

This S&P Global Ratings Second Party Opinion (SPO) represents our opinion on whether the documentation of a sustainable finance framework or program aligns with certain third-party published sustainable finance principles, guidelines, and standards ("Principles"). This SPO does not assess the alignment of any individual transaction or financing with the Principles. For more details, please refer to the Analytical Approach and Analytical Supplement, available at [spglobal.com](https://www.spglobal.com) under [Sustainable Financing Opinions](#). An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings.

Second Party Opinion

Sacyr S.A. Sustainable Financing Framework

Sept. 6, 2023

Sacyr S.A. (Sacyr) is a multinational infrastructure and services company headquartered in Madrid. The company operates across the entire value chain of the infrastructure sector from tender, design, and financing, to asset construction, operation, and maintenance. Public-private partnerships (P3s) accounted for more than 88% of the company's 2022 EBITDA. Sacyr operates in several countries across Europe, the Americas, Oceania and other regions.

In our view, Sacyr's Sustainable Financing Framework, published on Sept. 6, 2023, is aligned with:

- ✓ Social Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Sustainability-Linked Bond Principles, ICMA, 2023
- ✓ Sustainability-Linked Loan Principles, LMA/LSTA/APLMA, 2023

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Issuer's Sustainability Objectives

Sacyr's 2021 strategic plan outlines its commitment to environmental and social sustainability. Sacyr has set goals such as carbon-neutrality by 2050, doubling the number of women in director positions, and doubling investment in corporate social responsibility projects by the end of the plan's life (2025). In 2021, it issued a social bond linked to infrastructure in Latin America, the region's first, and has since actively participated in sustainable finance markets.


Sacyr has since developed a joint use-of-proceeds and sustainability-linked financing framework to facilitate transparency, disclosure, and the integration of its sustainable financing initiatives. The framework applies mainly to activities in America, Europe, and Oceania. For sustainability-linked labeled debt within the framework's broad, open-ended list of instruments, the issuer plans to select only those for which the economic characteristics can vary depending on the achievement of the SPTs.

Selected Key Performance Indicators (KPIs) And Sustainability Performance Targets (SPTs)

KPI	SPT	Baseline	2022 performance
Absolute greenhouse gas emissions from own operations (scopes 1 and 2)	Reduce scope 1 and 2 emissions by 42% to 237,852 tons of carbon dioxide equivalent (tCO ₂ e) by 2030 (compared to 410,910.2 tCO ₂ e in 2020) (expressed in tCO ₂ e per GHG Protocol)	410,091.2 tCO ₂ e (2020)	373,542.28 tCO ₂ e

Second Party Opinion Summary


Use of proceeds

Alignment  Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Score Not aligned **Aligned** Strong Advanced

Sacyr commits to allocate the net proceeds from green and social financing instruments to finance or refinance the portfolio of eligible projects, assets, or services as defined in the framework. The company provides a clear description of eligible projects, their environmental and social objectives, as well as the relevant target populations for social projects. Sacyr commits to disclose the share of new financing versus refinancing, with a maximum lookback period of 36 months.


Process for project evaluation and selection

Alignment  Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP and SLP.

Score Not aligned **Aligned** Strong Advanced


Sacyr outlines the process for selecting eligible projects, which includes a profile analysis for each country in which it operates. Sacyr has an internal team of social and environmental experts to assist with the monitoring of ESG risks and controversies that might arise during the development of projects, and these risks are registered on an internal platform that stores the risk, impact, mitigation, and control procedures.

Management of proceeds

Alignment  Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Sacyr commits to track the net proceeds of financing instruments under the framework to ensure they are used within 24 months of incurrance of the debt. Temporarily unallocated funds will be held in the company's liquid portfolio, which includes cash, cash equivalents, and other liquid, marketable instruments.


Reporting

Alignment  Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Score Not aligned **Aligned** Strong Advanced


Sacyr commits to publish an annual report that will detail the allocation and impact of all eligible green and social projects, until full allocation. The annual report will also describe the projects as well as identify the target populations for relevant social projects. Sacyr commits to external verification for all nonfinancial data in its annual report.

Selection of key performance indicators (KPIs)

Alignment	 Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.
KPI	Absolute greenhouse gas emissions from own operations (scopes 1 and 2)

Not aligned
Aligned
Strong
Advanced


Calibration of sustainability performance targets (SPTs)

Alignment	 Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.
SPT	Reduce scopes 1 and 2 emissions by 42% to 237,852 tCO2e by 2030 (expressed in tCO2e compared to 410,910.2 tCO2e in 2020)

Not aligned
Aligned
Strong
Advanced


The SPT's trajectory illustrates the annual SPTs available for issuance under Sacyr's Sustainability Financing Framework.

Instrument characteristics

Alignment	 Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.
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The sustainability-linked facilities Sacyr will issue under this framework will be subject to a coupon adjustment if the applicable SPT is not met by the target observation date. The exact coupon adjustment will be detailed in the relevant transaction documentation.


Reporting

Alignment	 Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.
Score	

Not aligned
Aligned
Strong
Advanced

Sacyr commits to disclose the allocation of proceeds related to its sustainable portfolio in its integrated annual report, as well as impact reporting for green and social bond issuances. The report will also include performance of the KPI against the SPT for sustainability-linked issuances.

Post-issuance review

Alignment	 Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.
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Sacyr commits to have its Integrated Sustainability Report, which will contain data about the performance of each KPI against each SPT, verified by an external advisor.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Commitments score

Not aligned **Aligned** Strong Advanced

We consider Sacyr's overall use of proceeds commitments to be aligned.

Sacyr commits to exclusively use the proceeds from green and social instruments to finance, or refinance, in whole or in part, the portfolio of eligible projects outlined in the framework documentation.

The framework has eight environmental and three social categories, through which Sacyr aims to achieve its sustainability goals. The environmental categories are renewable energy, energy efficiency, green buildings, clean transportation, green technologies, sustainable water and wastewater, climate change adaptation, and circular-economy-adapted products and production. The social categories are affordable basic infrastructure, affordable housing, and access to essential services.

Sacyr provides a clear description of the eligible project categories, and we determine that each category contributes to at least one environmental or social objective and supports specific U.N. SDGs. For example, projects under the renewable energy category will include the production of electrical energy through photovoltaic panels and wind generators, which are expected to be connected to the local grids. This is also the case for the energy efficiency projects. Additionally, the design and construction of hydroelectric energy plants and agricultural and forest biomass derived from the maintenance of forests (no virgin forestry) are included. All projects will also comply with EU Directive 2018/2001 on the promotion of the use of energy from renewable sources.

Positively, several categories--including the design and construction of hydroelectric plants, green buildings rehabilitation, energy efficiency projects, and production of green hydrogen--rely on the criterion laid out in the EU taxonomy thresholds, even for projects expected to be located outside Europe.

Sacyr includes under the green buildings category a wide range of international certifications, including VERDE (three leaves), PASSIVHAUS (Classic), CES (certified building) and CEEQUAL in addition to BREEAM and LEED. Although all certifications incorporate considerations on the primary energy consumption or minimum level of energy savings as part of their methodologies, in some of these, this metric is only a portion of the total calculation to reach the certification.

Under the clean transportation category, Sacyr includes "net zero" and hydrogen fuel cell vehicles and machinery, as well recharging stations and other infrastructure related to these vehicles. We note positively that the company commits to select the most sustainable vehicle option that the market can offer.

Affordable housing projects will include residential buildings that allow citizens with lower incomes to buy or rent decent and adequate housing, as well as infrastructure designed to provide public services of accommodation and lodging, health care, and personal care to the elderly population. Income levels will be determined using the corresponding national authorities or agencies (such as central banks) in the relevant country, and elderly populations will be identified in accordance with definitions from the World Health Organization.

Sacyr will disclose the share of financing versus refinancing of the proceeds in its allocation reporting. For refinanced projects, the assets included may not exceed 36 months before the issuance date of the respective instrument. While this is market standard, short maximum lookback periods are better practice, in our view.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Sacyr's overall process for project selection and evaluation commitments to be aligned.

The framework clearly outlines the process that the company will use to determine how projects fit within eligible categories. The company's investment committee has the responsibility to evaluate the projects from their financial, strategic, technical, legal, environmental, and social perspectives, so as to then add them to the group's pipeline. In addition, specialists in the financial, legal, and sustainability departments will verify that projects comply with environmental and social standards, using a set of predefined evaluation parameters that include environmental impact studies and the support of subject matter experts. The company also carries out a profile analysis of each country in which it operates, which includes screening the country's legal framework.

Sacyr's social projects will fall into two main categories: development of infrastructure to improve the quality of life of the general population, and development of infrastructure aimed at a specific population. For the former, social financing will be allocated to projects located in countries with low gross national income, as defined by the World Bank. For the latter, the company will rely on definitions from international organizations and the national authorities of the country in question.

Sacyr has an internal team of environmental and social experts that will monitor ESG risks and controversies that may arise from the development of projects. Identified risks and controversies will be registered on an internal platform that stores information such as a description of the risk, its impact, and mitigation and control procedures.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Sacyr commits to track the net proceeds of green and social financing instruments to ensure that they are used exclusively to finance or refinance eligible projects. The proceeds of instruments issued under this framework will be managed according to their facility, which may include loans, bonds, and other transactional products such as lines of guarantee and supply chain financing. Sacyr commits to allocate all funds within 24 months of the incurrence of the debt, which we consider in line with market practices.

The company will hold unallocated funds temporarily in its liquid portfolio, which includes cash, cash equivalents, and/or other liquid marketable instruments, and features an exclusionary list that governs the use of these unallocated funds. In the case of divestment or if a project no longer meets the eligibility criteria, Sacyr intends to reallocate the funds to one or more other eligible project categories.

Second Party Opinion

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Sacyr's Sustainable Financing Framework is aligned with this component of the GBP, GLP, SBP, and SLP.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Sacyr's overall reporting practices to be aligned.


Sacyr commits to report annually on the allocation of net proceeds as well as the impact of the projects in the company's integrated annual report, until full allocation of proceeds. The report will be available on the company's website.

Allocation reporting will include a description of the projects, the total amount allocated to the sustainable portfolio, the total amount allocated to eligible green and social projects, and the share of new financing and refinancing. For social facilities, reporting will also include a description of the target populations. Sacyr will also disclose the actual impact of the financed projects. Impact metrics include avoided greenhouse gas emissions, annual electricity generation, and the number of people that benefit from affordable infrastructure.

Sacyr commits to have an external third party verify the contents of its annual sustainability report, which includes the information about the sustainable portfolio. The company also commits to align with the 2023 version of the Harmonized Framework for Impact Reporting for Green and Social Financings.

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as aligned, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer's sustainability disclosures; and how material it is to the issuer's industry and strategy.

-  Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

KPI	Absolute greenhouse gas emissions from own operations (scopes 1 and 2).	Not aligned	Aligned	Strong	Advanced
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We consider the KPI selected to be aligned with the Principles given that the scope, objective, and calculation methodology are clearly defined in the framework. The KPI, aimed at an absolute reduction in scopes 1 and 2 from own operations, contributes to the global effort to address climate change, which is a topic we consider material for the engineering and construction sector (see "Key Sustainability Factors: Capital Goods," published May 11, 2021, on RatingsDirect).


The KPI covers Sacyr and its subsidiaries and includes 100% of scopes 1 and 2 emissions from centers under the group's operational control (more than 90% of all centers). This KPI will support the company's goal of becoming carbon neutral by 2050 as a part of its Climate Change Strategy and Sustainable Action Plan. Scope 1 emissions are a result of Sacyr's direct activities, while indirect scope 2 emissions stem from the use of purchased electricity, heating, and cooling. For Sacyr, construction-related activities are the largest contributors to scope 1, while the activity of facilities related to the integral water cycle contributes significantly to scope 2 emissions. The KPI is one of the most used in the market, allowing for external benchmarking. Furthermore, it has been calculated according to the GHG protocol, which represents the most widely used international standard globally. We see as a strength that the KPI is expressed as a sustainability outcome rather than a financial proxy.

Sacyr's framework uses a market-based approach for scope 2 reporting. With market-based accounting, however, a reduction in a company's scope 2 emissions may not indicate improvements in national or global emissions. The location-based method of calculating emissions closely tracks reductions by the company and at a global level, making it the more useful of the two methods, in our view. Therefore, we believe having both location- and market-based disclosures is preferable, in addition to detailed accounting notes, when assessing an entity's scope 2 emissions performance. For more information, please refer to, "Purchased Energy Emissions In Second Party Opinions And ESG Evaluations," published March 23, 2023.

We consider the KPI to be material to the issuer's sustainability strategy, which centers primarily on increasing investment in sustainable projects and reducing greenhouse gas emissions. It will support the company's goal of becoming carbon neutral by 2050 as a part of its Climate Change Strategy and Sustainable Action Plan. Sacyr has conducted a materiality assessment exercise, which positioned "climate change and energy efficiency" as the most material topics for the organization. However, since scope 3 emissions account for most of Sacyr's total carbon footprint (over 85%), we view as a limitation that they are not included in the KPI. In our view, tackling scope 3 emissions will have a greater impact on Sacyr and its sector's decarbonization efforts.

Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as aligned, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence future performance.

 Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

SPT	Reduce scopes 1 and 2 emissions by 42% to 237,852 tCO2e by 2030 (expressed in tCO2e) compared to 410,910.2 tCO2e in 2020	Not aligned	Aligned	Strong	Advanced
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We consider the ambition, clarity, and characteristics of SPT 1 to be strong. The framework outlines annual SPTs and the timeline for achievement, from 2023 to 2030, and annual target observation dates.

The SPT is benchmarked against three years of Sacyr's performance, from 2020 to 2022, and is slightly more ambitious (historical performance average decrease of 4.6% versus the future targeted average decrease of 5.5%). We note that the decrease in emissions from 2016 to 2020 averaged 8.1% due to a large decrease between 2019 and 2020 (15.8%). Sacyr's emissions reduction targets are validated by the SBTi and align with what climate science deems necessary to limit global warming to 1.5°C. The company first achieved SBTi validation in 2020 and have thus chosen this year as the SPT baseline. Sacyr compiles an annual inventory of greenhouse gas emissions following the Greenhouse Gas Protocol methodology and has the data independently reviewed in accordance with the ISAE 3410 standard. SBTi validation allows for peer benchmarking across other global construction and engineering companies, and we assess Sacyr's reduction targets as in line with sector standards. Despite the SBTi validation, however, a substantial part of the company's decarbonization efforts may come from scope 2 emissions reductions through guarantees of origin or other certificates, which we consider weaker than other decarbonization strategies, because a reduction in scope 2 market-based emissions (that includes the impact of such certificates) may not indicate improvements in national or global emissions. This is consistent with Sacyr's current material reliance on renewable energy certificates for its operations in Spain.

Sacyr outlines its strategy to reach the SPT, which includes incorporating renewable energy, energy efficiency measures, and modernizing its vehicle fleet, as the company states in its integrated annual report. Its emissions reduction strategy will also include divestment from its services business line (which we understand currently represents 8% of emissions) and focusing on P3 infrastructure projects with low carbon intensity as its core business, in line with its climate change strategy.

Baseline Reduce scopes 1 and 2 emissions by 42% by 2030 (expressed in tCO2e compared to 410,910.2 tCO2e in 2020)

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
410,190 tCO2e	393,654 tCO2e	373,542 tCO2e	358,420 tCO2e	341,195 tCO2e	323,972 tCO2e	306,748 tCO2e	289,524 tCO2e	272,300 tCO2e	255,076 tCO2e	237,852 tCO2e
	Equivalent to 4% reduction	Equivalent to 5% reduction	Equivalent to 4% reduction	Equivalent to 5% reduction	Equivalent to 5% reduction	Equivalent to 5% reduction	Equivalent to 6% reduction	Equivalent to 6% reduction	Equivalent to 6% reduction	Equivalent to 7% reduction

Instrument characteristics

The Principles require disclosure of the type of financial and/or structural impact involving trigger event(s), as well as the potential variation of the instrument's financial and/or structural characteristics.

- ✓ Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

Sacyr discloses, in its sustainability-linked framework documentation, that instruments under the framework will be subject to a coupon step-up or step-down triggered by observed performance against the stated SPTs. The exact step-up or step-down amount will be outlined in the relevant documentation for each specific transaction. Sacyr references a fallback mechanism for when the SPTs cannot be calculated or observed in a satisfactory manner, but at this stage does not specify what the financial impact on the instruments would be. Therefore, the impact is expected to be specified in the respective financial documentation.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

- ✓ Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Sacyr's overall reporting practices to be strong.

Sacyr commits to reporting on the KPI and SPT in its integrated sustainability report, which is verified annually. This will enable investors to monitor the progress of all SPTs included in outstanding facilities. Each report will be available within 180 days from the end of each financial year, and will include the data for the previous year ended Dec. 31. Sacyr will provide all information regarding sustainability-linked facilities in its annual integrated sustainability report, including a sustainability confirmation statement with verification report attached.

We note that Sacyr commits to disclose any re-assessments of the KPI and/or restatements of the SPTs, which we see as a strong feature of the framework. Sacyr also says that it may choose to recalculate the baseline and/or SPT for changes that represent a modification of more than 10% in the baseline or SPTs and commits to amend the framework if this recalculation is to occur.

Post-issuance review

The Principles require post-issuance review commitments including the type of post-issuance third-party verification, periodicity, and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note: our second party opinion is not itself a post-issuance review.

- ✓ Sacyr's Sustainable Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.




Sacyr commits to obtain an independent and external post-issuance verification of its performance level against each SPT for each KPI. This information will be found in Sacyr's Integrated Sustainability Annual Report, which will be available on the company's website.





Mapping To The U.N.'s Sustainable Development Goals





The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.





We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Sacyr's Sustainable Financing Framework intends to contribute to the following SDGs:

KPI	SDGs		
Absolute greenhouse gas emissions (scope 1 and 2).			
	7. Affordable and clean energy§	9. Industry, innovation and infrastructure§	13. Climate action§

Use of proceeds	SDGs			
Renewable energy				
	7. Affordable and clean energy*	8. Decent work and economic growth*	9. Industry, innovation and infrastructure*	13. Climate action

Energy efficiency				
	7. Affordable and clean energy*	9. Industry, innovation and infrastructure*	11. Sustainable cities and communities	13. Climate action

Green buildings				
	7. Affordable and clean energy	9. Industry, innovation and infrastructure	11. Sustainable cities and communities*	13. Climate action

Second Party Opinion

Clean transportation



9. Industry, innovation and infrastructure



11. Sustainable cities and communities*



13. Climate action

Green technologies



13. Climate action

Sustainable water and wastewater management



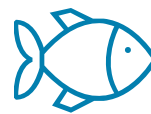
6. Clean water and sanitation*



11. Sustainable cities and communities*



12. Responsible consumption and production*



14. Life below water



15. Life on land

Climate change adaptation



13. Climate action*

Circular economy adapted products, production technologies and processes



12. Responsible consumption and production*

Affordable basic infrastructure



1. No poverty



3. Good health and well-being*



4. Quality education



6. Clean water and sanitation*



7. Affordable and clean energy*



8. Decent work and economic growth

9. Industry, innovation and infrastructure*

10. Reduced inequalities

11. Sustainable cities and communities*

Affordable housing



1. No poverty*



10. Reduced inequalities



11. Sustainable cities and communities*

Access to essential services



1. No poverty*



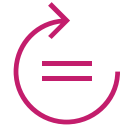
3. Good health and well-being*



6. Clean water and sanitation



9. Industry, innovation and infrastructure*



10. Reduced inequalities*



11. Sustainable cities and communities



12. Responsible consumption and production

*The eligible project categories link to these SDGs in the ICMA mapping.
 §The KPI is likely to contribute to the SDGs.

Second Party Opinion

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