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Second Party Opinion

Madinah 3, Buraydah 2, And Tabuk 2 Independent Sewage Treatment Plants

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Madinah 3, Buraydah 2, and Tabuk 2 are three independent sewage treatment plants (ISTPs) to be constructed in the cities of Madinah, Buraydah, and Tabuk, respectively, in Saudi Arabia. Each will be owned by one of three special-purpose vehicles (SPVs). Each SPV will act as a project company for the ISTP it owns and each will have three shareholders: Acciona Agua (35%), Tawzea (35%), and Tamasuk (30%). The SPVs, or project companies, will design, build, own, operate and transfer the ISTPs. The Saudi Water Partnership Company (SWPC), which facilitates the commercialization of water and electricity in Saudi Arabia, has signed an agreement with the project companies to procure the treated water from the ISTPs for the next 25 years.

Madinah 3 is expected to have a guaranteed influent treatment capacity of 200,000 m3/day; Buraydah 2 to have capacity of 150,000 m3/day; and Tabuk 2 to have capacity of 90,000 m3/day. The ISTPs are expected to expand and improve wastewater and sewage treatment services in Saudi Arabia.

In our view, the ISTPs Green Loan Framework published on March 7, 2022, is aligned with:

✔ Green Loan Principles, LMA/LSTA/APLMA, 2021

Issuer's Sustainability Objectives

The construction and operation of the ISTPs will aid in optimizing the use of water resources in Saudi Arabia by providing treated and renewable water to be used for agricultural purposes, therefore reducing the consumption of freshwater.

The ISTPs aim to support Saudi Arabia's Vision for 2030 program, given that demand for water is increasing in the region, and the country is promoting the optimization of water use.

In addition, photovoltaic solar panels installed on-site at each plant will generate renewable power that will partially cover that ISTP's daily energy consumption. Furthermore, no by-products will be wasted, as all sludge produced in the plants will be suitable for agricultural application and cement manufacturing and the biogas generated from the water-treatment processes will be used to produce electricity for self-consumption.

By incorporating those elements into the sewage treatment plants, the project companies aim to contribute jointly to the EU's objectives of the sustainable use of water and mitigation of climate change, while also addressing the United Nations' Sustainable Development Goals (UN SDGs) on water and clean energy.

The project companies have developed this Green Loan Framework to raise green loans that will be exclusively used to finance expenditures related to the eligible green assets associated with the treatment plants.

Second Party Opinion Summary

Use of proceeds

Alignment ✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles.

Score

Not aligned	Aligned	Strong	**Advanced**

The net proceeds will be used exclusively to finance the development, design, construction, and operation of three ISTPs in Saudi Arabia, and the procurement, installation, and operation of on-site renewable power generation for these plants. These activities fall under the GLP's eligible categories of sustainable water and wastewater management, eco-efficient and/or circular economy adapted products, production technologies and processes, and renewable energy. We consider that these projects contribute to the EU's objectives of sustainable use and protection of water and marine resources, and climate mitigation, and are also in line with the GLP's environmental objectives and the Sustainable Development Goals on water and clean energy (SDG 6 and 7).

Process for project evaluation and selection

Alignment ✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles.

Score

Not aligned	**Aligned**	Strong	Advanced

Each of the ISTPs will be built and operated in partnership by Acciona Agua, Tawzea, and Tamasuk, through separate SPVs and separate financing arrangements. The plants have been designed to comply with stringent technical requirements regarding the quantity and quality of discharged water. The project companies will identify and manage perceived social and environmental risks through the development of an environmental and social impact assessment (ESIA) and a certified consultant is required to perform an environmental risk study to obtain the required permits from the authority.

Management of proceeds

Alignment ✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles.

The project companies commit to place the proceeds of the green loans in a dedicated account and to earmark them for use by the SPVs. The loans will be drawn down in stages throughout the construction phase (2.3-2.7 years) and will be fully utilized in that timespan, or by the closing date of the green loan. Temporary unallocated proceeds will be held in short-term financial instruments, or in the ordinary bank accounts of the project companies, until deployed to the projects.

Reporting

Alignment ✔ The ISTP’s Green Loan Framework is aligned with this component of the Green Loan principles.

Score

Not aligned	Aligned	**Strong**	Advanced

The project companies commit to make available information on the allocation of proceeds, to be renewed annually until full drawn down, and as necessary afterward, in the event of material developments. If there are unallocated proceeds, the specific amount will be disclosed in a separate allocation report, which will be reviewed periodically by an independent external advisor. Furthermore, the companies commit to share with the relevant parties an annual impact report that will include information and metrics regarding the actual positive impact achieved, following the ICMA Harmonized Framework for Impact Reporting.

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.

✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles.

Commitments score

Not aligned	Aligned	Strong	**Advanced**

We consider the ISTPs' overall use of proceeds commitments to be advanced.

The net proceeds of the green loans will be used exclusively to finance expenditures related to the development, design, construction, and operation of three ISTPs in the cities of Madinah, Buraydah, and Tabuk in Saudi Arabia. The permitted expenditures will be defined within the loan documentation, and will include the procurement, installation, and operation of on-site renewable power generation for these plants. These activities fall under the GLP's eligible categories of sustainable water and wastewater management, eco-efficient and/or circular economy adapted products, production technologies and processes, and renewable energy.

We consider that by expanding and improving the wastewater and sewage treatment services, these projects will contribute to the protection and sustainable use of freshwater in the area, in line with the environmental objectives set by the EU, the GLP and the SDGs on the sustainable use of water and protection of water and marine resources.

In addition, the installation of solar PV panels to supply renewable energy to the plants (8%, 47% and 57% of the daily electricity consumption in Madinah 3, Buraydah 2, and Tabuk 2, respectively) will reduce the projects' carbon footprint, which we consider will contribute to the objectives set by the EU, the GLP and the SDGs on climate change mitigation and clean energy.

By incorporating on-site renewable energy generation to the ISTPs, we anticipate that the project companies will stimulate the expansion of renewable energy generation in the country, providing an additional sustainable benefit that we view as a strength of the projects.

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.

✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles.

Commitments score

Not aligned	**Aligned**	Strong	Advanced

We consider the ISTPs' overall process for project evaluation and selection commitments to be aligned.

The plants have been designed to comply with stringent technical requirements regarding the quantity and quality of discharged water, and as such we expect them to satisfy the needs of the local farmers who will ultimately use the discharged water. The project companies commit to identify and manage perceived social and environmental risks through the development of an ESIA, as well as through a health and safety study, an operational safety study, and others if deemed necessary. Such assessments include the development of suitable mitigation plans to potential social and environmental risks associated with the projects, which we view as being in line with the Principles. Furthermore, the project companies have identified and established additional controls to mitigate adverse effects related to odor, noise, and by-products, which we view as a good practice. Finally, the project companies will have an environmental risk study performed by a certified consultant to obtain the required permits from the authority.

We acknowledge that the three ISTPs that will be financed through the green loans fit the eligible categories of sustainable wastewater management and renewable energy aligned with the GLP. However, the framework does not provide substantial information on the process by which the eligible projects have been selected and evaluated, nor does it identify the internal or external bodies, teams, or committees responsible for the process, which limits our assessment.

The framework states that the eligibility criteria are in line with the list of activities included in the EU Taxonomy Climate Delegated Act (Annex 1) and comply with the draft report on the preliminary recommendations for the Sewerage - Urban Wastewater Treatment technical screening criteria, which we view as a strength in the selection of the projects.

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.

✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles.

The project companies commit to placing the green loan proceeds in a dedicated account and to earmarking them for the SPVs following the structured drawdown requirements for each project. The loans will be drawn down in stages throughout the construction phase, which is expected to last for 2.3-2.7 years. The funds will periodically be adjusted following the drawdown schedule and they will be fully utilized during the construction phase or before the green loans are paid down.

Temporary unallocated proceeds will be held in short-term financial instruments or in the ordinary bank accounts of the project companies, until fully deployed to the projects. We view all practices described here as aligned with the requirements set by the Green Loan Principles.

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 postissuance reporting.

✔ The ISTP's Green Loan Framework is aligned with this component of the Green Loan principles

Disclosure score

Not aligned	Aligned	**Strong**	Advanced

We consider the ISTP's overall reporting practices to be strong.

The project companies commit to make available information on the allocation of proceeds and to renew the information annually until the funds are fully drawn, and as necessary after that, in the event of material developments. If there are unallocated proceeds, the specific amount will be disclosed in a separate allocation report. An independent external technical advisor will verify the allocation of proceeds and will also receive a quarterly project development report from the project companies, which we view as a strong practice.

The framework includes information on the expected positive impact of the projects, which we view as positive. For example, it includes the average daily treatment capacity of each plant and that 95% of the wastewater being treated is expected to be saved. The remaining 5% includes the water used for internal purposes and that lost through evaporation from the sludge drying processes. The project companies predict that Medinah 3's average capacity will reach 200,000 m3/day--and it may be expanded to 375,000 m^3/day--while Buraydah 2 will have an average capacity of 150,000 m^3/day, and Tabuk 2's average capacity will be 90,000 m^3/day.

The project companies also commit to share with the relevant parties an annual impact report that will include information on the progress and positive impact of the ISTPs, including, if possible, quantitative metrics on the actual impact. In our view, the project companies' commitment to include both the expected and actual impacts increase transparency for investors and is a strength of the framework.

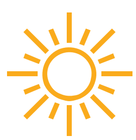
The project companies will also include information on the methodology and assumptions used to evaluate the impact of the plants and will report following the GRI standards for sustainability and the waste management and water utilities and services specific standards by SASB. Additionally, they intend to align with ICMA's Harmonized Framework for Impact reporting and have provided KPIs supported by it. We view these as indicating the strength of their reporting commitments.

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.

The ISTP's Green Loan Framework intends to contribute to the following SDGs:

Use of proceeds	
Sustainable water and wastewater management	 ***6. Clean water and sanitation**
Eco-efficient and/or circular economy adapted products, production technologies and processes	 **6. Clean water and sanitation**
Renewable energy	 ***7. Affordable and clean energy**

*The eligible project categories link to these SDGs in the ICMA mapping.

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