

FCC MA GREEN FINANCING FRAMEWORK

DNV SECOND PARTY OPINION (SPO)

Scope and Objectives

FCC Servicios Medio Ambiente Holding (henceforth referred as "FCC MA") is a Spanish business group and one of the largest environmental services companies in the world, operating as fully owned subsidiary of Fomento de Construcciones y Contratas, S. A, an integrated and diversified group listed in the Spanish Stock Exchange Market since 1911. It is listed on the Spanish Continuous Stock Market and for a time its shares were part of the IBEX 35. FCC MA provides municipal services and integrated waste management and serves more than 66 million people in 5,200 municipalities. Today it provides urban sanitation services to Europe and America through FCC Medio Ambiente (urban services Spain), FCC Ámbito (industrial waste management and soil recultivation Spain), FCC Environment (UK), FCC Environment (CEE) and FCC Environmental Services (USA).

FCC Medio Ambiente has developed a Green Financing Framework (henceforth referred to as the "Framework" or "GFF"). The Framework enables issuance of green bonds, green loans and other financing instruments used for the development, construction, and operation of eligible assets and projects.

DNV GL Business Assurance España, S.L (henceforth referred to as "DNV") has been commissioned by FCC MA to provide a Green Bond and Green Loan eligibility assessment on the Framework. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the Sustainable Financing Instruments issued via the FCC MA's Framework, the value of any investments, the results of EU Taxonomy eligibility assessment, or the long-term environmental benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of FCC MA and DNV

The management of FCC MA has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform FCC MA management and other interested stakeholders in the Framework as to whether the Framework is aligned with Green Bond Principles 2021 (GBP) and the Green Loan Principles 2023 (GLP). In our work, we have relied on the information and the facts presented to us by FCC MA. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by FCC MA management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our green eligibility assessment methodology to create an FCC MA- specific Green Bond/Loan Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

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

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond/loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond/loan should outline the process it follows when determining eligibility of an investment using green bond/loan proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond/loan proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by FCC MA in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an FCC MA-specific Protocol, adapted to the purpose of the Framework, as described above and in Schedule 2 to this Assessment.
- Assessment of documentary evidence provided by FCC MA on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with FCC MA management, and review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV's opinion

DNV's findings are listed below:

1. Principle One: Use of Proceeds.

FCC MA intends to use the proceeds from issuance of Bonds/Loans to finance or re-finance green projects, as defined in Schedule 1, which contribute to the achievement of the SDGs, within the categories of:

Tier 1 activities related to the business core of the company:

- Pollution prevention and control
- Circular economy adapted products
- Energy efficiency
- Clean Transportation
- Terrestrial and aquatic biodiversity conservation
- Sustainable water and wastewater management

Tier 2 activities related to the Sustainability Strategy of the company and aligned to their commitments:

- Green Technologies
- Renewable energy
- Environmentally sustainable management of living natural resources and land use

All green projects, including those for re-financing, will be reviewed according to eligibility criteria as defined in Schedule 1. Existing Eligible Projects refers to assets initiated up to 3 years prior to the issuance of any Green Bond/Loan issued under this Framework.

Excluded projects for any green finance have been defined as:

- New landfills
- Incineration activities:
 - o Waste-to-energy (WtE) facilities that incinerate recyclable materials (included those WtE projects that only treat rejections of treatment facilities and / or non-recyclable materials from selective waste collection)
 - o WtE facilities with an R1 value of energy efficiency < 0.65

DNV concludes that eligible categories outlined in the Framework are consistent with the categories outlined in the GBP and GLP.

Eligibility according to EU Taxonomy

In addition to aligning the Eligible Green Project categories with the GBP and GLP, FCC MA has also determined the eligibility alignment of its economic activities with the EU Taxonomy. The following categories have been assessed:

EU Taxonomy category according to Annexes I and II – Regulation 2021/2139	Contribute to Climate Mitigation and Adaptation Description
5.3 Construction, extension and operation of wastewater collection and treatment	Operation of centralised wastewater systems including collection (sewer network) and treatment.
5.5. Collection and transport of non-hazardous waste in source segregated fractions	Separate collection and transport of non-hazardous waste in single or comingled fractions aimed at preparing for reuse or recycling.
5.7. Anaerobic digestion of bio-waste	Construction and operation of dedicated facilities for the treatment of separately collected bio-waste through anaerobic digestion with the resulting production and utilisation of biogas and digestate and/or chemicals.
5.8. Composting of bio-waste	Construction and operation of dedicated facilities for the treatment of separately collected bio-waste through composting (aerobic digestion) with the resulting production and utilisation of compost.
5.9. Material recovery from non-hazardous waste	Construction and operation of facilities for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials involving mechanical reprocessing, except for backfilling purposes.
5.10. Landfill gas capture and utilisation	Installation and operation of infrastructure for landfill gas capture and utilisation in permanently closed landfills or landfill cells using new or supplementary dedicated technical facilities and equipment installed during or post landfill or landfill cell closure.
6.13. Infrastructure for personal mobility, cycle logistics	Construction, modernisation, maintenance and operation of infrastructure for personal mobility, including the construction of roads, motorways bridges and tunnels and other infrastructure that are dedicated to pedestrians and bicycles, with or without electric assist.
7.3. Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting in installation, maintenance, or repair of energy efficiency equipment.

DNV notes that FCC MA has assessed in its Framework the percentage of activities that is eligible under Annexes I and II of the Commission Delegated Regulation 2021/2139 supplementing Regulation (EU) 2020/852. FCC MA has also identified examples of projects that would fall into the above categories.

DNV concludes that eligible categories outlined in the Framework are consistent with the categories outlined in the EU Taxonomy.

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

DNV reviewed the GFF which describes the process through which projects are evaluated and selected. FCC MA will set up a Green Financing Working Group (GFWG) to carry out the evaluation and selection process according to defined criteria for evaluation and selection.

DNV concludes that FCC MA has a well-established governance process in place, has appropriately described the process used to evaluate, select, and track all eligible projects to be financed, and that this is in line with the requirements of the GBP and GLP.

3. Principle Three: Management of Proceeds.

DNV has reviewed the Framework and evidence which states that use of proceeds of any Bond and Loan issuance will be directed to financing and re-financing FCC MA's green projects by FCC MA Group's Finance Department.

The net proceeds will be credited to eligible projects, tracked, and attested to by FCC MA through a green financing register that will be created for the purpose of monitoring the eligible projects/assets and the allocation of proceeds to these projects/assets.

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

DNV has reviewed evidence and can confirm that FCC MA has committed to appropriately managing the proceeds arising from future Green Financing Instrument issuances, and this is in line with the requirements of the GBP and the GLP.

4. Principle Four: Reporting.

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

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

DNV concludes that FCC MA has made appropriate plans to produce reporting on the allocation and the environmental impacts of the issuances and that this is in line with the requirements of the GBP and GLP.

Based on the information provided by FCC MA and the work undertaken, it is **DNV's opinion that the Framework meets the criteria established in the Protocol and that it is aligned** with the stated definition of **green bonds** within the Green Bond Principles 2021 and **green loans** within the Green Loan principles 2023.

for DNV GL Business Assurance España S.L.

Madrid, 27th July 2023



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About DNV

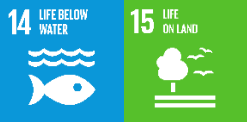


Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.





With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF CATEGORIES/ASSETS TO BE FINANCED

Eligible Sustainable Category	Description	Eligible Activities under EU Taxonomy	SDG
Tier 1 Activities related to the business core of the company			
<p>Pollution prevention and control</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Waste collection and management projects. <ul style="list-style-type: none"> o Collection and transport of waste in individual or mixed fractions with a view to preparing it for re-use or recycling. o Street cleaning and collection, transport and management of the resulting waste. - Waste-to-energy projects. <ul style="list-style-type: none"> o Generation of green energy from waste. - Waste processing projects. <ul style="list-style-type: none"> o Processing waste in a sustainable way, avoiding landfill, excluding biowaste composting facilities, tire recovery projects and glass treatment plants. - Soil remediation projects. 	<p>5.5. Collection and transport of non-hazardous waste 5.7. Anaerobic digestion of biowaste 5.9. Recovery of non-hazardous waste materials 5.10. Landfill gas capture 6.13 Infrastructure for personal mobility (road cleaning)</p>	
<p>Circular economy adapted products</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Waste processing facilities projects, to produce: <ul style="list-style-type: none"> o Compost o Glass with end of use condition. o Tire treatment products - Recyclable and refurbished materials, components, and products - Circular tools and services 	<p>5.8. biowaste composting 5.9. Recovery of non-hazardous waste materials</p>	

<p>Energy efficiency</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Investment in projects leading to increase in energy efficiency 	<p>7.3. Installation, maintenance, and repair of energy efficiency equipment</p>	
<p>Clean Transportation</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Procurement of electric vehicles: Zero-emission vehicles, greater energy efficiency and significant noise reduction. - Transformation and modernization of the fleet of vehicles from diesel as a traditional fuel, towards less polluting options such as: <ol style="list-style-type: none"> Natural gas: they have the advantage of a drastic reduction in other types of pollutant emissions, such as NOx, SOx, particulates and noise. Hybrid vehicles: electric vehicles that have an auxiliary combustion engine that recharges the batteries and increases range. They achieve a reduction in pollutant emissions and noise and are more efficient. 	<p>5.3. Operation of wastewater collection and treatment system 5.5. Collection and transport of non-hazardous waste 6.13 Infrastructure for personal mobility (road cleaning).</p>	

<p>Terrestrial and aquatic biodiversity conservation</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Beach and coastal cleaning and Preservation. - Cleaning and Preservation of Parks, Gardens and Green Areas. 	<p>-</p>	
<p>Sustainable water and wastewater management</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Wastewater treatment and sustainable urban drainage systems maintenance. - Cleaning and maintenance of ornamental fountains and drinking fountains 	<p>5.3. Operation of wastewater collection and treatment system</p>	
<p>Tier 2 activities related to the Sustainability Strategy of the company and aligned to their commitments.</p>			
<p>Green Technologies</p>	<p><u>Investments dedicated to:</u></p> <ul style="list-style-type: none"> - Energy storage systems - R&D in new clean technologies - Green hydrogen projects 	<p>-</p>	

<p>Renewable Energy</p>	<p><u>Investments dedicated</u> to:</p> <ul style="list-style-type: none"> - Construction, generation, or purchase of renewable energy from wind, solar. 	<p>7.3. Installation, maintenance, and repair of energy efficiency equipment</p>	 
<p>Environmentally sustainable management of living natural resources and land use</p>	<p><u>Investments dedicated</u> to:</p> <ul style="list-style-type: none"> - Preservation or restoration of natural landscapes. 	<p>-</p>	 

SCHEDULE 2: FCC MA-SPECIFIC GREEN BOND AND LOAN FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of bond	The bond/loan must fall in one of the following categories, as defined by the Green Bond/Loan Principles (GBLP): <ul style="list-style-type: none"> • Green Use of Proceeds Bond/Loan • Green Use of Proceeds Revenue Bond/Loan • Green Project Bond/Loan • Green Securitized Bond/Loan 	Evidence reviewed: <ul style="list-style-type: none"> – Green Financing Framework FCCMA July 2023 – Discussions with issuer 	The FCC MA Framework applies to Bonds/Loans falling in the category of a Green Use of Proceeds Bond/Loan.
1b	Green Project Categories	The cornerstone of a Green Bond/Loan is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.	Evidence reviewed: <ul style="list-style-type: none"> – Green Financing Framework FCCMA July 2023 – Discussions with issuer 	We conclude that the Framework describes the proposed utilization of proceeds and the eligible project categories.
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Evidence reviewed: <ul style="list-style-type: none"> – Green Financing Framework FCCMA July 2023 – Discussions with issuer 	The GFF outlines the expected environmental benefits that will be realised by this Bond/Loan issuance: <ul style="list-style-type: none"> – Pollution prevented – Convert waste to resource, recovering and recycling – Energy saved – Renewable energy produced

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> - GHG emissions avoided - Electricity storage capacity increased - Biodiversity and ecosystems protected and restored - Natural landscapes preserved and restored

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The issuer of a Green Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Green Bond/Loan proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories identified in the GBP/GLP; • The criteria making the projects eligible for using the Green proceeds; and • The environmental sustainability objectives 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> - Green Financing Framework FCCMA July 2023 - Sustainability Report Grupo FCC 2022 - Sustainability action plan FCC MA 23_26 - Sustainability Strategic Plan FCC MA 20_22 - Sustainability Strategy 2050 (Circular economy, climate and energy, water, biodiversity and pollution) - Management Policy FCC MA - CSR Policy FCC - Explicative Guide. Taxonomy Module for Sustainable Finances - Discussions with issuer 	<p>DNV concludes that FCC MA has a well-established governance process in place, has appropriately described the process used to evaluate, select, and track all eligible projects to be financed, and that this is in line with the requirements of the GBP and GLP.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2b	Issuer's environmental and social and governance framework	In addition to information disclosed by an issuer or a borrower on its Green Bond process, criteria and assurances, Green Bond/Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> - Green Financing Framework FCCMA July 2023 - Sustainability Report Grupo FCC 2022 - Sustainability action plan FCC MA 23_26 - Sustainability Strategic Plan FCC MA 20_22 - Sustainability Strategy 2050 (Circular economy, climate and energy, water, biodiversity and pollution) - Management Policy FCC MA - CSR Policy FCC - Explicative Guide. Taxonomy Module for Sustainable Finances - Discussions with issuer 	We conclude that, from the information provided and publicly available information, FCC MA's approach to managing environmental sustainability is in line with the objective of the Framework.

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green Bonds/Loans should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> - Green Financing Framework FCCMA July 2023 - Discussions with issuer 	We conclude that proceeds will be tracked in an appropriate manner and attested to by a formal internal process, which is documented in the Framework.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		issuer's lending and investment operations for Green Projects.		
3b	Tracking procedure	So long as the Green Bonds/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green investments or loan disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> Green Financing Framework FCCMA July 2023 Discussions with issuer 	We conclude that there is a clear process in place for the tracking of the balance taking disbursements into account.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> Green Financing Framework FCCMA July 2023 Discussions with issuer 	We conclude that FCC MA has disclosed how it will manage any unallocated proceeds within its liquidity portfolio.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond/Loan proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Evidence reviewed: <ul style="list-style-type: none"> – Green Financing Framework FCCMA July 2023 – Discussions with issuer 	DNV can confirm FCC MA has committed to annual reporting specific to any Bond and Loan issuance on the allocation of the expenditure and the balance remaining until the tracked proceeds are fully allocated to eligible projects. FCC MA has also committed to provide impact reporting on the expected environmental impacts of the eligible green projects financed. FCC MA clearly outlines the proposed impact indicators for each eligible category DNV concludes that this is in line with the requirements of the GBP and GLP.