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Second Party Opinion

Brisa Concessão Rodoviária, S.A. Sustainability-Linked Financing Framework

Sept. 04, 2023

Brisa Concessão Rodoviária (BCR) holds the main Portuguese road network concession. BCR manages concession contracts for motorway construction, road maintenance and operations, infrastructure planning and development, and service area operations. According to the contract with the Portuguese government, the concession will end in 2035.

In our view, BCR's Sustainability-Linked Financing Framework, published on [Sept. 4, 2023](#), is aligned with:

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

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Issuer’s Sustainability Objectives

BCR has committed to environmental, social, and governance targets to align with parent company Brisa Auto-Estradas de Portugal (Brisa)'s Vision 25 Strategic Plan, which aims to more deeply embed sustainability into the company's business model and culture by 2025.

BCR aims to reduce its scopes 1 and 2 greenhouse gas emissions, restore and regenerate biodiversity and ecosystems, apply circular economy principles to its supply chain, reduce fatalities and serious injuries from road accidents, promoting work-life balance for staff, ensure compliance with UN Human Rights commitments, and improve gender representation in leadership and top management positions.

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

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

KPI	SPT	Baseline (2021)	2022 performance
Absolute scopes 1 and 2 greenhouse gas (GHG) emissions	Reduce absolute scopes 1 and 2 GHG emissions (expressed in thousand tons of CO2 equivalent, ktCO2e) by 42% by 2030	6.16 ktCO2e	7.61 ktCO2e
Lost Time Injury Frequency Rate (LTIFR)	Lower LTIFR to 7.5 or below by 2030	15.94	13.98
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 42% by 2030 from 6.16 ktCO ₂ e in 2021	Not aligned	Aligned	Strong	Advanced
SPT 2	Reduce LTIFR to 7.5 or less by 2030, from 15.94 in 2021.	Not aligned	Aligned	Strong	Advanced
SPT 3	Increase the percentage of women in leadership functions to 39% by 2030, compared to 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 BCR's sustainability performance by the target observation. The instruments will be subject to a margin adjustment or a variation in the financial and/or structural characteristics, which will be defined in each transaction documentation. The framework does not reference a 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. BCR also commits to notify the lenders about the impact, and timing of the impact, 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.

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
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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 sub-concession contract.

The KPI's objective is to help Brisa achieve the objectives of its Vision 25 Strategic Plan, which aims to reach carbon neutrality by 2045.

There is a link between the KPI and the sustainability challenge of reducing emissions in the transportation sector. 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 (see our "[Key Sustainability Factors for Transportation](#)").

We view positively that the target is set in absolute terms and that BCR's emissions accounting follows the Greenhouse Gas Protocol. However, scope 2 emissions are accounted using a market-based method. We would view as better practice if BCR's reporting used both location-based and market-based methods (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 90% of BCR's overall carbon footprint, therefore limiting the impact of its decarbonization efforts. We understand the company started calculating its scope 3 emissions in 2022, and is working on setting reduction targets.

KPI 2	Lost Time Injury Frequency Rate (LTIFR)	Not aligned	Aligned	Strong	Advanced
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The KPI covers BCR personnel, as well as direct partners' employees who provide support services, namely those working for Brisa O&M, BGI, with whom it has a service contract, and BAS, a sub-concession contract.

The KPI measures LTIFR per one million hours worked and is an International Labor Organization (ILO) indicator, which we view positively as it allows for external benchmarking.

This KPI is related 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 (see "[Key Sustainability Factors for Transportation](#)").

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 is BCR's most material topic and is one of the target areas of its sustainability strategy.

Second Party Opinion

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


The KPI covers BCR personnel, as well as direct partners' employees' who provide support services, namely those working for Brisa O&M, BGI, with whom it has a service contract, and BAS, a sub-concession contract.

KPI 3 is connected to a sustainability challenge in the transportation sector: reliance on a skilled and diverse workforce (see "[Key Sustainability Factors for Transportation](#)"). However, gender diversity is not among the most relevant issues the sector faces, according to ICMA, and is not an issue considered in BCR's materiality matrix.

BCR considers leadership positions to be those that involve 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.

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 42% in 2030 compared to 6.16 ktCO₂e in 2021 Not aligned **Aligned** Strong Advanced

The framework clearly outlines annual SPTs and the timeline for target achievement, from 2023 to 2030, and annual target observation dates.

The SPT is to reduce scopes 1 and 2 emissions by 42% by 2030 compared to 6.16 ktCO₂e in 2021. With an average annual decline of 8.7%, the trajectory to 2030 shows an improvement compared to BCR's historical performance of a 1.2% average yearly reduction between 2019 and 2022.

We also view favorably that BCR's SPT for 2030 was derived using the Absolute Contraction Approach aligned with the 1.5°C decarbonization trajectory developed by the Science-Based Targets initiative, which BCR's parent company, Brisa, committed to in March 2023. There was no peer benchmark, which limits our assessment to aligned.

BCR also outlines its strategy to reach the SPTs, relying on energy efficiency measures such as LED technology lighting, on renewable energy generation, and on its vehicle fleet's electrification. The issuer commits that the purchase of Guarantees of Origin certificates will be minimal.

Baseline	Reduce scope 1 and 2 emissions by 42% in 2030 compared to 6.16 ktCO ₂ e in 2021							
2021	2023	2024	2025	2026	2027	2028	2029	2030
6.16 ktCO ₂ e	5.58	5.30	5.01	4.72	4.43	4.15	3.86	3.57
Cumulative reduction	9%	14%	19%	23%	28%	33%	37%	42%

Second Party Opinion

SPT 2 Reduce LTIFR to 7.5 or less by 2030, from 15.94 in 2021.

Not aligned

Aligned

Strong

Advanced

The framework clearly outlines annual SPTs, including the timeline for target achievement, from 2023 to 2030, and annual target observation dates.

The final SPT is to reduce LTIFR to 7.5 or less by 2030, from 15.94 in 2021. With an average annual decline of 7.4%, the trajectory to 2030 shows an improvement compared to BCR's historical 6.1% average yearly reduction between 2019 and 2022.

BCR conducted a sector peer benchmarking. We acknowledge the challenges of this exercise given that some peers rely on third-party contractors. However, peers selected do not have targets or use different KPIs (such as frequency rates), so it does not allow for a comparison.

BCR will implement new 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 to meet its SPTs.

Baseline Reduce LTIFR to 7.5 or less by 2030, from 15.94 in 2021.

2021	2023	2024	2025	2026	2027	2028	2029	2030
15.94	13	12.5	11.5	11	10.5	10	9	7.5
Cumulative reduction	18%	22%	28%	31%	34%	37%	44%	53%

SPT 3 Increase the percentage of women in leadership functions to 39% in 2030, compared to 34% in 2021.

Not aligned

Aligned

Strong

Advanced

The framework clearly outlines annual SPTs and the timeline for target achievement, from 2023 to 2030, and annual target observation dates.

BCR aims to converge the percentage of women in its workforce in 2021 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 compared to BCR's historical and flat performance between 2019 and 2022. BCR might adjust the 2030 target if, for two consecutive years, the percentage of women in its overall workforce increases, to ensure convergence. However, the Issuer didn't include a peer benchmark, which constrains our score.

BCR describes its strategy to reach the SPTs. The company will not use quotas to achieve them but, rather, it will promote 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 potential candidates, integrate them into existing succession plans, and prepare women for top management positions by defining personal development plans and including them in development initiatives.

Baseline Increase the percentage of women in leadership functions to 39% in 2030, compared to 34% in 2021

2021	2023	2024	2025	2026	2027	2028	2029	2030
34%	32%	33%	35%	36%	37%	38%	39%	39%
Cumulative change	-2pp	-1pp	1pp	2pp	3pp	4pp	5pp	5pp

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 discloses that the remuneration of the 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 and/or structural characteristics will be specified in the relevant documentation of each specific transaction (for example, the final terms of any sustainability-linked bond or the facility agreement of any sustainability-linked loan). BCR does not reference a fallback mechanism though.

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 to be aligned with the principles.

BCR commits to communicate annually on all KPIs and SPTs in a sustainability confirmation statement, which will be published 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. BCR will also report to its lenders the impact of the performance against the SPTs on the loan's economic characteristics for the relevant year as well as the timing of such an impact.

Given that there is not a strong commitment to disclose the drivers that could affect the KPI's performance, to report the sustainability impacts of the performance improvement, or to disclose the re-assessments of the KPIs, our assessment is 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. BCR will publish its assurance report, along its annual sustainability confirmation statement on its website.

Second Party Opinion

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