

AQUALIA GREEN BOND

DNV ELIGIBILITY ASSESSMENT

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 is intending to issue the first green bond (henceforth referred to as "the Bond") under its Green Financing Framework (henceforth referred to as the "Framework" or "GFF") in the range of € 800 million.

DNV GL Business Assurance España, S.L.U. (henceforth referred to as "DNV") has been commissioned by AQUALIA to provide a Green Bond eligibility assessment on the Bond. 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 the financial performance of the Bond, the value of any investments in the Bond, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the GFF has met the criteria established on the basis set out below.

Responsibilities of the Management 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 Framework as to whether the Framework is aligned with Green Bond Principles and the Green Loan Principles. 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 projects or 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 Bond 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.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond 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 an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond 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 bond 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 bond investors should be made of the use of bond 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 an AQUALIA-specific Protocol, adapted to the purpose of the Bond, as described above and in Schedule 2 to this Assessment.
- Assessment of documentary evidence provided by AQUALIA on the Bond and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with AQUALIA management, and review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria. 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 intends to use the proceeds from issuance of the Bond to finance or re-finance green projects within the categories of:

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

All green projects, including those for re-financing, have been reviewed according to the same eligibility and exclusionary criteria as defined in the GFF. In addition, re-financing is only eligible for projects financed within the last six years. DNV concludes that AQUALIA is committed to issuing this Bond in line with the GFF and that eligible categories outlined in the Framework are consistent with the categories outlined in the Green Bond Principles 2021.

2. Principle Two: Process for Project Evaluation and Selection.

DNV reviewed the evidence which demonstrates AQUALIA's commitment to issuing this Bond in line with the GFF. AQUALIA has created a Committee to review that projects meet eligibility criteria, apply exclusionary criteria, and monitor eligible projects during lifetime of the bond.

DNV has reviewed evidence of the Committee minutes describing the evaluation and selection of all projects reviewed, according to the criteria defined in the GFF.

3. Principle Three: Management of Proceeds.

DNV has reviewed the Framework and evidence which states the use of proceeds of this Bond issuance will be directed to financing and re-financing AQUALIA's green projects.

The Framework articulates that a Green Financing Register will be created for the purpose of monitoring the eligible projects/assets and the allocation of proceeds to these projects/assets.

AQUALIA intend for the full proceeds to be disbursed at point of issuance, however any funds pending allocation will be placed in AQUALIA's liquidity portfolio.

4. Principle Four: Reporting.

DNV can confirm AQUALIA has committed to annual reporting specific to this Bond issuance on the allocation of the expenditure and the balance remaining until the tracked proceeds are fully allocated to eligible projects.

AQUALIA has also committed to provide impact reporting on the expected environmental impacts of the eligible green projects financed. AQUALIA clearly outlines the proposed impact indicators for each eligible category and units of measurement.

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On the basis of the information provided by AQUALIA and the work undertaken, it is DNV's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles 2021.

for DNV GL Business Assurance España S.L.U.

Madrid, 4th February 2022

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 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF CATEGORIES/ASSETS TO BE FINANCED THROUGH BOND

Eligible Sustainable Category	Description	Projects
Sustainable Water and Wastewater Management	Investments aimed at: – Optimising the management and improvement of resource sustainability to supply drinking water to the population in optimal quality, flow and pressure conditions. – Eliminating the pollution present in wastewater for its release into public waters in suitable quality conditions. – Managing the threats of depletion and pollution mitigation of floods or droughts, involving water resources for aquatic protection. – The reduction of net GHG emissions.	– Construction, renewal, extension and operation of water collection, treatment, and supply systems. – Construction, renewal, extension, and operation of wastewater collection and treatment. – Anaerobic digestion of sewage sludge and bio-waste. – Desalination plants
Renewable Energy	Investments dedicated to the construction operation or improvement of projects in reservoirs and falling water for the generation of hydroelectric energy	– Falling water at reservoir and large pipelines. – Turbining of treatment inflows and outflows. – Installation of microturbines in the drinking water supply networks and sewage collectors.

Clean Transportation	Investments dedicated to the transformation of the vehicle fleet, abandoning the acquisition of vehicles powered by fossil fuels	– Electric vehicles, hybrids or vehicles powered by biogas generated at wastewater plants. – Installation of charging stations for electric vehicles at the facilities managed by the company. – Installation of biomethane dispensers, for biomethane generated at wastewater treatment plants.
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SCHEDULE 2: AQUALIA-SPECIFIC GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of bond	The bond must fall in one of the following categories, as defined by the Green Bond Principles (GBP): - Green Use of Proceeds Bond - Green Use of Proceeds Revenue Bond - Green Project Bond - Green Securitized Bond	Evidence reviewed: - AQUALIA Green Financing Framework, September 2021 - Project Mojito – Draft Preliminary Offering Circular - Discussions with issuer	AQUALIA Green Bond falls within the category of a Green Use of Proceeds Bond.
1b	Green Project Categories	The cornerstone of a Green Bond is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.	Evidence reviewed: - AQUALIA Green Financing Framework, September 2021 - Project Mojito – Draft Preliminary Offering Circular - Register of projects/investments reviewed - Discussions with issuer	We conclude that the legal documentation confirms that utilization of proceeds is appropriately described.
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable	Evidence reviewed: AQUALIA Green Financing Framework, September 2021	The GFF Framework outlines the expected environmental benefits that will be realised by this Bond issuance:

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		benefits, which, where feasible, will be quantified or assessed by the issuer.	- Project Mojito – Draft Preliminary Offering Circular - Register of projects/investments reviewed - Discussions with issuer	- Water supply systems: Improved energy consumption and leakage level - Wastewater treatment plants: Improved energy efficiency. - 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 issuers 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: - AQUALIA Green Financing Framework, September 2021 - Register of projects/investments reviewed - Minutes from the Committee 17.12.2021 - Discussions with issuer	Register of projects reviewed confirms that proceeds are intended to be used for finance (40%) and re-finance (60%). All green projects, including those for re-financing, have been reviewed according to the same eligibility and exclusionary criteria as defined in the GFF. In addition, re-financing is only eligible for projects financed within the last six years.

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation: • A process to determine how the projects fit within the eligible Green Projects categories identified in the GBP; • The criteria making the projects eligible for using the Green proceeds; and • The environmental sustainability objectives	Evidence reviewed: • AQUALIA Green Financing Framework, September 2021 • Register of projects/investments reviewed • Minutes from the Committee 17.12.2021 • Discussions with issuer	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 bond. The Framework also outlines the actions that will be taken if a project is no longer eligible. We conclude that the investment decision process is committed to under this issuance.
2b	Issuer's environmental and social and governance framework	In addition to information disclosed by an issuer or a borrower on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	Evidence reviewed: • AQUALIA Green Financing Framework, September 2021 • AQUALIA Sustainability Strategy Plan 2021-2023 • AQUALIA Management System Handbook, ed 7, 2020.	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 Bond.

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	Evidence reviewed: - AQUALIA Green Financing Framework, September 2021 - Minutes from the Committee 17.12.2021 - Discussions with issuer	We conclude that proceeds will be tracked in an appropriate manner and attested to by a formal internal process, which is documented in the Framework.
3b	Tracking procedure	So long as the Green Bonds 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: - AQUALIA Green Financing Framework, September 2021 - Discussions with issuer	We conclude that there is a clear process in place for the tracking of the balance taking disbursements into account.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: - AQUALIA Green Financing Framework, September 2021 - Discussions with issuer	We conclude that AQUALIA has disclosed how it will manage any unallocated proceeds within its liquidity portfolio.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3d	Over-collateralisation	n/a	Evidence reviewed: - AQUALIA Green Financing Framework, September 2021 - Register of projects/investments reviewed - Minutes from the Committee 17.12.2021 - Discussions with issuer	DNV has reviewed evidence of the eligible projects including the total value of the investment, exceeding the Bond value

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, issuers should provide at least annually a list of projects to which Green Bond 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: • AQUALIA Green Financing Framework, September 2021 • Project Mojito – Draft Preliminary Offering Circular • Register of projects/investments reviewed • Discussions with issuer	DNV can confirm AQUALIA has committed to annual reporting specific to the use of proceeds from this Green Bond, on the allocation of the expenditure and the balance remaining until the tracked proceeds are fully allocated to eligible projects. AQUALIA has also committed to provide impact reporting on the expected environmental impacts of the eligible green projects financed. AQUALIA clearly outlines the proposed impact indicators for each eligible category and units of measurement.