

Second Party Opinion

Mota-Engil's Sustainability-Linked Bond Transaction

Nov. 10, 2021

Portugal-headquartered engineering and construction company Mota-Engil operates mainly in the infrastructure sector. In 2020, it derived its €2.43 billion in revenue from four main segments: Engineering and Construction, focusing on carrying out engineering works, including roads, bridges, airports, and dams; Environment and Services, involved in urban waste collection and management; Mining; and Transport Concessions. It operates in 25 countries across Europe (43% of revenue), Africa (31%); and Latin America (26%).

In our view, Mota-Engil's sustainability-linked bond transaction, published on Nov. 10, 2021, is aligned with:

- ✓ Sustainability-Linked Bond Principles, ICMA, 2020

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Issuer's Sustainability Objectives

Mota-Engil started reporting on its sustainability initiatives and performance in 2006 and has recently defined a new strategic plan for 2022-2026, including sustainability and innovation as one of its five axes, which is in alignment with the U.N.'s 2030 Agenda for Sustainable Development and Sustainable Development Goals (SDGs). In 2019, Mota-Engil conducted a materiality assessment exercise, identifying six particularly material topics for its business: sustainable economic growth, safety and health of people, talent management, environmental responsibility, culture of innovation, and support to local communities.

The company highlights workplace safety as key for its workforce and the communities where it operates. Mota-Engil has focused on safety to promote the wellbeing and productivity of its workforce and reduce the frequency and cost of occupational illnesses and workplace absence.


Mota-Engil aims to further align its funding strategy with its commitment to improve workplace safety, through the issuance of sustainability-linked bonds. In line with this goal, the company has established a target to reduce its lost time injury frequency rate (LTIFR) to 3.30 by Dec. 31, 2025, from 5.51 in 2020 (the baseline year).

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

KPI	SPT	Baseline	2020 Performance
Lost time injury frequency rate	Reduce LTIFR to 3.30 by Dec. 31, 2025	5.51 (2020)	5.51


Second Party Opinion Summary

Selection of key performance indicators (KPIs)

Alignment  Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.


KPI 1 Lost time injury frequency rate Not aligned Satisfactory **Strong** Advanced

Calibration of sustainability performance targets (SPTs)

Alignment  Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.


SPT 1 Reduce the LTIFR to 3.30 by Dec. 31, 2025, from 5.51 in 2020 (baseline year). Not aligned **Satisfactory** Strong Advanced

Instrument characteristics

Alignment  Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

Bonds issued under the prospectus will be subject to an additional remuneration of €1.25 per bond, payable by Mota-Engil on the final repayment date, Dec. 2, 2026, triggered by failure to reach the sustainability performance target (SPT) on the observation date of Dec. 31, 2025.


Reporting

Alignment  Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

Score Not aligned **Satisfactory** Strong Advanced

Mota-Engil's sustainability report, published on an annual basis, will include up-to date information on the selected KPI. This information will be subject to independent external verification.

Post-issuance review

Alignment  Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

Mota-Engil is committed to having its performance against the selected KPI verified annually by an independent third-party, as required by the Sustainability-Linked Bond Principles.

Transaction Assessment

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as satisfactory, 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.

 Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

KPI 1 Lost time injury frequency rate (LTIFR) Not aligned Satisfactory **Strong** Advanced


We assess the KPI selected, the LTIFR, as strong considering its clear scope, objective, and calculation, and direct link to improving workers' safety.

The KPI's scope is clearly defined as comprising the company's own direct employees globally. The KPI's objective is to reduce the LTIFR to 3.30 by Dec. 31, 2025, compared with the baseline (5.51 in 2020). Mota-Engil aims to increase the wellbeing, productivity, and motivation of its workforce, while reducing work-related injuries and absenteeism. The LTIFR per 1,000,000 hours worked is an International Labour Organization (ILO) indicator, which allows external benchmarking of the KPI. However, unlike other safety metrics, the LTIFR is an indicator of the loss of productivity and cannot therefore consistently indicate the extent of harm caused by an incident and its consequences on the workforce.

Safety is one of Mota-Engil's five ESG priorities, alongside the reduction of greenhouse gas emissions, increase of waste valorization, increase of diversity of the workforce, and investment in innovation. Furthermore, it is linked to one of the most relevant and pressing sustainability issues facing the engineering and construction industry (see "Key Sustainability Factors: Capital Goods," published May 11, 2021, on RatingsDirect). The engineering and construction sector has one of the highest workplace fatality rates and the fourth-highest rate of injuries in the U.S. due to its exposure to heavy machinery use and electrical hazards.

Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as satisfactory, 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.

 Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

SPT 1 Reduce the LTIFR to 3.30 by Dec. 31, 2025, from 5.51 in 2020 (baseline year). Not aligned **Satisfactory** Strong Advanced

We believe the ambition, clarity, and characteristics of Mota-Engil's target are satisfactory.


The bond prospectus clearly states the SPT, the timeline for achieving it, the expected observation date, and trigger event. The target is expressed as a reduction of the LTIFR, a standard ILO indicator, which allows for external benchmarking. The observation date for the SPT is Dec. 31, 2025, and will consider the LTIFR for that year.

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When setting the SPT, Mota-Engil conducted a benchmarking exercise considering 13 of its global peers operating in the engineering and construction industry that provided information on how the chosen target compares with those of peers, and peers' historical performance on the metric. The benchmarking exercise also shows that Mota-Engil's target is ambitious, in line with industry practices. Tempering our assessment is the lack of verified historical performance data on the KPI, which could provide further context on the ambition of the target.

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.


 Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

Instruments issued under Mota-Engil's sustainability linked bond transaction will be subject to a potential variation of remuneration, triggered by the observed performance against the stated SPT.

The transaction documentation states that if the SPT is not met on the observation date, Dec. 31, 2025, Mota-Engil will pay an additional remuneration of €1.25 per bond, on the final repayment date, Dec. 2, 2026.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, 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.

 Mota-Engil's sustainability-linked bond transaction is aligned with this component of the Sustainability-Linked Bond Principles.

Disclosure score

Not aligned

Satisfactory

Strong

Advanced


We consider Mota-Engil's reporting practices to be satisfactory.

Mota-Engil will include updates on performance versus the SPT, subject to independent external verification, in its sustainability report, which is published annually and available on the company's website. Mota-Engil also commits to disclosing in its sustainability report any information relevant for the understanding of its KPI and overall sustainability strategy.

In our view, stronger practices would include a commitment to illustrating the positive sustainability impact of the performance improvement and disclosing annually the main factors contributing to progress made on the KPI.

Post-issuance review

The Principle requires 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.


 Mota-Engil's Sustainability-Linked Bond Transaction is aligned with this component of the Sustainability-Linked Bond Principles.

Mota-Engil commits to obtaining independent and external verification of its performance against the SPT and respective KPI. The verification will be made 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.

Mota-Engil's Sustainability-Linked Bond Transaction intends to contribute to the following SDGs:

KPI	SDGs
Lost-time incident rate	 <p data-bbox="467 583 630 672">8. Decent work and economic growth</p>

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