further improve the hydraulic efficiency of the system. As well as energy optimization mainly of wastewater treatment plants.

In 2023, the mobility transformation plan has also been launched, with the renewal of the fleet of passenger cars and light vehicles for low-emission ones.

Funding Framework categories to which it belongs and value of the investment:

1 Construction, extension and operation of water collection, treatment and distribution systems	6.41 M€
2 Renovation of water collection, treatment and distribution systems	6.43 M€
3 Construction, extension and operation of sewage collection and treatment systems	5.01 M€
4 Renovation of sewage collection and treatment systems	6.85 M€
9 Transformation of the vehicle fleet	0.06 M€

Value of the investment: 25 M€

4.3. Georgia Global Utilities (GGU) (Georgia)

Country: Georgia

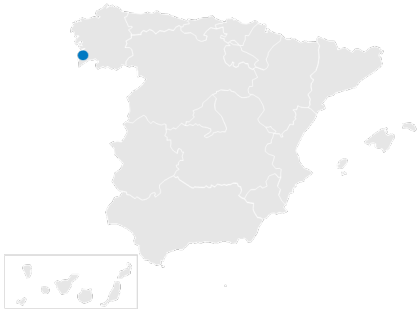
Investment description: The investments are mainly aimed at renewing the supply networks and improving the pumping stations, as well as improving the efficiency of the hydroelectric generation stations. All these actions are expected to improve efficiency by more than 20%.

It is worth mentioning the implementation of the plan to transform the fleet of passenger cars and light vehicles into low-emission vehicles, mainly electric.

Funding Framework categories to which it belongs and value of the investment:	
1 Construction, extension and operation of water collection, treatment and distribution systems	72.69 M€
8 Hydroelectric generation infrastructure	0.07 M€
9 Transformation of the vehicle fleet	0.13 M€

Value of the investment: 73 M€

4.4. Vigo (Spain)



Vigo, Spain

Investment description: Expansion and improvement of the drinking water plant O' Casal DWTP through the installation of an ultrafiltration system to improve water quality, adapting it to the new quality requirements established by the current sanitary legislation, maintaining an expected unit consumption well below the 0.5 kWh/m^3 committed in the Financing Framework. On the other hand, investments are being made in the reform and adaptation of the systems for the distribution of drinking water and the collection and treatment of wastewater, making progress in the digitalization of the system.

In addition, funds have been earmarked for the renewal of the fleet of light vehicles to low-emission vehicles.

Funding Framework categories to which it belongs and value of the investment:	
1 Construction, extension and operation of water collection, treatment and distribution systems	9.43 M€
2 Renovation of water collection, treatment and distribution systems	5.80 M€
3 Construction, extension and operation of sewage collection and treatment systems	0.76 M€
4 Renovation of sewage collection and treatment systems	0.10 M€
9 Transformación de la flota de vehículos	0.14 M€

Value of the investment: 16.23 M€

5. ENVIRONMENTAL IMPACT INDICATORS

The financial resources from the contracting of Green Financing have been used to finance new projects or refinance existing projects, partially or totally, in the different lines of action described in the Financing Framework. Thus, through different impact indicators we can measure the environmental contribution of our projects:

Categories of selected projects	Description	2023
Water and wastewater management 	Absolute annual water (gross)	1,864,385,551 m³/year
	Annual volume of wastewater treated or prevented	788,835,970 m³/year
	Annual volume of wastewater reused	8,923,855 m³/year
	Sewage sludge treatment and disposal Absolute (gross) annual amount of raw/untreated sewage sludge treated and disposed of (in tonnes of dry solids per year and in %)	106,943 Tm 19.63%
	Reuse of sewage sludge Absolute (gross) annual quantity of sludge reused (in tonnes of dry solids per year and in %)	106,133Tm 19.63%
	Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)	29.1 MWh/GWh *Savings 2023/2020 for contracts older than five years
	Annual GHG emissions reduced/avoided in tonnes of CO2 equivalents	7,635 TmCO2 e
Renewable energies 	Annual GHG emissions reduced/avoided in tonnes of CO2 equivalents	44,522 TmCO2 e
	Annual renewable energy generation	250 GJ generated/TJ consumed
	Capacity of the renewable energy plant(s) built or rehabilitated in MW	231 MW
Clean transport 	Absolute (gross) annual GHG emissions in tCO2 -e	996,318 TmCO2 -e
	Number of clean vehicles deployed	764 light vehicles in Spain
	Estimated fuel consumption reduction	1,379,356.16 kgCO2. -e

6. EXTERNAL REVIEW