

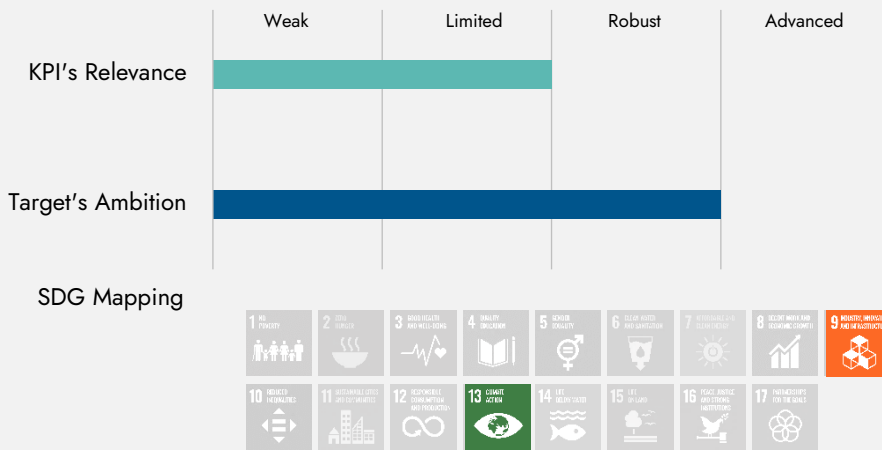
# SECOND PARTY OPINION

## on Webuild's Sustainability-Linked Financing Framework

V.E considers that Webuild's Sustainability-Linked Financing Framework is aligned with the five core components of ICMA's Sustainability-Linked Bond Principles (SLBP) 2020 and LMA/APLMA/LSTA's Sustainability-Linked Loan Principles (SLLP) 2021.



### Framework



### Characteristics of the Framework

Audit of the Data	Yes
Three-year Historical Data	Yes
Nature of the Impacts on the Bond/Loan's Characteristics	Financial
Disclosure of measures to achieve the SPT(s)	Yes

### Sustainability Performance Target (SPT)

#### KPI 1: Carbon Intensity (Scope 1 & 2)

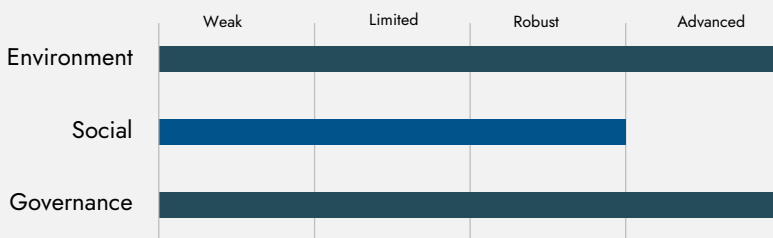
- SPT: Reduce tons of carbon dioxide equivalents per million euros of revenue (Scope 1 & 2) by 50% by 2025.

	2017 (Baseline)	2025*
KPI 1	110 tCO <sub>2</sub> -eq/€M	- 50% (55 tCO <sub>2</sub> -eq/€M)

\*Trigger event

### Issuer

#### ESG Performance as of October, 2021



### ESG Controversies

Number of controversies	4
Frequency	Isolated
Severity	High
Responsiveness	Reactive

### Involvement in Controversial Activities



- Advanced
- Limited
- Robust
- Weak

- Animal welfare
- Cannabis
- Chemicals of concern
- Civilian firearms
- Alcohol
- Fossil Fuels industry
- Coal
- Gambling
- Genetic engineering
- High interest rate lending
- Human Embryonic Stem Cells
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tobacco
- Unconventional oil and gas

## Key findings

V.E considers that Webuild's Sustainability-Linked Financing Framework is aligned with the five core components of the ICMA's Sustainability-Linked Bond Principles (SLBP) 2020 and LMA/APLMA/LSTA's Sustainability-Linked Loan Principles (SLLP) 2021.

### Selection of the Key Performance Indicator (KPI) – aligned with the SLBP and SLLP

- The KPI is clearly defined, including the unit of measurement, the rationale and process to select the KPI, the calculation methodology and the scope. It is publicly disclosed in the Framework and the herewith SPO.
- The KPI is measurable and is externally verifiable.
- The calculation methodology is consistent and in case of any methodology change, the Issuer commits to post-issuance external review of the relevant changes.
- The KPI definition relies on external references allowing its benchmark.
- The selected KPI partially reflects material sustainability issue for the Issuer's current and future operations, as well as relevant material sustainability challenge.

### Calibration of the Sustainability Performance Target (SPT) – aligned with the SLBP and SLLP

- The SPT is consistent with the Issuer's existing targets set in its sustainability strategy.
- The SPT demonstrates a robust level of ambition.
- The timeline, baseline and trigger event are clearly disclosed.
- The means for achieving the SPT are disclosed as well as any other key factors beyond the Issuer's direct control which may affect the achievement of the SPT. The means are considered credible.

### Instrument Characteristics – aligned with the SLBP and SLLP

- The potential variation of the Instrument's financial characteristics depending on whether the selected KPI would reach (or not) the predefined SPT is clearly defined in this SPO.
- It is disclosed to lenders, and in the case of a bond, to the bondholders through the Terms and Conditions.

### Reporting – aligned with the SLBP and SLLP and best practices identified by V.E

- The Issuer has committed to disclosing all relevant information in public documentation on its website (including information on the performance of the KPI, information enabling investors to monitor the level of ambition of the SPT and baseline). The reporting on the KPI will be published annually until maturity of the Instrument.
- The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.
- The selected KPI-related data is covered by an internal and external verification.

### Verification – aligned with the SLBP and SLLP and best practices identified by V.E

- The performance of the KPI against the SPT will be covered by an external verification on an annual basis and in case of material changes impacting the SLB's financial characteristics (such as a trigger event) until the maturity of the Instrument.
- The verification assurance report will be publicly available on the Issuer's website.

## Contact

Sustainable Finance Team | [VEsustainablefinance@vigeo-eiris.com](mailto:VEsustainablefinance@vigeo-eiris.com)

# SCOPE

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V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the integration of environmental factor(s) to the Sustainability-Linked Bonds and Loans (the “Instruments”) issued and or/structured by Webuild (the “Issuer”) in compliance with the Sustainability-Linked Financing Framework (the “Framework”) created to govern their issuances.

Of note, Sustainability-linked debt instruments are intended to finance general corporate purposes. As opposed to other sustainable financial instruments such as green/social bonds or loans, these instruments are agnostic on how funds are used. The main feature of this type of financing is the variation of the bond and loan’s financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability/ESG objectives.

Our opinion is established using V.E Environmental, Social and Governance (“ESG”) assessment methodology and the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (“SLBP”), voluntary guidelines, published in June 2020 and the Loan Market Association, Asia Pacific Loan Market Association, Loan Syndications & Trading Association’s (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles (“SLLP”), voluntary guidelines, published in July 2021. This opinion is strictly limited to the integration of one environmental factor to the Bonds and Loans. This opinion does not cover the integration of broader sustainability factors (i.e. social and governance), or the labelling of the Bonds/Loans where the final decision is left to Webuild. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

1. Framework: we assessed the Framework, including the coherence between the Framework and the Issuer environmental commitments, and the Framework’s alignment with the five core components of the SLBP 2020 and SLLP 2021.
2. Issuer<sup>1</sup>: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>2</sup>.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer through documents.

We carried out our due diligence assessment from November 10<sup>th</sup> to November 26<sup>th</sup>, 2021. We consider that we were provided access to all documents that we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

## Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of KPI reported data
<input checked="" type="checkbox"/>	Independent verification of SPT(s) achievement		

<sup>1</sup> Webuild is part of V.E rating universe - the last ESG rating was performed in October 2021.

<sup>2</sup> The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

# COHERENCE

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Coherent
Partially coherent
Not coherent

V.E considers that the selected KPI is coherent with Webuild's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's environmental commitments.

V.E. considers that the selected KPI is relevant, core and material to the Issuer's sustainability and business strategy, however not addressing scope 3 emissions accounting for the majority of the Issuer's GHG emissions (around 80% of total GHG emissions).

The Issuer's sustainability strategy is built upon two pillars: contributing to global challenges and acting responsibly. Webuild aims to address global issues by constructing sustainable infrastructure and positively impacting the communities in which it operates. Construction site sustainability is also integral to the strategy. Sustainability is a part of the strategic business model pillars outlined by the Issuer. Webuild is a signatory to the UN Global Compact. The Issuer has committed to advancing the UN's Sustainable Development Goals and facilitating the transition to a low-carbon economy.

In Webuild's 2021-2023 ESG plan, the Issuer has committed to three strategic sustainability areas: Green, Safety & Inclusion, and Innovation. In terms of green development, Webuild aims to accelerate the climate transition, promote the circular economy, and ensure the environmental sustainability of projects/construction sites. Coupled with this, Webuild has set up a social goal to become the industry benchmark for health & safety, skill development, and diversity & inclusion. As such, the Issuer will invest in these areas to achieve this goal. To achieve sustainability overall, innovation and digitalization will be leveraged.

Furthermore, Webuild has set out a climate transition roadmap and accompanying climate targets. The Issuer will focus on infrastructure projects aimed at mitigating and adapting to climate change. The implementation of low carbon processes in construction activities and low carbon projects is essential in the Issuer's roadmap. The following measures are aimed at achieving low carbon projects:

- Optimizing design activities to develop viable solutions for reducing/replacing the use of high-intensive materials such as cement, concrete and steel;
- Partnering with the supply chain to develop low-carbon materials and/or solutions with high-recycled content.

These measures will complement the Issuer's climate targets such as reducing the Issuer's carbon Intensity (Scope 1&2) by at least 55% by 2030 from a baseline of 2017. In the short term, Webuild aims to achieve a 35% reduction from a baseline in 2017 in its carbon intensity (Scope 1 & 2) by 2022. The Issuer has also committed to setting absolute reduction targets to 2030 for both Scope 1 & 2, and Scope 3, validated by the Science-based Target Initiative (SBTi) by 2022. Webuild has committed to continuing to raise its ambition towards reaching net-zero emissions by around mid-century and operate above business-as-usual trajectory. Webuild has committed to updating its Sustainability-Linked Financing Framework, having prepared its submission of its targets (including scope 3 emissions and related SPT) to SBTi for approval.

# FRAMEWORK

The Issuer has described the main characteristics of the Instruments within a formalised Framework (the last updated version was provided to V.E on November 24<sup>th</sup>, 2021) which covers the five core components of the SLBP 2020 and SLLP 2021. The Issuer has committed to make this document publicly accessible on its website<sup>3</sup> at the first issuance date, in line with good market practices.

## Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

### Selection of the Key Performance Indicator (KPI)



Table 1. Analysis of the KPI selected by the Issuer

<b>KPI 1: CARBON INTENSITY (SCOPE 1 &amp; 2)</b>
<b>DEFINITION: CLARITY AND DISCLOSURE</b>
<p>The KPI is clearly defined, including the unit of measurement, the rationale and process to select the KPI, the calculation methodology and the scope. The KPI will be publicly disclosed in the Framework and this SPO.</p> <p>As per the rationale and process for the selection of the KPI, Webuild reports that carbon intensity expressed as tCO<sub>2</sub>-eq/€M is a common KPI in the construction industry, and that it represents a useful metric to normalise performance among companies with different footprints and evaluate their carbon efficiency.</p> <p>The KPI's calculation methodology and coverage are the following:</p> <p>The Issuer reports that the Corporate GHG footprint is calculated in accordance with the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) GHG Protocol Corporate Accounting and Reporting Standard. Primary data (i.e. fuels, electricity, refrigerant gases, explosives) are collected through a dedicated reporting system which covers the entire perimeter. GHG emissions are calculated using specific emissions factors for each emission source and are expressed in terms of CO<sub>2</sub> equivalent (CO<sub>2</sub>e). Emission factors used comes from recognised international sources and cover all the GHG categories covered by the Kyoto Protocol (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub>).</p> <p>Scope 1 covers emissions deriving from the consumption of fuels (i.e. diesel, gasoline, natural gas, LPG, kerosene) used for powering plants, equipment, vehicles and temporary buildings, fugitive emissions deriving from the refilling activities of conditioning systems, as well as emissions deriving from explosives used at construction sites for excavation/demolition activities. Scope 2 cover emissions deriving from purchased electricity<sup>4</sup>.</p> <p>The KPI covers the company's fully consolidated subsidiaries as reported in the Group's 2020 Annual Non-Financial</p>

<sup>3</sup> <https://www.webuildgroup.com/en/investor-relations/debt-rating/sustainable-finance>

<sup>4</sup> The Issuer reports that Carbon sinks and offsets are not included in the calculation and that Scope 2 emissions are accounted for on a market-based approach.

Statement. In addition, Webuild reports that the KPI covers more than 90% of the Group's total revenues<sup>5</sup>.

#### MEASURABILITY, BENCHMARK AND VERIFIABILITY

The KPI is measurable and is externally verifiable.

A limited assurance statement on the information of the KPI issued by an external auditor, is included in Webuild's 2020 Consolidated Non-Financial Declaration.

The calculation methodology is consistent and in case of any methodology change, the issuer commits to post-issuance external review of the relevant changes.

The KPI was previously disclosed and historical externally verified KPI values have been provided covering at least the previous 3 years. Data on the numerator (GHG emissions) has been verified by an external auditor under the limited assurance provided on Webuild's Consolidated Non-financial Declaration. The denominator of the KPI (revenue €M) is publicly disclosed in the Group's yearly Annual Report.

The KPI's definition relies on external references allowing its benchmark. In practice it does allow only for limited benchmarking, as required by the SLLP, due to the lack of publicly available data (peers comparable targets) for the sector.

For the numerator of the KPI, the Issuer reports that it refers to the GHG Protocol, and to the criteria set by the Science Based Target Initiative. For the denominator of the KPI, it is a common financial measurement to normalise performance.

#### RELEVANCE AND MATERIALITY

The selected KPI partially reflects material sustainability issues for the Issuer's current and future operations, as well as relevant material sustainability challenge for its sector.

The relevance of KPI 1 is considered limited.

The selected KPI reflects one of the most material issues identified by the Issuer in its materiality matrix, which is climate change. Reducing Webuild's energy and carbon footprint has also been identified as part of the Group's long term decarbonization strategy, which includes the reduction of its carbon intensity (Scope 1 and 2) as one of the key steps of its strategy.

Webuild is part of the heavy construction sector (as a contractor), which has a major role to play regarding climate change and energy efficiency. According to the Global Alliance for Buildings and Construction, the building and construction industry accounts for 38% of global CO<sub>2</sub> emissions<sup>6</sup>, making it one of the most CO<sub>2</sub> emitting industrial sectors. In this context, construction companies, must define an exhaustive environmental strategy that limits their impact on the climate and the environment to a minimum through different sustainable practices that will lead to a reduction of GHG emissions.

Based on the scientific reports published by the Intergovernmental Panel on Climate Change, the UN Framework Convention on Climate Change (UNFCCC) acknowledges the possibility of harmful climate change due to the increasing and irreversible level of greenhouse gases emissions (GHG). The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen companies' ability to deal with the impacts of climate change and support them in their efforts.

It is particularly relevant that companies set science-based targets for Scope 1, 2 and 3 GHG emissions to help meet

<sup>5</sup> The remaining revenue not covered by the KPI (<10%) generates estimated GHG emissions equal to less than 4% of total Scope 1 & 2 emissions included in our GHG inventory. As a consequence, the KPI covers >96% of total Scope 1 & 2 emissions.

<sup>6</sup> Global Status Report for Buildings and Construction (2020)

the goals of the Paris Agreement and to be externally assessed such as by the Science Based Target Initiative in order to demonstrate the target's alignment with the latest climate science. Additionally, it is worth noting that companies have been focusing on reducing emissions under their direct ownership or operational control (Scope 1) and from their purchase of electricity, heat and steam (Scope 2)<sup>7</sup>. However, emissions company's value chains (Scope 3) often represent the largest portion of companies GHG inventories, although these are often left unabated<sup>8</sup>. According to V.E's estimates in the "Heavy Construction" sector, for a construction company, Scope 3 emissions account for approximately 80% of the total emissions, notably from the construction materials, amortization of the machinery, freight of the personnel, and services. Construction and related material flows are responsible for 40% of all demand for raw materials<sup>9</sup>.

Although the World Green Business Council (WGBC)<sup>10</sup> acknowledges that contractors may have limited direct control over decision making or opportunity to affect embodied carbon (i.e. Scope 3 emissions) in projects depending on the type of contracts they are engaged into<sup>11</sup>, given that most decisions and requirements are set by developers and design teams, it highlights that contractors can play an important role as influencers in realising and raising the ambition of these requirements. In particular, the WGBC<sup>12</sup> notes that contractors can be a "valuable source of education both upstream and downstream and help to deliver construction site related actions" such as explaining trade specific procurement requirements for low carbon or carbon positive materials to subcontractors, amongst other actions. Similarly, the report 'Decarbonizing deconstruction' the World Business Council for Sustainable Development (WBCSD)<sup>13</sup> provides guidance on how to reduce embodied carbon in buildings, including specific requirements under the responsibility of main contractors. For instance, evaluating alternatives for the top ten highest carbon products, evaluating alternatives and propose product specific carbon limits, and minimise waste and require that at least 90% of the construction and demolition waste is not landfilled. Moreover, the Construction Leadership Council (CLC), provides specification for managing whole life carbon in infrastructure and highlights the different responsibilities of value chain members<sup>14</sup>. Among the responsibilities for constructors, the CLC identifies employing low carbon products and materials, and challenge design decisions, as required, to deliver low carbon outcomes<sup>15</sup>, especially during the construction and commissioning, handover and close out work stages (which include procurement and physical delivery of infrastructure). During the end of like work stage, the CLC also identifies constructors as responsible of collecting data from assets to be decommissioned to improve future designs on useful material recovery for future assets.

Against this backdrop, V.E considers that the selected KPI is partially relevant given that Scope 3 has not been included, which represent the majority of the Issuer's GHG emissions (around 80% of total GHG emissions). Among SBTi construction and engineering sector in Europe 7 companies out of 63 have disclosed Scope 3 emissions reduction targets and 4 that explicitly include Scope 3 GHG emissions from purchased goods and services. An area for improvement is to include Scope 3 in the target.

Of note, at the time of writing this SPO, the Issuer has prepared its submission of emissions reductions targets to the SBTi for approval. The Issuer also reports that these future targets will include Scope 3 emissions, and that a specific action plan is being developed to tackle such emissions, which will include solutions such as engineering optimization activities aimed at reducing the quantity of high-emission materials in the Group's projects, and procurement practices aimed at supplying lower carbon materials.

<sup>7</sup> [https://sciencebasedtargets.org/resources/files/SBT\\_Value\\_Chain\\_Report-1.pdf](https://sciencebasedtargets.org/resources/files/SBT_Value_Chain_Report-1.pdf)

<sup>8</sup> Ibid

<sup>9</sup> The Embodied Carbon Review, One Click LCA (2018)

<sup>10</sup> [Bringing embodied carbon upfront, World Green Building Council \(2019\)](#)

<sup>11</sup> [Decarbonizing construction Guidance for investors and developers to reduce embodied carbon, World Business Council for Sustainable Development \(2021\)](#)

<sup>12</sup> Ibid

<sup>13</sup> Ibid

<sup>14</sup> [Guidance Document for PAS 2080, Construction Leadership Council](#)

<sup>15</sup> Ibid

#### BEST PRACTICES



- ⇒ The KPI calculation methodology is consistent, and the Issuer commits to conduct a post-issuance review (which will be made available to bondholders/lenders) in case of material changes to the KPI's coverage, calculation methodology, and in particular the SPT calibration.
- ⇒ The KPI was previously disclosed and have historical externally verified KPI values covering at least the previous 3 years.
- ⇒ The KPI definition relies on external references allowing their benchmark.
- ⇒ The KPI covers more than 90% of the company's total activity.





SDG CONTRIBUTION

The selected KPI is likely to contribute to two of the United Nations’ Sustainable Development Goals (“SDGs”), namely:

KPI	SDG	SDG TARGETS
Carbon Intensity (Scope 1 & 2)		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
		UN SDG 13 consists of taking urgent action to combat climate change and its impacts. Corporates can contribute to this goal by investing in reducing greenhouse gas emissions from their operations and value chains.

## Calibration of the Sustainability Performance Target (SPT)



- The SPT is consistent with the Issuer's existing targets set in its sustainability strategy.
- The SPT demonstrates a robust level of ambition.
- The timeline, baseline and trigger event are clearly disclosed.
- The means for achieving the SPT are disclosed as well as any other key factors beyond the Issuer's direct control that may affect the achievement of the SPT.

### AMBITION

#### KPI 1: CARBON INTENSITY (SCOPE 1&2)

By using the carbon intensity of direct operations (tCO<sub>2</sub>-eq/€M), the data set should fairly show positive or negative KPI trends, reflecting the Issuer's commitment to fight climate change, thus enabling investors/lenders to make an appropriate assessment of the overall environmental performance.

Table 2 – carbon intensity (scopes 1&2) measured in tCO<sub>2</sub>-eq/€M

	REPORTED DATA							OBJECTIVE
	2014	2015	2016	2017* (Baseline)	2018*	2019**	2020**	2025*****
Carbon intensity (scope 1&2) in tCO <sub>2</sub> -eq/€M <sup>16</sup>	163	140	120	110	100	77	79***	55
Annual variation (%)	N/A	-14.11	-14.28	-8.33	-9.1	-23	+2.6	-30.38
Variation between baseline and objective (%)	N/A			-50				
Annual average reduction rate (%) (2014-2017, 2017-2020 and 2017-2025)	-12.29				-10.45			N/A
					-8.3			
5-year variation (%) (2015-2020 and 2020-2025)	N/A	-43.57					-30.38	

<sup>16</sup> Emissions generated by Webuild S.p.A. and its operations over which it (or one of its subsidiaries) has operational control. Perimeter is consistent with the boundary of the Group's Annual Non-Financial Statement, which details the full list of subsidiaries included. Operational control means the full authority to introduce and implement the Company's operating policies at the operation, as per the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard.

\*Data from 2017 onwards covers > 90% of Webuild's revenue. The Issuer estimates that the remaining < 10% generates < 4% of its scope 1&2 GHG emissions.

\*\*Earlier in 2021, Webuild reviewed its GHG inventory mainly to extend our coverage of Scope 3 emissions according to the GHG Protocol. Throughout this process, it also made minor updates to Scope 1 & 2 consisting in introducing to the inventory the calculation of emissions deriving from fugitive emissions and explosives used at sites. Such changes apply since 2019. The new added emissions account for 2-5% of total Scope 1&2 emissions, therefore we do not consider these changes to be material.

\*\*\*Figure restated to include Astaldi's GHG emissions, which entered Webuild Group in 2020. Previous figure was equal to 72 tCO<sub>2</sub>-eq/€M, as reported in the 2020 Non-Financial Statement.

\*\*\*\*Trigger event

Based on several points of comparison, we consider that Webuild's target demonstrates a robust level of ambition.

- The SPT is consistent with the Issuer's existing targets set in its sustainability strategy.
- The timeline, baseline and trigger event are clearly disclosed

The objective is to reach 55 CO<sub>2</sub>-eq/€M by 2025 for scopes 1&2, compared to Issuer's 2017 baseline which is 110 CO<sub>2</sub>-eq/€M. This is in the context of a longer-term strategy, which aims to reduce carbon intensity (scopes 1&2) by at least 55% by 2030<sup>17</sup>. This implies an additional decrease of 5% over the course of five years (2025-2030), the KPI chosen is coherent in this regard.

#### Business-as-usual Trajectory Benchmark Analysis

The SPT represents a material improvement compared to the company's Business as Usual (BaU).

The Issuer has provided historical data dating back to its baseline year (2017) and older historical data dating back to 2014 is available in Webuild's 2020 Consolidated Non-Financial Statement<sup>18</sup>. Data shows that Scope 1&2 carbon intensity has decreased every year since 2014, with the exception of 2020, which includes the emissions intensity of Astaldi for the first time. There is no clear pattern in the evolution of the rate of historical reduction (e.g. it was of -9.1% from 2017 to 2018 and of -23% from 2018 to 2019) which would allow us to compare it to the anticipate rate. We also do not have data for the 8 years prior to the baseline year (which is the number of years between the baseline year and the target year): in order to still get an idea of the magnitude, we calculated an average annual decrease rate (through a compound annual growth rate) for the reduction of carbon intensity and the results show that it would equal an annual reduction rate of -8.3% from 2017 to 2025. With the exception of 2020 (where carbon intensity increased due to the addition of Astaldi's GHG emissions), this rate is inferior to (i) all other historical year-on-year reductions for which we have data including the most recent (2019 vs 2018 reduction of 23%), (ii) the average annual decrease rate between 2014 and 2017, which is of -12.29% and (iii) the average annual decrease rate between 2017 and 2020 which is of 10.45%. Having said this, the SPT is still aligned with the Issuer's reduction target for 2030 set in its ESG Plan and in continues past the consistent decrease observed since 2014. We therefore consider that this trend outweighs some of our reservations and makes for an ambitious trend.

#### Sector Peers Benchmark

The SPT demonstrates a robust level of ambition compared to sector peers' performances<sup>19</sup>.

While it is involved in other activities such as concessions and energy, over 90% of Vinci's workers are employed by the company's construction division and the latter brings in the bulk of its revenue<sup>20</sup>. In 2020, the company pledged to reduce its absolute scope 1 and 2 GHG emissions by 40% by 2030 compared with 2018 levels (not including carbon

<sup>17</sup> Of note, Webuild has prepared its submission of absolute GHG reduction targets to the Science-Based Target Initiative. At the time of writing this SPO, they have not yet been approved.

<sup>18</sup> [https://salini-pdf-archive.s3-eu-west-1.amazonaws.com/sostenibilita/2020/eng\\_2020+Annual+report\\_0804.v1.pdf](https://salini-pdf-archive.s3-eu-west-1.amazonaws.com/sostenibilita/2020/eng_2020+Annual+report_0804.v1.pdf)

<sup>19</sup> Even within the same sector, companies have their singularities and are rarely fully comparable. V.E strives to find coherent commonalities and to normalise data when it is possible and relevant in order to provide investors with transparency on how Webuild compares to sector peers. We acknowledge that intensity-based emissions targets can be relevant in certain contexts, such as in the case of the acquisition of Astaldi by Webuild but wish to highlight that certain sector peers do manage to set absolute emissions targets.

<sup>20</sup> [Vinci, Company Profile – Corporate Watch](#)

offsets)<sup>21</sup>. At a minimum, all business lines are aligned with this target (this includes the construction division). In 2018, Vinci Construction's carbon intensity was of 53.1 tons of CO<sub>2</sub>-eq/€M, with absolute scope 1&2 emissions of 818,794 tons of CO<sub>2</sub>-eq<sup>22</sup>. While we cannot reasonably calculate precisely what Vinci Construction's carbon intensity will be by 2025 (let alone 2030) without an estimate of revenue, we do note that in 2018 its carbon intensity was already lower than what Webuild aims to achieve by 2025 (53.1 vs 55)<sup>23</sup>. With an additional decrease of 40% in absolute scope 1&2 emissions, we can reasonably expect carbon intensity to drop too (Vinci Construction's revenue has increased quite significantly over the last three years). Overall, Vinci demonstrates a convincing and ambitious case. Another company which has pledged a reduction in absolute emissions is Spanish company Ferrovial, which has committed to a decrease its scope 1&2 emissions by 32% by 2030 compared to 2009, which is equivalent to reducing emissions by 42.9% for every million euros of turnover<sup>24</sup>. We have not been able to find the actual number relating to the carbon intensity it aims to reach, which makes it challenging to compare it to Webuild's target. However, given the state of the sector as well as the (barely existent) robust sustainability standards in 2009 (Ferrovial's baseline), this is a case we found where it is reasonable to assume that it is less ambitious than Webuild's target, which has a 2017 baseline. V.E found that Royal BAM Group and its subsidiary BAM International were a particularly pertinent competitor to consider: both Webuild and BAM specialise in large or complex infrastructure mainly for mobility and buildings, they operate in over 50 countries<sup>25</sup> (both developed and developing) and they have comparable revenues (in 2020, Webuild's revenue totalled €6.4 billion<sup>26</sup> vs €6.8 billion for BAM<sup>27</sup>). By 2030, BAM has pledged to reduce scope 1&2 CO<sub>2</sub> intensity by 50% compared to 2015 levels which were at 31 tons CO<sub>2</sub>-eq/€M<sup>28</sup>. This means that by 2030, it expected to have a carbon intensity of 15.5 tons of CO<sub>2</sub>-eq/€M. In 2020, it was reported to be at 23.2, which is already less than half of what Webuild aims to achieve by 2025 (55 tons of CO<sub>2</sub>-eq/€M) and therefore more ambitious. This has also been approved by the Science-Based Target Initiative (SBTi) as being consistent with the emissions reductions needed to align with the 1.5°C by 2030 scenario. Another European sector leader according to V.E's "Heavy Construction" sector is Bouygues. Bouygues Construction's pledge is to reduce its scope 1&2 carbon intensity by 40% by 2030 relative to 2019. In that year, its scope 1&2 carbon intensity was of 64 tCO<sub>2</sub>/M€. By 2030, it therefore aims to have reached an intensity of 38.4 tCO<sub>2</sub>/M€. We calculated an average annual reduction rate for this target, which is of -4.54%. This means that by 2025, we may expect it to have a carbon intensity of 48.3 tCO<sub>2</sub>/M€. This is more ambitious than Webuild's target of 55 tCO<sub>2</sub>-eq/M€. According to V.E's "Heavy Construction" sector, the vast majority of European construction companies we researched have disclosed scope1&2 targets as Webuild also does. However, its SPT does not align with leading peers' ambition, even those which share the most similarities with it. In addition, while SBTi will only be accepting target pledges aligning with a 1.5°C scenario starting from July 2022, 10 companies out of 63 in its construction and engineering in Europe have already had these relevant targets approved, meaning that over 15% of the sector is confirmed to be ahead of the curve. Having said this, we note that several of other peers' scope 1&2 targets were disclosed in a way that was difficult to normalise and therefore compare with Webuild's even when they were intensity-based. Those we did manage to compare are the targets of peers who happen to be ESG leaders according to V.E's research team. While Webuild ranks 4<sup>th</sup> out of 26 in V.E's "Heavy Construction" sector and a certain level of expectation regarding ambition may arise in this regard, we do not believe it fair to compare it solely to top performers. Since data cannot be normalised for others, it is a possibility that a significant gap exists between top performers and other sector peers and we know that Webuild did have more ambitious targets than some (e.g. Ferrovial). As a result, we consider Webuild's ambition to be robust.

<sup>21</sup> VINCI - 2020 Universal Registration Document

<sup>22</sup> 2018 VINCI annual report

<sup>23</sup> Webuild and Vinci Construction both operate in developed and developing markets.

<sup>24</sup> <https://www.ferrovial.com/en/sustainability/environment/carbon-footprint/>

<sup>25</sup> Webuild: <https://www.webuildgroup.com/en/group/profile/> / BAM: <https://www.baminternational.com/en/projects>

<sup>26</sup> <https://www.webuildgroup.com/en/group/profile>

<sup>27</sup> <https://www.bam.com/en/documents/bam-2021-02-18-q4-2020-en-presentation>

<sup>28</sup> <https://annualreportbam.com/en-US/business-performance/environmental-performance>

## Official International Targets and Scenarios Benchmark Analysis

For the Heavy Construction sector, there is no applicable sector standard or scenario benchmark for the defined KPI and SPT<sup>29</sup>. As a result, this benchmark analysis has been deactivated.

Globally speaking, according to the Target Validation Protocol of SBTi, companies that have scope 3 emissions making 40% or more of their total emissions, are required to have a scope 3 target, also "SBTi does not recommend that companies set economic intensity targets for their operational emissions (scope 1 and 2) where they have direct influence over emissions reduction" (p.33)<sup>30</sup>. Nevertheless, we calculated a carbon intensity annual linear reduction rate, which is of -8.3% between the baseline year (2017) and the target year (2025). This is better than what the Greenhouse Gas Emissions per Value Added (GEVA) approach requires, which is a year-on-year decrease of 7%<sup>31</sup>. SBTi uses the year the target is submitted to the initiative (or the most recent completed GHG inventory) to assess forward-looking ambition. We do not have 2021 data, so we relied on the most recent year for which we have data, which is 2020. The annual linear reduction rate between 2020 (79 tCO<sub>2</sub>-eq/€M) and 2025 (55 tCO<sub>2</sub>-eq/€M) is of -6.31% which is below the 7% criterion.

## MEASURES TO ACHIEVE THE SPT

The means for achieving the SPT are disclosed as well as their respective contribution in quantitative terms to the SPT, and any other key factors beyond the Issuer's direct control that may affect the achievement of the SPT. The means are considered credible.

The Issuer reports it is deploying a range of initiatives in order to reduce its scope 1&2 carbon intensity, which are as follow:

- i. Switch to grid electricity – In construction sites, the electricity needed to power plants and equipment is often produced directly on-site using diesel generators that are high carbon emitters. GHG emissions from diesel generators represent on average a quarter of total Scope 1 & 2 Group's emissions. Webuild has planned to progressively switch to grid electricity wherever available and viable, using it as a default option for all new projects.
- ii. Efficient machinery – GHG emissions from fuels used to power machinery, equipment and vehicles represent on average half of total Scope 1 & 2 Group's emissions. Webuild has identified a suite of actions to tackle such emissions:
  - a. Regular fleet renovation with lower-carbon models, progressively introducing hybrid and/or electric alternatives as they become available on the market;
  - b. Automated conveyor belts for materials transport, eliminating the need for trucks to move earth on construction sites, resulting in the elimination of the associated GHG emissions and pollution;
  - c. Highly efficient catalytic systems to be progressively introduced at the Issuer's projects and that have already resulted in reduced fuel consumption and reduced pollution levels;
  - d. Real-time monitoring systems for trucks, machinery and vehicles equipped with special sensor systems aimed at optimizing their use and energy consumption.
- iii. Efficient electricity systems – GHG emissions from purchased electricity accounts for 15% on average, but this share is expected to increase as Webuild progressively switches from fuel-powered plants and equipment to electricity. For such reason, Webuild has identified, tested and started to implement a series of initiatives to reduce such emissions, mainly in the Issuer's tunnelling operations which are energy intensive:

<sup>29</sup> The Issuer has submitted emissions reductions targets to SBTi. Approval is pending at the time of writing this SPO.

<sup>30</sup> Our understanding is that the targets Webuild have submitted for approval are reductions in *absolute* emissions.

<sup>31</sup> [SBTi Corporate Manual v1.1 FINAL.docx \(sciencebasedtargets.org\)](#)

- a. Power quality systems developed to supervise and stabilize electricity supply within the construction sites resulting in reduced electricity consumption;
  - b. Highly efficient tunnel ventilation systems capable to control ventilation flows in tunnels based on air quality sensors, resulting in reduced energy consumption, but also improved comfort for workers;
  - c. Green TBMs designed to increase both energy and water efficiency of tunnel boring machines compared to standard TBMs available on the market;
  - d. Robotic green precast factories capable of automating the precast process carried out at construction sites, while leveraging on circular economy principles to create closed-loop cycles to increase efficiency in the use of energy (also through renewable on-site systems), water and materials
  - e. Predictive maintenance systems powered by sensors installed on site equipment and plants and capable to detect early signs of inefficient working conditions and improve maintenance activities, reducing in this way energy consumption while preventing damages and related costs;
  - f. Renewable energy systems directly installed at sites to exploit locally available renewable sources, such as photovoltaic, mini-hydro, etc., autonomously satisfying part of the energy needs of the site.
- iv. Use of renewable energy – Further actions to reduce GHG emissions from fuels and electricity include making an increasing recourse to the purchase of fuel blends with renewable content (e.g. biodiesel) and to renewable electricity.

The above-mentioned actions relate to levers already identified by Webuild to be implemented through the decade until 2030 and beyond. In addition, the Group will continue working on scouting and developing new efficiency initiatives and innovative technologies to further reduce its carbon footprint. For scope 1 & 2 emissions, the Company expects the following levers will become more and more available on the market in next decades:

- Hybrid / full electric / hydrogen-powered machinery and equipment;
- Hybrid / hydrogen-powered generators.

The inability to achieve a decoupling of business growth from emissions required to meet the SPT may result from:

- New projects in countries and/or regions where electricity and/or renewable energy is not easily accessible;
- Climate change supply / sourcing chains issues.

#### BEST PRACTICES

- ⇒ The means for achieving the SPT are disclosed as well as any other key factors beyond the issuer's direct control that may affect the achievement of the SPT.
- ⇒ The means for achieving the SPT are credible and detailed.

## Instrument Characteristics



- The potential variation of the Instrument's financial characteristics depending on whether the selected KPI would reach (or not) the predefined SPT is clearly defined in this SPO.
- It is disclosed to lenders, and in the case of a bond, to the bondholders through the Terms and Conditions.

Webuild confirms that the Instruments issued under this Framework will be subject to variations in their financial characteristics depending on the achievement of the defined trigger event. The mechanism will be a step-up of the coupon or a premium and the impacts will be detailed for each bond in the corresponding financing-specific documentation as applicable.

If the SPT is not met at the target observation date (i.e. the date on which the relevant target should be achieved), it will trigger an interest step-up or a premium to be paid on the redemption date (which will be specified in the relevant final terms). If, for any reason, the KPI cannot be calculated, observed or reported in a timely and satisfactory manner (as defined in the instrument's documentation), the defined financing characteristic change will be triggered as if the target was not met (with effective dates aligned with the original SPT).

The meaningfulness of the variation of the SLL/SLB's financial characteristics of the Instruments cannot be assessed due to lack of details on financial implications at Framework level.

\*V.E considers that, as of today, there is insufficient information and market precedent to appropriately assess the potential best practices regarding the Instruments' characteristics' variation. In this sense, the "Aligned" level is currently considered to be the highest level to be achieved by the Issuer on this pillar.

## Reporting

Not Aligned

Partially Aligned

Aligned

Best Practices

- The Issuer has committed to disclosing all relevant information in public documentation on its website (including information on the performance of the KPI, information enabling investors to monitor the level of ambition of the SPT and baseline). The reporting on the KPI will be published annually until maturity of the Instrument.
- The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.
- The selected KPI-related data is covered by an internal and external verification.

### KPI 1: CARBON INTENSITY (SCOPE 1&2)

#### REPORTING ACCESIBILITY AND FREQUENCY

The Issuer has committed to disclosing all relevant information on its website (up-to-date information on the performance of the selected KPI, including the baseline where relevant) on an annual basis and on any date/period relevant for assessing the trigger of the SPT performance leading to potential adjustments until the maturity of the relevant Instrument. The Issuer also commits to reporting on any changes to the calculation methodology.

#### REPORTING SCOPE AND GRANULARITY

The Issuer has committed to disclosing all relevant information in public documentation, including:

- Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- A verification assurance statement ("Limited Assurance") relative to the SPT outlining the performance against the SPT and any other relevant information which may enable investors to monitor the progress of the selected KPI;
- The impact on the Instrument will be separately reported in a specific certificate;
- A qualitative or quantitative explanation of the contribution of the main factors, the evolution of the performance/KPI on an annual basis;
- Illustration of the positive sustainability impacts of the performance improvement; and/or
- Any re-assessments of KPI and/or restatement of the SPT and/or adjustments of baselines or KPI scope where applicable.

#### REPORTING PROCESS, MONITORING AND CONTROL

The selected KPI related data are covered by an internal and external verification.

The Sustainability KPI (included the SPT) is taken from the Groups information systems and a special non-financial reporting system introduced to meet the requirements of Italian Legislative decree no. 254/2016 and the GRI Sustainability Reporting Standards.

This reporting system is coordinated by the Corporate Social Responsibility Department and covers all the entities included in the CNFS boundary. Data on GHG emissions are collected on a quarterly basis through a dedicated



software, subject to a three-layer internal verification process (first line at site level, second line carried out by HSE department, third line carried out by CSR dept) and then externally verified annually (Limited Assurance on the data by an external auditor).

Webuild will recalculate its KPI baselines and/or SPTs<sup>32</sup> in case of any change that significantly affects positively or negatively the value of the KPI(s) to reflect any material or structural changes to the Group and/or any external parameters (such as company structure, methodology update for calculating the KPI, officially published updates to standards<sup>33</sup>, methodology update for calculating the target, drastic changes in the regulatory environment, any discovery of significant errors).

To account for potential future structural changes in the perimeter, the SPT/baseline should be recalculated in good faith by Webuild, on the condition that Webuild's Second Party Opinion provider has independently confirmed to Webuild in writing that the proposed revision:

- is consistent with Webuild's sustainability strategy; and
- is in line or more ambitious than the initial target; and
- shows an improvement of Webuild commitment.

The calculation methodology of any change to the baseline and/or SPTs will be communicated within the annual report and will be independently verified by a third party, in the context of the annual verification of the reporting.

## BEST PRACTICES

- ⇒ All relevant information is publicly disclosed by the company in public documentation.
- ⇒ The reporting on the KPI will be published annually until maturity of the Instrument.
- ⇒ The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.
- ⇒ KPI data undergoes both internal and external verification.

<sup>32</sup> According to its methodology based on the GHG Protocol standards.

<sup>33</sup> Such as GHG protocol, SBTi standard, Sustainability-Linked Bond Principles, the Sustainability-Linked Loan Principles, the future EU Taxonomy delegated acts, any relevant industry guidelines or other key external inputs as from the adoption by the Group of such updates to the extent that these updates are relevant and have been adopted by the Group in its corporate strategy as communicated to investors.

## Verification

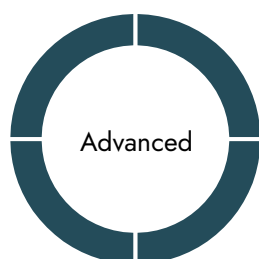


- The performance of the KPI against the SPT will be covered by an external verification and in case of material changes impacting the Instrument's financial characteristics on an annual basis until the maturity of the Instrument.
- The verification assurance report will be publicly available on Webuild's website.

### BEST PRACTICES

- ⇒ Verification will be conducted until maturity of the Instrument.
- ⇒ The verification assurance report will be publicly available.

# ISSUER



Webuild is a global infrastructure Company engaged in the water segment, dams and hydroelectric plants, hydraulic works, railways and metro systems, airports and motorways, civil and industrial buildings. The Company, headquartered in Milan, Italy, was formed from the merger of Salini S.p.A. into Impregilo S.p.A., effective since 2014. On May 4, 2020, Salini Impregilo announced that the Company was changing its name to Webuild. In 2019 Salini Impregilo has acquired Cossi Costruzioni S.p.A and in 2020 the firm successfully completed the acquisition of 66.28% of Astaldi, in 2021 the Astaldi going concern business has been merged into WeBuild throughout a proportional demerger.

## ESG Performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmarking.

As of October 2021, Webuild displays an advanced ESG performance (60/100), ranking 4<sup>th</sup> in our "Heavy Construction" sector, which covers 26 companies. Webuild performance is considered advanced in the Environmental and Governance pillars, and robust in the Social pillar.

DOMAIN	COMMENTS	OPINION
Environment	<p>Webuild's performance in the Environmental pillar is considered <u>advanced</u>.</p> <p>Webuild's environmental strategy and eco-construction schemes are considered comprehensive as well as its certified Environmental Management System which covers 100% of the Company's work sites. In addition, the Company's commitment towards biodiversity protection covers the main impacts of its activities and is backed by several relevant measures to identify and limit them. Webuild's results in terms of energy, GHG emissions, and non-hazardous waste intensities display a decreasing trend in recent years. We build has set monitoring systems a significant number of programmes to improve its waste management. Concerning the supply chain, Webuild has integrated environmental factors to encourage suppliers to provide environmentally friendly products and to reduce waste backed by extensive range of measures to include environmental factors in supply chain management.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p>Webuild's performance in the Social pillar is considered <u>robust</u>.</p> <p>Webuild's performance in the Human Rights domain advanced. The Company reports allocating resources to ensure human rights due diligence in its operation, including in high-risk countries, in collaboration with international trade unions. Regarding labour rights, in addition to dialogues with its employee representatives,</p>	Advanced

DOMAIN	COMMENTS	OPINION
	<p>alternative systems such as worker committees are in place in countries with restricted legislation. Webuild also appears to have significant measures to monitor the respect of freedom of association, including risk assessment and grievance mechanisms. Although, the share of women in management positions has decreased over the past three years.</p> <p>Webuild's performance in the Human Resources domain is considered limited. The Company commits to promote labour relations and has allocated significant measures to limit the impacts of reorganisations. Webuild has put efforts to pursue its commitment to career development and managed to reduce its turnover rate over the last three years. However, the number of training hours per employee have decreased over the past three years. In terms of health and safety, results for the Company's employees and subcontractors display decreasing rates in recent years.</p> <p>Webuild's performance in the Community Involvement domain is advanced. Webuild has a formalised commitment to promote local employment and training and hire local suppliers. The Company has implemented grievance mechanisms and community consultations as well as initiatives to mitigate the effects of restructuring on local workforce. However, while operating worldwide, the Company does not report transparently on taxes paid in each country.</p> <p>In terms of business behaviour, the Company has a formalised commitment regarding responsibly customer relations, the Company does not report on any measures to ensure that customers are treated appropriately and that contracts are respected.</p>	<p>Robust</p> <p>Limited</p> <p>Weak</p>
Governance	<p>Webuild's performance in the Governance pillar is considered <u>advanced</u>.</p> <p>In terms of Corporate Governance, Webuild's Board of Directors is considered 67% independent. In addition, 40% of the directors are women. Moreover, CSR risks appear to be covered by the internal control system and managed through risk mapping and reporting mechanism. While minor voting rights restrictions have been identified, the Company appears to safeguard shareholders' rights. Regarding executive remuneration, bonuses are linked to operational performance, and long-term variable components of remuneration are said to be linked to sustainability performance. However, quantified targets are not disclosed for variable remuneration, and the ratio of CEO compensation to average employee salary has increased significantly over the last three years.</p> <p>In terms of prevention of corruption, the Company has formalised commitments, supported by measures external audits, and an ISO 37001 certified Anti-bribery Management System. In addition, the Company reports the number of non-compliance incidents related to corruption. As per anti-competitive practices, Webuild has set up some reporting systems such as a whistleblowing system but does not disclose any quantitative data on the number or nature of antitrust incidents reported internally. The Company discloses limited information regarding the integrity of its lobbying practices.</p>	<p>Advanced</p> <p>Robust</p> <p>Limited</p> <p>Weak</p>

## Management of ESG Controversies

As of today, Webuild faces four stakeholders related ESG controversies, linked to three of the six domains we analyse:

- Business Behaviour, in the criteria of “Responsible Customer Relations”, “Sustainable Relationships with suppliers”, and “Anti-competitive practices”.
- Community Involvement, in the criteria “Societal impacts of the company’s products/services”.
- Human Resources, in the criteria “Social dialogue”, and “Quality of remuneration systems”.

Frequency: The controversies faced are considered “isolated”<sup>34</sup>; less frequent than the sector average.

Severity: The severity of the cases, based on the analysis of the impact on both the Issuer and its stakeholders, is considered “high”<sup>35</sup>; in line with the sector.

Responsiveness: Webuild is considered overall “reactive”<sup>36</sup>; in line with the sector.

## Involvement in Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology, namely:

- Minor involvement in Military: Webuild has an estimated turnover from military sales which is below 5% of total turnover. This turnover is derived from the construction of military infrastructure, due to the acquisition of Astaldi which is involved in the construction of the expansion of the NATO military base in Sigonella, Sicily.

Webuild does not appear to be involved in any of the other 16 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

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<sup>34</sup> VE scale of assessment: Isolated / Occasional / Frequent / Persistent.

<sup>35</sup> VE scale of assessment: Minor / Significant / High / Critical.

<sup>36</sup> VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

# METHODOLOGY

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In V.E' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E' Scientific Council.

## FRAMEWORK

### Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework/Bond has been evaluated by V.E according to the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles – July 2021 ("SLLP") and the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

### Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer's overall sustainability strategy and with the Issuer's sector's main sustainability challenges. KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the KPI's coverage.

### Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, disclosure and credibility of the means for achievement (including scope and geographical coverage of the means).

### Bond and Loan characteristics

Disclosure of the bond and/or loan characteristics' variation, meaningfulness of these variation (for alignment with SLBP only).

### Reporting

Reporting process formalisation and verification, data's accessibility.

### Verification

Verification of the performance against the SPTs and disclosure of the assurance reports.

## ISSUER

### Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

*NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.*

The Issuers ESG performance has been assessed by V.E on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).

- **Implementation:** coherence of the implementation (process, means, control/reporting).
- **Results:** indicators, stakeholders' feedbacks and controversies.

## Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable<sup>37</sup> sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, V.E' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

## Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

### V.E'S ASSESSMENT SCALES

Scale of assessment of the Issuer's ESG performance, the KPI(s) materiality and the associated SPT(s) ambition.		Scale of assessment of financial instrument's alignment with Sustainability-Linked Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles by adopting recommended and best practices.
	The selected KPI(s) reflects the most material issues for the Issuer's core sustainability and business strategy and address the most relevant environmental, social and/or governance challenges of the industry sector.		

<sup>37</sup> 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

	An advanced ambition is achieved when the SPT(s) can demonstrate the following: (i) alignment with the 2D scenario/recognized sector standards (when available) (ii) a top performance in comparison to sector peers, and (iii) an improvement of the company's performance.		
Robust	<p>Convincing commitment; significant and consistent evidence of command over the issues.</p> <p>The selected KPI(s) reflects material issues for the Issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector.</p> <p>A robust ambition is achieved when the SPT(s) can demonstrate at least two out of three of the following items: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.</p>	Aligned	The Instrument has adopted all the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.
Limited	<p>Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues.</p> <p>The selected KPI(s) does not appropriately reflect material issues for the Issuer's core sustainability and business strategy and partially address relevant environmental, social and/or governance challenges of the industry sector.</p> <p>A limited ambition is achieved when the SPT(s) can demonstrate only one out of three of the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.</p>	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles, but not all of them.
Weak	<p>Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues.</p> <p>The selected KPI(s) does not reflect material issues for the Issuer's core sustainability and business strategy and do not address relevant environmental, social and/or governance challenges of the industry sector.</p> <p>A weak ambition is achieved when the SPT(s) (i) is not aligned the 2D scenario/recognized sector standards (ii) is below the average performance of its sector peers, and (iii) shows a negative trend in the company's performance.</p>	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.





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