

SECOND PARTY OPINION

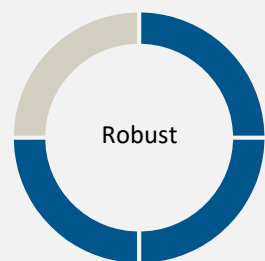
on the sustainability of Sociedad Concesionaria Vial Montes de María S.A.S.' Social Bond

V.E is of the opinion that Sociedad Concesionaria Vial Montes de María S.A.S.'s Social Bond is aligned with the four core components of the Social Bond Principles 2020 ("SBP")



Issuance

Contribution to Sustainability :



☒ Advanced
 ☒ Limited
☒ Robust
 ☒ Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the issuance

Social Project Category	Highway upgrade and extension
Project locations	Colombia
Existence of framework	Yes
Share of refinancing	100%
Look back period	3 years

Issuer

Controversial Activities

V.E has not identified involvement of Sacyr Concesiones Colombia S.A.S. (owner of Sociedad Concesionaria Vial Montes de María S.A.S.) in any of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

Coherence

Coherent

Partially coherent

Not coherent

We are of the opinion that the contemplated Issuance is coherent with Sociedad Concesionaria Vial Montes de María's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

Contextualisation

Sociedad Concesionaria Vial Montes de María S.A.S. (hereafter "Vial Montes de María" or "Issuer"), a company fully owned by Sacyr Concesiones Colombia S.A.S. is planning to issue a Social Bond to refinance the Project 'Puerta de Hierro - Palmar de Varela y Careto Cruz del Viso' in Colombia. Sacyr Concesiones Colombia S.A.S. is a subsidiary of Sacyr Group, which is involved in several infrastructure development projects around the world, including the "Puerta de Hierro" project. The project, which is part of the Colombian government's fourth generation concessionaries, included the improvement of 192,57 kilometres of an existing highway and the construction of a 5,21 km extension, as well as the operation and maintenance of the whole 197,78 km corridor.

V.E is of the opinion that Sociedad Concesionaria Vial Montes de María S.A.S.'s Social Bond is aligned with the four core components of the SBP:

Use of Proceeds

- The Eligible Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of the Eligible Project.
- The Social Objectives are clearly defined, these are relevant for the Eligible Project and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear and precise, these are considered relevant, measurable, and have been estimated ex ante with clear baselines.
- The issuer has transparently communicated the estimated share of refinancing at bond level (100%). The look-back period for refinanced Eligible Project will be 3 years.

Evaluation and Selection

- The Process for Project evaluation and Selection has been clearly defined and detailed by the Issuer. It is considered well-structured in all the evaluation and selection steps (proposal, selection, validation, and monitoring). The roles and responsibilities are clear and include relevant internal expertise. The process will be publicly disclosed to in this SPO.
- The Eligibility Criteria (selection) have been clearly defined by the Issuer.
- The process applied to identify and manage potentially material Environmental and Social Risks associated with the Eligible Project is publicly disclosed in this SPO. The process is considered robust and combines monitoring, identification and corrective measures (see detailed analysis on pages 13-16).

Management of proceeds

- The Process for the Management and Allocation of Proceeds is clearly defined and will be publicly disclosed in this SPO.
- The net proceeds of the Bond will be allocated immediately (100% refinancing).
- Net Proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- The Issuer has committed to nominally match the amount issued by Bond with the expenditures incurred in the Eligible Project
- The Issuer reports these funds will be fully used to refinance the expenses of the Eligible Project which have already been incurred and that there is no divestment possible.

Reporting

- The Issuer has committed to report on the Use of Proceeds, to match Bond's proceeds with the expenditures incurred in the Eligible Project. The report will be publicly disclosed.
- The reporting will cover relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the project until the maturity of the Bond.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Project will be publicly disclosed in the Issuer's website.
- An external auditor will verify the allocation of funds to Eligible Project and the indicators used to report on the social benefits of the Eligible Project will be verified internally.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Social Bond¹ (the “Bond”) to be issued by Sociedad Concesionaria Vial Montes de María S.A.S. (The “Issuer”).

Our opinion is established according to V.E's Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to ICMA’s Social Bond Principles (“SBP”) voluntary guidelines, updated in 2020.

Our opinion is built on the review of the following components:

- Issuance: we assessed the issuance credentials, including the coherence between the issuance and the Issuer’s environmental and social commitments, the issuance’s potential contribution to sustainability and its alignment with the four core components of the SBP.
- Issuer: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities².

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from V.E's exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with the Issuer’s managers, held via a telecommunications system.

We carried out our due diligence assessment from December 21st, 2020 to February 8th, 2021. We consider that we were provided with access to all appropriate documents and interviewees we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

External Reviews supporting this Issuance

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Social Bond” is to be considered the Bonds to be potentially issued, subject to discretion of the Issuer. The name “Social Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

² The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Issuance is coherent with Sociedad Concesionaria Vial Montes de María's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDGs), recognising the urgent challenge of achieving sustainable development, including infrastructure challenges in developing countries³.

The promotion of the social and economic development of areas where companies have operations, is embedded in the OECD Guidelines for Multinational Enterprises⁴. This documents states that enterprises should encourage "industrial and regional development, the protection of the environment and consumer interests, the creation of employment opportunities, the promotion of innovation and the transfer of technology" and also "favour close co-operation with the local communities and business interests.

In addition, the ILO Tripartite declaration of principles concerning multinational enterprises and social policy⁵ foresees that "Multinational enterprises, particularly when operating in developing countries, should endeavour to increase employment opportunities and standards."

The Issuer seems to acknowledge its role in promoting local development. The project is located in the Caribbean region of Colombia including the Bolivar, Sucre and Atlantico departments. This region has been historically disadvantaged in terms of social inclusion and has been particularly impacted by local organized crime and violence.

The project created over 2,500 direct and indirect jobs, in addition to increasing the connectivity by granting better access to urban centers and basic services for the people of the Bolivar, Sucre and Atlántico departments,. According to the Issuer, the project has also included the development of around 500 socio-environmental activities with the community, which have benefited over 6,000 people, including socializations, trainings, workshops, production projects and seminars.

In a broader perspective, Sacyr Group's Framework Sustainability Policy covers the main issues being addressed by the Issuer's different policies, including:

- Social impact and the fight for equality: the Group measures the direct and/or indirect impact of its activity in the regions and communities where it operate with the objective of fighting against discrimination and inequality in their many forms, as detailed in the general principles of the *Diversity and Inclusion Policy*;
- Environment: Sacyr Group aspires to be leader in their sector by—among other things—respecting the environment, developing a strategy to fight climate change, and implementing an efficient environmental management system to minimise environmental impact to the extent possible.
- Corporate governance: Sacyr Group adopts the best national and international corporate governance practices, in accordance with the principles and criteria contained in the *General Corporate Governance Policy*;
- Health and safety: Sacyr Group prioritizes the adoption and implementation of comprehensive health and safety measures for employees, from planning to execution, that promote well-being in the workplace and prevent risks that may occur in the course of activity. For those risks that are considered unavoidable, all the necessary prevention and protection measures are put in place to prevent harming or jeopardising the health of workers and collaborators, as detailed in the *Occupational Health and Safety Policy*.

³ <https://www.un.org/sustainabledevelopment/infrastructure-industrialization/>

⁴ <https://mneguidelines.oecd.org/mneguidelines/>

⁵ <https://www.ilo.org/empent/areas/mne-declaration/lang--en/index.htm>

ISSUANCE

Alignment with the Social Bond Principles

The Issuer has described the main characteristics of the Issuance in internal documentation. The Issuer has committed to make this SPO publicly accessible on its website at the issuance date, in line with good market practices.

Use of Proceeds



The net proceeds of the operations will exclusively refinance in full, one project ("Eligible Project"), as indicated in Table 1.





- The Eligible Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of the Eligible Project.
- The Social Objectives are clearly defined, these are relevant for the Eligible Project and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear and precise, these are considered relevant, measurable, and have been estimated ex ante with clear baselines.
- The issuer has transparently communicated the estimated share of refinancing at bond level (100%). The look-back period for refinanced Eligible Project will be 3 years.

Table 1. V.E' analysis of the Eligible Project, Sustainability Objectives and Expected Benefits.

ELIGIBLE PROJECT	DESCRIPTION AND TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Highway upgrade and extension	<p>The proceeds of the Bond will be used to refinance the upgrade and extension of a 198 km highway in Colombia that connects the departments of Sucre, Bolívar and Atlántico - the Project Puerta de Hierro - Palmar de Varela y Careto Cruz del Viso.</p> <p>The Project includes the improvement of an existing highway and the construction of an extension. The Use of Proceeds also consider the improvement of local schools, as well as other programmes considered by the concession contract, such as means for archaeological and biodiversity protection.</p> <p>The target population has been identified as the inhabitants of the Sucre, Bolivar and Atlántico departments and other highway users.</p>	<p>Connectivity improvement</p> <p>Promoting the access to essential goods and services for rural areas in Colombia</p> <p>Local economic development</p> <p>Promoting job creation and development of business in vulnerable areas of Colombia.</p>	<p>The Eligible Project is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the target population, the eligibility criteria and the location of the Eligible Project.</p> <p>The intended social objectives are clearly defined and relevant for the Eligible Project.</p> <p>The Issuer has identified social benefits for the Eligible Project. These are considered clear and relevant.</p> <p>The expected social benefits are clear, relevant and measurable.</p> <p>The Social Benefits of the Eligible Project have been estimated ex-ante and will be disclosed in the Issuer's post-issuance report. The project is expected to create around 2,500 direct and indirect jobs.</p>

SDG Contribution

The Eligible Category is likely to contribute to four of the United Nations' Sustainable Development Goals ("SDGs"), namely: SDG 1, SDG 8, SDG 9 and SDG 16.

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Highway upgrade and extension	 1 No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services.
	 8 Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.
	 9 Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
	 16 Peace, Justice & Strong Institutions	16.4 Reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime

BEST PRACTICES

- ⇒ Content and eligibility criteria are clear and in line with international standards for all categories.
- ⇒ Relevant social benefits are identified and measurable for the Eligible Project.
- ⇒ The expected benefits have been estimated ex ante with clear baselines for the Eligible Project.
- ⇒ The issuer has transparently communicated the estimated share of refinancing at bond level (100%).

Project Evaluation and Selection



- The Process for Project evaluation and Selection has been clearly defined and detailed by the Issuer. It is considered well-structured in all the evaluation and selection steps (proposal, selection, validation, and monitoring). The roles and responsibilities are clear and include relevant internal expertise. The process will be publicly disclosed to in this SPO.
- The Eligibility Criteria (selection) have been clearly defined by the Issuer.
- The process applied to identify and manage potentially material Environmental and Social Risks associated with the Eligible Project is publicly disclosed in this SPO. The process is considered robust and combines monitoring, identification and corrective measures (see detailed analysis on pages 13-16).

Process for Project Evaluation and Selection

The Process for Project Evaluation and Selection was structured in well-defined steps and responsibilities:

1. Identification of geographical markets: the Issuer identified investment opportunities in different countries. The Issuer performed a profile analysis of the country (in this case Colombia), which includes reviewing the overall level of investment in the country, and a screening of the country's legal framework. The CEO of Sacyr Concesiones Colombia S.A.S. defines the target profile of geographic markets of interest and performs their evaluation. The Country Head is the one that explores all investments opportunities.
2. Initial phase: of the investment opportunities within the geographical market were approved by the Business Development department and registered in a database with all relevant newsfeed in the countries where the Issuer has operations. The General Director of Business Development was in charge of approving the realization of the offer based on the proposal of the Director of Investment and the Director of Offers.
3. Preliminary study: In this step, a Project Manager was appointed, and the risk analysis process took place. This analysis was conducted according to Sacyr's Integral Risk Management System (SGIR In Spanish) where a risk matrix was generated. This step concluded with a go/no go meeting where the Issuer decided whether or not to participate in the bidding process. The Investment Director selected and appointed the Project Manager for this investment opportunity. He also led and coordinated the work of the Project Manager and monitored its progress. Regarding risks, the Investment Director was the responsible for the application of the SGIR in the investment opportunity and acted as Risk Manager in the event that the Country Head could not assume this responsibility.
4. Offer study phase: Once the approval to participate was obtained, a kick-off meeting was organized. The team in charge of the project conducted a deeper analysis (the bases of the bidding process, the technical development of the bidding proposal, economic monitoring of the project, selection of a business partner and agreement with partner). This phase concluded with a closure meeting right before the actual offer was proposed for the bidding. The General Director of Business Development authorized the economic offers. The Investment Director proposed and negotiated the partner agreements during the bidding phase and collaborated with the Director of Legal Advice and the Director of Offers in drafting them.

The traceability and verification of the selection and evaluation of the project was ensured throughout the process:

- The Issuer reports that meetings were conducted to evaluate and decide the participation in the Project and that meeting minutes were created to trace the main decisions taken. All this information is managed and saved using an internal software.
- 100% of the net proceeds of this Issuance will be used for the refinancing of the Eligible Project, which has been finalized and that there is no divestment possible. The monitoring of future ineligibility is therefore not relevant.
- The Issuer reports that an in-house group of environmental and social experts from the concessionaire provide assistance during the development of projects by Sacyr in Colombia. These experts will monitor potential ESG controversies throughout the construction, operation and maintenance phases of the Eligible Project. The Issuer reports that they deliver regular reports to local authorities in terms of environmental and social requirements. In addition, environmental and social reports are presented every three months to the project's auditor for its approval. To date the Issuer has delivered 21 of these reports for approval.

Eligibility Criteria

The process relies on explicit eligibility (selection) criteria, relevant to the social objectives defined for the Eligible Project.

- The selection criteria is based on the definition of the Eligible Project detailed in Table 1 in the Use of Proceeds section.
- The Issuer reports to apply performance requirements in the preliminary screening conducted to decide whether or not to invest in certain regions and/or projects. The Issuer conducts a research of the market characteristics in the countries in which Sacyr operates to identify if the country meets the Group's economic, banking, politics, regulatory and suppliers' performance requirements.
- Regarding Social and Environmental requirements, Sacyr's projects are subject to the compliance of the Equator Principles and IFC standards, in order to select opportunities.

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the project throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on the project
- ⇒ Eligibility (selection) criteria for project selection are clearly defined and detailed for the project.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and will be publicly disclosed in this SPO.
- The net proceeds of the Bond will be allocated immediately (100% refinancing).
- Net Proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- The Issuer has committed to nominally match the amount issued by Bond with the expenditures incurred in the Eligible Project
- The Issuer reports these funds will be fully used to refinance the expenses of the Eligible Project which have already been incurred and that there is no divestment possible.

Process and Traceability of the Management of Proceeds

The Issuer has an independent Trustee where all its funds are managed. The contractual relationship with this independent Trustee is regulated by a contract that was agreed among the parties involved during the structuring phase of the issuance. This allows a transparent management of the resources of the Eligible Project.

Within the Trustee, at project level, there is a Treasurer and a Financial Director responsible for the management the funds, on a daily basis. At the Concessionaire level, there is also a General Treasurer that oversees the management of proceeds.

The Trustee had different accounts to manage the different expenses of the Eligible Project. The disbursements of the resources to the Eligible Project were drawn upon satisfaction of certain conditions precedent related with the fulfillment of all the contractual obligations of the issuer including the approval of all the environmental licenses and relevant permits requested by the corresponding authorities.

Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices
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- The Issuer has committed to report on the Use of Proceeds, to match Bond's proceeds with the expenditures incurred in the Eligible Project. The report will be disclosed in the Issuers website.
- The reporting will cover relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the project until the maturity of the Bond.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Project will be disclosed publicly.
- An external auditor will verify the allocation of funds to Eligible Project and the indicators used to report on the social benefits of the Eligible Project will be verified internally.

Indicators

The Issuer has committed to transparently communicate at Eligible Project level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds cover all relevant information.

REPORTING INDICATORS

- ⇒ Amount paid in the construction and extension costs of the highway (Eligible Project);
- ⇒ Percentage of refinancing;

There will be no temporary placements of unallocated funds to report as the Issuance will be 100% refinancing and the Issuer reports there was no co-financing.

- Social benefits: the selected reporting indicators are clear and relevant.

ELIGIBLE PROJECT	SOCIAL BENEFIT INDICATORS
Highway upgrade and extension	Reduction of freight costs (%). Number of reduced toll fees charged yearly (#) Share of reduced toll fees processed compared to total transit (%) Reduction of time travelled compared to baseline (hours) Share/ Increase of public transport compared to total transit (%) Number of traffic accidents per month (#) Number of jobs created (#) and share of local people employed (%) during construction phase Number of jobs #) and share of local people employed (%) during operation and maintenance phase Increase land value by unit of extension (%) # of projects developed with peace-promoting actors in the region. # of anti-personnel mines removed in the region

An area for improvement is to commit to inform bondholders in case the Eligible Project is subject to ESG controversies.

BEST PRACTICES

- ⇒ The issuer will report on allocation of proceeds and on social benefits at project level.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Project.

Contribution to sustainability

Expected Impacts

The potential positive impact of the Eligible Project on social objectives is considered robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Highway upgrade and extension	ROBUST	<p>The financing of the highway upgrade and extension promotes the connectivity improvement of an isolated area in Colombia impacted by the presence of an armed conflict for several years. The project promotes the connectivity improvement of small and rural communities to bigger urban areas, improving the access to essential services, such as healthcare and education. In addition, the Issuer will report on the contribution of the projects on some aspects related to the reduction of violence in the region where the project is located.</p> <p>In addition, the project aims at promoting the local socioeconomic development in an economically disadvantaged area by directly providing short-term local job opportunities during the construction of the highway, as well as long-term job opportunities for the maintenance and operation of the highway. Also, the project indirectly promotes local socioeconomic development by facilitating the reduction in the cost of freights for local businesses.</p>

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Project are considered robust.

	HIGHWAY UPGRADE AND EXTENSION
Environmental management	Robust
Human & Labour Rights	Robust
Health & Safety	Robust
Community Involvement	Robust
Business Ethics	Robust
OVERALL ASSESSMENT	Robust

Environmental management

The Sociedad Concesionaria Vial Montes de María conducted an environmental due diligence for this project and was certified under ISO 14001:2015. The scope of the environmental risk assessment included the design and construction of the highway, as well as its maintenance and the operation of the highway tolls. The Issuer reports it conducts training on environmental management to all new employees and that these trainings are reinforced on a yearly basis.

Colombian regulation requires to have a Plan of Adaptation to the Environmental Guidelines (PAGA in Spanish) and/or an Environmental license for projects with major impacts. In the case of this project, the upgrade of the road (97% of the highway) required a PAGA, as the upgrade of the existing highway was considered not to have a major impact and therefore do not require an environmental license under the local regulation.

The PAGA for the road upgrade included a study of the biotic, abiotic and socioeconomic characteristics of the impacted area, as well as an identification of the measures needed for environmental management. In the case of the use and exploitation of natural resources that were necessary to advance the upgrade (such as water concessions, use of water channels, forest harvesting and atmospheric emissions), these required minor environmental permits that were granted by the regional environmental authority. The environmental management instruments are assessed by the project's auditor.

The extension of the highway (3% of the highway) required an environmental license given by the National Authority of Environmental Licenses (ANLA in Spanish), once the Environmental Impact Assessment was presented and reviewed by this authority.

The Issuer reports the Environmental Management Plans have been implemented for all the areas impacted by the project.

- Biodiversity

In terms of Biodiversity, the PAGA and Environmental License requested the project to include the assessment of the terrestrial flora and fauna, use of soil, biodiversity Indices, fragmentation analysis, the identification of endangered species, among others. The Issuer also identified protected areas near the project. Based on these analyses, Vial Montes de María developed its Environmental Management and Compensation Plans. The compensation measures included rehabilitation of ecosystems and reforestation programmes.

- Climate change adaptation

In terms of climate change related risks, the Issuer has identified flood as one of the main risks that may impact the Eligible Project. The environmental assessments conducted considered the behaviour of the different water bodies over time, according to the recommendations given by the National Roads Institute. Considering this analysis, the Issuer implemented modifications to the different waterworks in order to keep the natural watercourses and avoid any floods in the future due to natural disasters.

In addition, the Issuer reports that during the *La Niña* phenomenon between 2010 and 2011, the Ministry of Transport Identified a series of hotspots most vulnerable to these storms. The Issuer reports that only one vulnerable area was identified within the project area, which was intervened by the 'National Adaptation Fund' and then delivered to the concessionaire for its operation and maintenance.

- Waste management

The project conducted waste collection measures throughout the project area, mainly in the workers camp. Organic waste was collected and sent to landfills, while recyclable waste was properly processed through recycling mechanisms. The Issuer reports that these measures are the same during the construction, operation and maintenance phases of the project.

Regarding hazardous waste, these are delivered to the authorized managers for its proper final disposal, according to the national regulation.

The Issuer also reports promoting circular economy initiatives such as the recycling of theirs and rubber from their operation vehicles. These are collected by the vehicles supplier and delivered to cement producer ARGOS which uses this waste in their production to generate new construction materials.

- Pollution

The Issuer reports the project required an atmospheric emissions permit from the sector authority and hence, conducted mitigation measures towards particulate matter and gas dispersion through the installation of panels around the construction sites. These mitigation measures have been monitored by the environmental authority.

Regarding the waterworks, these had the proper permits for channel use and measures to protect the water sources both in terms of non-obstruction of the river flows and prevent pollution from the construction works. The basecamp for the construction workers also had a wastewater plant to prevent any pollution of the water sources.

Finally, everything related to dust, noise and other environmental pollution are also considered in the Environmental Management Plans established in accordance to the environmental permits. The Issuer reports to have conducted the humidification of the camp and borders of the highway to reduce dust pollution.

- GHG emissions

The Issuer reports it conducted a footprint analysis during the first construction stage of the project and committed to report on its emissions (scope 1 and 2) yearly during the operation and maintenance phase. The Issuer reports that the objective of

the monitoring of GHG emissions is to define mitigation and compensation measures. The Issuer has a GHG emissions reduction plan for its operations.

Human rights

The Issuer applies its Human Resources Policy which establishes the rules for hiring workers for the project. This includes basic requirements such as minimum age for hiring (18), established working hours and holidays according to legal standards, and compliance with health and safety measures.

The implementation of this policy is monitored through visits to the offices, interviews with the workers and audit of procedures on site. If any non-compliance is identified, improvement plans are put in place.

In addition, child and forced labour are addressed through the Issuer's Human Resources Policy, and its Code of Ethics. Within the project, verification of these policies is monitored and verified by the Human Resources Department, Production Teams and Project Management.

Contractors and providers of primary goods and services are obliged by the Issuer to comply with the Issuer's labour standards, especially with the compliance with IFC performance standard 2: Labour and Working Conditions.

Health and Safety

- Health and Safety of employees

The Issuer has a Health and Safety Management System (SG-SST) in place under which they monitor and verify the safety measures implemented in the project, including the compliance with Sacyr's Safety Policies, procedures for high risk activities, risk assessments and awareness raising initiatives such as daily safety talks and regular trainings.

In the case of contractors, before and after the projects are allocated to these companies, the people and companies involved must comply with Sacyr's HSEQ contractor requirements, which include to subscribe commitments in terms of reporting on Health & Safety Issues and to attend an induction training on the Issuer's safety policies.

Sacyr's Labour policies are also applied in the development of these projects. These include a Manual for Contractors on Labour Relations and a Framework Policy on Human Resources and a Manual on Monitoring working hours for the whole supply chain.

The Issuer also conducted audits on the respect of labour rights and applied Sacyr's Protocol on Prevention and Management of Labour Harassment.

- Users safety

Regarding the safety issues related to the future operation of the highway, the Issuer reports it has improved the road signs and monitor the accidents rate. In addition, the Issuer has conducted awareness raising initiatives towards the users of the highway⁶. The Issuer has in place an Accident Management System in order to monitor, manage and reduce potential accidents that might occur in the highway.

Community Involvement

The project includes the implementation of several measures towards the users of the highway and the local community, namely a user attention program which establishes communication channels, weather conditions and expected time travel information. The Issuer has also established a Petitions, Inquiries and Suggestions mechanism (PQRS in Spanish) to address any complaint.

The Issuer held community raising awareness sessions to establish communication channels with the local community and properly inform of the impacts and benefits of the project. In addition, a training and education for the local community was put in place to promote dialogue among the local stakeholders and social control and protection of the project.

In terms of social and economic development, the Issuer reports the Project has an Environment and Social Responsibility Plan under which they support local development. During 2020, the Issuer reports to have conducted programmes to support small producers in the area (such as poultry producers and beekeepers) investing around USD 30,000 in these and other environmental and cultural projects. As part of the project, the Issuer also made improvements to two local schools near the highway and delivered educational material (tablets).

Business Ethics

The Issuer reports it applies Sacyr's Group anti-corruption and anti-laundry policies for all its projects. This includes the application of a Risk Matrix, its Code of Conduct and Ethics and procedures in case of suspicious activities.

⁶ <https://www.concesionariavialmontesdemaria.com/cultura-vial>

The Issuer's Manual for Management of Laundry Risk and Finance of Terrorism, which is based on the recommendation of the International Financial Action Group (GAFI in Spanish) and the Colombian Societies Superintendent, establishes a series of measures to Identify and manage money-laundering and finance of terrorism such as risk assessments, monitoring, and trainings for employees.

In case of relations with Politically Exposed People (PEPs), clients, associates and suppliers the Issuer conducts specific risk analysis through and external advisor.

The Issuer conducts regular audits to ensure the proper application of this policies and reports to have a whistleblowing system available for all Its subsidiaries.

ISSUER

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against Sacyr Concesiones Colombia S.A.S.⁷ over the last four years.

Involvement in Controversial Activities

Sacyr Concesiones Colombia S.A.S. appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

⁷ Sociedad Concesionaria Vial Montes de Maria S.A.S. in an entity created specifically for the development of the Eligible Project, which is the Issuer of the bond. This entity is fully owned by Sacyr Concesiones Colombia S.A.S. In order to properly assess the related controversies, in this and/or other projects developed by Sacyr Concesiones S.A.S., as well as the possible involvement in controversial activities, we have conducted our screenings on the owner of the Issuer.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V. E's Scientific Council. All employees are signatories of V. E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

ISSUANCE

Alignment with the Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Issuance has been evaluated by V.E according to the ICMA's Social Bond Principles - June 2020 ("SBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on social objectives

The expected positive impact of activities on environmental objectives to be financed by the Issuer is assessed based on:

- i) the relevance of the activity to respond to an important social objective for the sector of the activity
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders, targeting those populations most in need
- iii) the magnitude and durability of the potential impact of the proposed activity on the social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed based on V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted most of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

DISCLAIMER

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for Sociedad Concesionaria Vial Montes de María S.A.S. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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