Second Party Opinion

Brisa Concessao Rodoviaria S.A. Sustainability-Linked Financing Framework

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Brisa Concessao Rodoviaria (BCR) holds the main Portuguese road network concession. It manages concession contracts for motorway construction, road maintenance and operations, infrastructure planning and development, and service area operations. The network concessioned to BCR includes 1,124 kilometers distributed over 12 motorways in Portugal. The concession will end in 2035. BCR is the main asset of Brisa Group, a mobility operator, and is responsible for about 80% of the group's revenue.

In our view, BCR's Sustainability-Linked Financing Framework, published Sept. 6, 2024, is aligned with:

✓ Sustainability-Linked Bond Principles, International Capital Market Association (ICMA), 2024

✓ Sustainability-Linked Loan Principles, LMA/LSTA/APLMA, 2023

Issuer's Sustainability Objectives

BCR has committed to environmental, social, and governance targets to align with those of parent company Brisa Auto-Estradas de Portugal's (Brisa's) Vision 28 Strategic Plan, which aims to further embed sustainability into the company's business model and culture. With Vision 28, BCR aims to reduce the number of deaths and serious injuries in road accidents by 50% by 2030 from 2019 levels, and ultimately to zero. Furthermore, the strategic plan aims to promote diversity, equality, and inclusion by implementing a gender equality plan and achieving full convergence between women in the workforce and women in leadership positions by 2030, namely to achieve 39% of leadership positions held by women by 2029 . It also includes a sustainability governance model, a human rights policy, and support for the UN Guiding Principles on Business and Human Rights.

In 2023, the company revised its strategic sustainability goals within Vision 28:

- It revised its scope 1 and 2 emissions reduction target to 60% by 2030, raising further its ambition of a 1.5 C decarbonization trajectory-- in line with the Paris Agreement objectives.
- BCR aims to achieve net zero emissions by 2040.

- The company commits to achieve level 3 in Biodiversity Action in High Nature Value areas on motorway verges and Circular Economy Action, both by 2028 from a 2022 baseline.
- It aims to reduce the Lost Time Injury Frequency Rate (LTIFR) to 7.5 or lower by 2030, with a 2021 baseline.

In our view, these targets complement BCR's previous ones for health and safety, gender diversity, and upped BCR’s previous ambitions on carbon emission reductions, and address some of the group’s most relevant exposure to social and environmental risks.

BCR has developed a sustainability-linked financing framework to help align its funding strategy with its sustainability commitments.

The framework includes a wide portfolio of financing instruments, which BCR says will include bonds, loans, and other sustainability-linked financing instruments such as commercial paper and revolving credit facilities.

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

KPI	SPT	Baseline (2021)	2023 performance
Absolute scopes 1 and 2 greenhouse gas (GHG) emissions	Reduce absolute scopes 1 and 2 GHG emissions (expressed in thousand tons of carbon dioxide [CO2] equivalent [ktCO2e]) by 60% by 2030.	6.15 ktCO2e	0.61 ktCO2e
LTIFR	Lower the LTIFR to 7.5 or below by 2030.	15.9	15.1
Women in leadership positions	Increase the percentage of women in leadership roles to 39% by 2030.	34%	31%

Second Party Opinion Summary

Selection of key performance indicators (KPIs)

Alignment ✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

KPI 1	Absolute scopes 1 and 2 GHG emissions	Not aligned [✓ Aligned] Strong Advanced
KPI 2	LTIFR	Not aligned [✓ Aligned] Strong Advanced
KPI 3	Women in leadership positions	Not aligned [✓ Aligned] Strong Advanced

Calibration of sustainability performance targets (SPTs)

Alignment ✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

SPT 1	Reduce scopes 1 and 2 GHG emissions by 60% by 2030 from 6.15 ktCO2e in 2021	Not aligned [✓ Aligned] Strong Advanced
SPT 2	Reduce the LTIFR to 7.5 or less by 2030, from 15.9 in 2021.	Not aligned [✓ Aligned] Strong Advanced
SPT 3	Increase the percentage of women in leadership functions to 39% by 2030 from 34% in 2021.	Not aligned [✓ Aligned] Strong Advanced

BCR's sustainability-linked financing framework includes annual intermediary targets for each SPT.

Instrument characteristics

Alignment ✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

The instruments BCR will issue under this framework will be linked to the company's sustainability performance via target monitoring. The instruments will be subject to a margin adjustment or a variation in the financial or structural characteristics, which will be defined in each transaction documentation. The issuer commits to disclose in the documentation a reference to the fallback mechanism.

Reporting

Alignment ✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

Score: Not aligned [✓ Aligned] Strong Advanced

BCR commits to disclosing its performance against its SPT annually in a sustainability confirmation statement, which will be available on its website. The company also commits to notify lenders about the impact, including its timing, on the loan's economic characteristics.

Post-issuance review

Alignment ✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

BCR commits to having an independent third party verify its performance annually against the selected SPTs annually until the maturity of any sustainability-linked financing instrument outstanding, with a reasonable assurance.

Framework Assessment

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.

✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

KPI 1 Absolute scopes 1 and 2 GHG emissions

Not aligned	**Aligned**	Strong	Advanced

The KPI's scope is clear. It includes all emissions from sources owned by BCR, namely Brisa Operations and Maintenance (Brisa O&M); Brisa Infrastructure management (BGI), with which it has a service contract; and Brisa Service Areas (BAS), with which it has a subconcession contract.

The KPI's objective is to help achieve the goals in its Vision 28 Strategic Plan, which aims to reach carbon neutrality by 2040.

The KPI and the sustainability challenge of reducing emissions in the transportation sector are linked. According to IEA, roads contributed to more than 70% of global CO2 emissions from transport in 2022. Road operators grapple with large direct and indirect carbon emissions (for more information, see our "ESG Materiality Map for Transportation Infrastructure").

We view positively that the target is in absolute terms and that BCR's emissions accounting follows the Greenhouse Gas Protocol. However, it accounts for scope 2 emissions using a market-based method, which might not indicate improvements in emissions because it allows companies to report emissions based on contracted agreements with energy suppliers for any procured renewable energy. We view the location-based method of calculating emissions as more useful than the market-based approach because it closely tracks reductions at the company and global levels. (For more information, see "Purchased Energy Emissions In Second Party Opinions and ESG Evaluations," published March 23, 2023, on RatingsDirect.)

The KPI excludes the most material scope 3 emissions, which account for almost 98% of BCR's overall carbon footprint in 2023, limiting the impact of its decarbonization efforts. According to ICMA KPI Registry, Scope 1, 2 and 3 GHG emissions are a core indicator for toll road operators. The company started reporting its scope 3 emissions in 2022 and is working on setting reduction targets.

Finally, BCR has disclosed historical data related to this KPI's performance since 2020, with all data externally verified, which we view positively.

KPI 2 Lost Time Injury Frequency Rate (LTIFR)

Not aligned	**Aligned**	Strong	Advanced

The KPI covers BCR personnel and direct partners' employees who provide support services, namely those working for Brisa O&M, BGI, and BAS.

The KPI measures LTIFR per 1 million hours worked and is an International Labor Organization indicator, which we view positively because it allows for external benchmarking.

This KPI relates to a sustainability challenge facing the transportation sector. The health and safety of employees and passengers is critical given that the transportation industry sees regular incidents and accidents, especially on roads. Unlike other safety metrics, the LTIFR is an indicator of loss of productivity and cannot consistently indicate the extent of harm caused by an incident and its consequences for the workforce.

Employee health and safety is a prominent issue in BCR's materiality assessment given its employees' exposure to risks connected to roads with uninterrupted traffic, notably during maintenance works. However, this KPI excludes road safety, which in our view is the company's most material issue on this front.

The LTIFR target has been added to the issuer's strategy, in line with Vision 28. We view positively that historical data related to this KPI's performance has been disclosed since 2020, with all data externally verified.

KPI 3	Percentage of women in leadership positions	Not aligned	**Aligned**	Strong	Advanced

The KPI covers BCR personnel and direct partners' employees' who provide support services, namely those working for Brisa O&M, BGI, and BAS.

KPI 3 is connected to a sustainability challenge in the transportation sector: reliance on a skilled and diverse workforce. However, according to the ICMA, the percentage of women at management level is a secondary KPI, so it is not considered in BCR's materiality matrix.

BCR considers leadership positions those involving team management and carry the responsibility to implement and develop projects and processes, namely operations managers, team leaders, senior team leaders, directors, deputy directors, and coordinating directors, using self-reported and externally verified data. We view favorably that the company has monitored and published its progress relative to this KPI, in accordance with Global Reporting Initiative Standards.

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.

✓ BCR’s Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

SPT 1	Reduce scopes 1 and 2 emissions by 60% in 2030 compared to 6.15 ktCO2e in 2021	Not aligned	**Aligned**	Strong	Advanced

The framework clearly outlines annual SPTs and the timeline for target achievement, from 2024-2030, and annual target observation dates. We positively view that the issuer has increased ambition to achieve scope 1 and 2 emission reduction of 60% compared with the previous 42%.

BCR has outlined that its decarbonization strategy entails improvement in energy efficiency, electrification of BCR road fleet, and increase in renewable electricity consumption. The latter includes both the growth of self-generation of renewable energy, and renewable energy purchases. There is some uncertainty related to the contractual models that could be used for these purchases because BCR is still evaluating them. Options could include either virtual or physical power purchase agreements (PPAs), green tariffs, and unbundled sourcing of certification requirements. Generally, we consider PPAs stronger that other contractual agreements, while also accounting for the specific agreement and corresponding local electricity market conditions when assessing its emissions-abatement potential and additionality (for more information, see "Purchased Energy Emissions In Second Party Opinions and ESG Evaluations," published March 23, 2023, on RatingsDirect).

The significant contribution of certificates of guarantees of origin to all electricity purchased in 2023 has reduced BCR’s scope 2 emissions to zero (under the market-based approach), which might not reflect the company’s decarbonization effort, also due to the chosen reporting method. We see energy attribution certificates have so far been insufficient to meet additionality given that while a company pays to claim their electricity comes from a utility’s renewable energy sources, it still receives the same electricity supply as before and it may come from fossil sources (see "Purchased Energy Emissions In Second Party Opinions and ESG Evaluations"). However, we expect the company will focus on achieving the target by increasing its renewable energy generation capacity and use of PPAs, whereas certificates of origin will only be used on a residual basis.

BCR's strategy to reach the SPTs also relies on energy efficiency measures such as LED technology lighting, renewable energy generation, and its vehicle fleet's electrification, but the company has not set specific thresholds, which adds uncertainty around the scope of these measures. Historically, there has been limited onsite renewable energy generation (in 2023, renewable self-production from solar photovoltaic systems installed in the BCR infrastructure supplied 1% of total consumption) and slight energy efficiency improvements (with energy consumption down 4% in 2023 from 2021 levels).

Baseline							
2021	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
6.15 ktCO2e	4.93	4.52	4.11	3.70	3.28	2.87	2.46
Cumulative reduction	-20%	-27%	-33%	-40%	-47%	-53%	-60%

SPT 2	Reduce the LTIFR to 7.50 or less by 2030, from 15.9 in 2021.	Not aligned	**Aligned**	Strong	Advanced

The framework clearly outlines annual SPTs, including the timeline for target achievement, from 2024-2030, and annual target observation dates.

The final SPT is to reduce the LTIFR to 7.50 or less by 2030, from 15.9 in 2021. With an average annual decline of 9.36%, the trajectory to 2030 shows an improvement from BCR's historical 2.5% average yearly reduction from 2019-2023.

BCR will implement safety initiatives, review road works procedures to improve safety management systems for ISO 45001 certification, provide safety training, and enhance vehicle markings to improve visibility in meeting its SPTs.

Baseline	**Reduce the LTIFR to 7.50 or less by 2030 from 15.9 in 2021.**						
2021	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
15.9	≤12.5	≤11.5	≤11.0	≤10.5	≤10.0	≤9.0	≤7.5
Cumulative reduction	22%	28%	31%	34%	37%	44%	53%

SPT 3	Increase the percentage of women in leadership functions to 39% in 2030 from 34% in 2021.	Not aligned	**Aligned**	Strong	Advanced

The framework clearly outlines annual SPTs and the timeline for target achievement, from 2024-2030, and annual target observation dates.

BCR aims to converge the percentage of women in its workforce and of its direct partners in 2021 (34%) with the percentage of women in leadership positions by 2029 (39%) and consolidate it in

2030. With an average annual increase of 1 percentage point (pp), the trajectory to 2030 shows an improvement from the company's historical and flat performance from 2019-2023. BCR might adjust the 2030 target if, for two consecutive years, the percentage of women in its and its partners overall workforce increases, to ensure convergence. However, it didn't include a peer benchmark, which constrains our assessment.

BCR describes its strategy to reach the SPTs. The company will not use quotas to achieve them instead promoting changes to its human resources management culture and processes. BCR adds that it will promote gender equality when starting recruitment processes, identify women who could be candidates, integrate them into succession plans, and prepare women for top management positions by defining personal development plans and including women in development initiatives.

Baseline	**Increase the percentage of women in leadership functions to 39% in 2030, compared to 34% in 2021**						
2021	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
34%	33%	35%	36%	37%	38%	39%	39%
Cumulative increase	-1 pp	1 pp	2 pp	3 pp	4 pp	5 pp	5 pp

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.

✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

BCR has disclosed that the remuneration of instruments issued under this framework will be linked to the observed sustainability performance against the stated SPTs. The margin adjustment mechanism or other variation in the financial or structural characteristics will be specified in the transaction's relevant documentation (for example, the final terms of a sustainability-linked bond or the facility agreement of a sustainability-linked loan). BCR does not reference a fallback mechanism, although it has already defined annual SPTs, in line with the requirements of the Sustainability-Linked Loan Principles. The issuer commits to specify in each transaction's documentation the related fallback mechanism.

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.

✓ BCR's Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

Disclosure score Not aligned **Aligned** Strong Advanced

We consider BCR's overall reporting practices aligned with the principles.

BCR commits to communicate annually on all KPIs and SPTs in a sustainability confirmation statement, which it will publish on its website, along with an external verification report. BCR will also provide information on the performance of the selected KPIs and relevant information to enable investors to monitor progress against the SPTs. The company will report to lenders the impact on the SPTs on the loan's economic characteristics for the relevant year as well as the timing of that impact.

Given that there is not a strong commitment to disclose factors that could affect the KPI's performance, report the sustainability impacts of the performance improvement, or disclose the KPI's reassessments, we limit our assessment to aligned.

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.

✓ BCR’s Sustainability-Linked Financing Framework is aligned with this component of the SLBP and SLLP.

BCR commits to obtaining an independent and external post-issuance verification of its annual performance against SPTs, with reasonable assurance. The company will publish the reasonable assurance report along its annual sustainability confirmation statement on its website.

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