

WE MAKE THE DIFFERENCE IN THE LIVES OF PEOPLE

SUSTAINABILITY REPORT 2022



"WE MAKE THE DIFFERENCE IN THE LIVES OF PEOPLE"

GRUPO ÁGUAS DE PORTUGAL

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1. THE ÁGUAS DE PORTUGAL GROUP

1.1 Message from the Chair
1.2 The big numbers
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1.7 Risk management



WE MAKE A DIFFERENCE EVERY DAY IN THE LIVES OF THE POPULATION

JOSÉ FURTADO, CHAIR OF THE BOARD OF DIRECTORS

1.1. MESSAGE FROM THE CHAIR: 2030 COMMITMENTS

The global challenges that we face, stemming from climate changes, resource depletion and the degradation of ecosystems and environmental pollution establish a new pattern of demands on the way we live and act on this planet.

The environment emerges as the core stage for this change in paradigm that emerges as fundamental according to the sustainable development objectives, especially as regards access to water, the most precious and essential asset for life.

At the Águas de Portugal Group, we are, this year, celebrating three decades of operations. We commemorate this landmark through reviewing the past trajectory and share our enormous satisfaction at what we have achieved in the meantime in managing water throughout the national territory.

Aware of the impact of our activities on the health and wellbeing of people, on environmental quality and economic development, in this transition to a new cycle, this is the moment to reaffirm our ambition of continuously and consistently complying with the goal that we assume of “making a difference in the lives of people”.

In these 30 years, Portugal registered notable progress in the water management sector. The investments made throughout the country in building the water supply today guarantee excellent quality water supply throughout the country to the entire population. In terms of sanitation services, that covered 31% of the population in 1993, they have today attained a rate of 86%, with clear benefits both for the quality of coastal bathing waters and the quantity of blue flags attributed to beaches in Portugal, above the average for European Union member states.

In the management of water, the work is never-ending and, especially in this essential public service sector, there is the enormous responsibility for pre-empting scenarios, evaluating risks, developing solution and acting to appropriately implement them. We therefore maintain a very well-defined path to meet the demands inherent to climate changes, especially as regards water scarcity, the control of pollution, the preservation of ecosystems and the efficient usage of resources.

The Portuguese may be certain about continuing to count on the dedication and professionalism of the Águas de Portugal Group teams of staff, even when

facing extremely severe contingencies and restrictions as was so very clear during the worst phases of the pandemic, always demonstrating their real commitment to the public interest in the provision of services essential to life, public health and the environment.

Our 2010 adhesion to the United Nations Global Compact and the Global Compact Network Portugal, as well as the SDG Ambition program, serve to highlight our commitment to contributing towards the United Nations development agenda, with water constituting one of the 17 Sustainable Development Goals (SDGs) of the Agenda 2030 and plays a central and transversal role to all the other SDGs. In 2022, we subscribed to the United Nations "Sustainable Ocean Principles", joining the group of 150 companies around the world that commit to evaluating their impacts on the ocean and integrate ocean sustainability into their general strategy.

In this same context, reference needs making to the AdP Group contribution to the High level Symposium on Water organised by Portugal in 2022 within the framework of the United Nations Oceans Conference, contributing to the reflection on how to improve and strengthen the coordination between freshwater and ocean policies, strengthening partnerships and grasping how the sustainable management of water and wastewater treatment services provided for under SDG 6 may impact on the implementation of SDG 14.

On the internal front, this was a year when we took important steps to strengthening our ESG indicators, advancing firmly down the path towards sustainable development.

We may congratulate ourselves on recognition of our ethical framework by the APEE – the Portuguese Association of Business Ethics, thus strengthening our dedication towards nurturing a governance model based on the highest ethical standards, transparency, responsibility and excellence in public management.

Our organisational ethical framework is based on the Principles of Good Governance and aligned with the OECD recommendations on Public Integrity and the Principles of the United Nations Global Compact,

especialy the 10th Principle that fosters the combat of corruption in all its forms and with the goals of SDG 16 - Peace, Justice and Efficient Institutions.

The AdP Group 2022-2025 Sustainability Commitment strives to deepen our ambitions as regards the principles of efficiency, innovation and service quality within the scope of business, environment and social responsibility in accordance with our established strategic direction.

Our sustainability ambitions align with the SDGs and focus on the purpose of our work, action in defence of the climate, the circular economy, valuing and recovering the territories, innovation with impact, cooperation for the sustainable management of water at the international level and educating for sustainability.

In order to attain these ambitions, the Águas de Portugal Group is dedicated to implementing an extremely demanding investment program in terms of both the scale and complexity of the infrastructures located throughout the national territory to respond to the challenges of climate change, both in terms of adaptation and in mitigation, fostering the circular economy in the urban water cycle and the innovation and digitalisation that greatly enables the return of positive results.

The strategic direction that we have taken pays particular attention to the robustness of the governance model and strengthening the alignment of these principles and best management practices, safeguarding the commitment to integrity, valuing people and incentives for their knowledge and innovation. We also seek to foster the dedicated involvement of all our stakeholders both at the internal and as regards the collective mobilisation of society, the different productive sectors and the public actors for the value of water, the sponsor of life!



José Furtado
Chair of the Board of Directors



GOVERNANCE OF BUSINESS SUSTAINABILITY AND LEADERSHIP

Criterion 19:

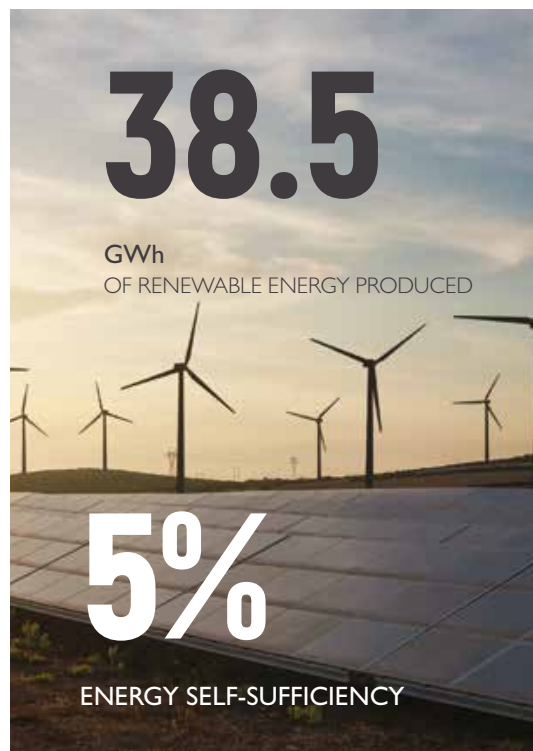
Commitment of the CEO and the Leadership

Criterion 20:

Adoption of Management and Supervision

in "Information on the Progress in the United Nations Global Pact"

1.2 THE BIG NUMBERS



1.3 LOOKING BACK AT 2022



IN WATER MANAGEMENT, THE WORK NEVER ENDS AND, ESPECIALLY IN THIS SECTOR OF ESSENTIAL PUBLIC SERVICES, THE ENORMOUS RESPONSIBILITY OF PRE-EMPTING SCENARIOS, ASSESSING RISKS, DEVELOPING SOLUTIONS AND ACTING ACCORDINGLY STANDS OUT. THIS IS OUR TASK.

According to the Portuguese Institute for the Ocean and Atmosphere (IPMA), 2022 “stands out as one of the most severe hydrological droughts of this century due to its combination of unusual temperature ranges and low precipitation”.

2022 displayed its own idiosyncrasies: it resulted from an accumulation of five years of below average rainfall and covered Portuguese regions that usually do not come into the spotlight in such situations, such as north regions. It was also a very particular year, post-COVID but with the invasion of Ukraine, Portugal was faced with shortages of two of especially key resources: water and energy. The flooding that came at the end of the year was also historic in incidence. We would conclude by recalling that, as part of the Mediterranean basin, Portugal is a region strongly conditioned by the effects of climate change. The Águas de Portugal Group prepared for this situation in line with that done during the pandemic occurring in 2020/2021 and early 2022, when we ensured the essential water supply services without a single failure. The Drought Task Force was set up with the participation of every Group water supply companies. We strengthened the work of our teams from the north to the south of the country, ensuring close monitoring of the information on availability at the sources of the systems under Group management and the identification of critical situations as well as the respective contingency and mitigation measures, especially those require coordinated articulation with other entities.

In order to continue to ensure the service of excellence we provide, we continued to work on system resilience in the context of drought and water scarcity, scenarios that are increasingly demanding in terms of quality, quantity and safety.

WE SHALL CONTINUE TO PLAY OUR ROLE IN THE INTEGRATED AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES, MAKING A DIFFERENCE IN PEOPLE'S LIVES.

Furthermore, during 2022, several communication and media campaigns took place in the most critical regions to complement the operational work and encourage reductions in water consumption. The AdP Group, in partnership with APA – the Portuguese Environment Agency and ERSAR – the Regulatory Authority for Water and Waste Services and with funding from the Environment Fund, developed the national campaign “Let’s turn the tap on drought”, addressing the general worsening in the contingency situation.



WE CONTINUED TO INVEST IN THE CONTINUOUS IMPROVEMENT OF OUR PROCESSES

By the end of 2022, 100% of the Group companies have guaranteed their certification in Quality - ISO 9001, 100%, in Environment - ISO 14001, 88% in Safety - ISO 45001/ OSHAS 18001, 53% in Social Responsibility - SA8000, 65% in Energy ISO 50001 and 38% (of the 13 operating companies) in Asset Management -ISO55000 and 47% in Reconciliation Management NP 4552:2016.

WE EXTENDED OUR AREA OF OPERATION

The bulk level sanitation service in Setúbal Municipality is now managed by SIMARSUL, the Águas de Portugal Group company responsible for the management and operation of the multi-municipal wastewater sanitation system in the Setúbal Peninsula, with its actions in the territory making a decisive contribution to the preservation of water resources and ecosystems.

WE MANAGED THE RISKS INHERENT TO GROUP ACTIVITIES IN THE FACE OF CLIMATE CHANGE

In order to manage the effects of the 2022 drought and to reinforce the work of the operational teams, guarantee the monitoring of water availability and to identify critical situations and contingency and mitigation measures, a Task Force was created with the participation of all AdP Group water supply companies. In order to reinforce contingency measures, there were warning and awareness raising campaigns for the reduction of water consumption targeting different user types.



WE INVESTED IN INNOVATION

The Group's Innovation Agenda was presented, fulfilling the Group's 360° innovation strategy and, simultaneously, launching the AdP Group's Innovation Fund, with funding of one million euros and the goal of financing, through a competitive tender process, strategic innovation projects at the AdP Group. In November, the first tender call for funding for Group company innovation projects in the areas of system and infrastructure efficiency and resilience, the circular economy and energy and carbon neutrality was opened.



WE HEADED FURTHER ALONG THE PATH TOWARDS ACHIEVING DECARBONISATION

- In the context of the targets set by the various national policies approved within the plan to combat climate change and decarbonisation, Order no. 77/SEAENE/2022, of 9 November, signed by the Deputy Secretary of State for the Environment and Energy, authorised the investments in the AdP Group Energy Neutrality Program (ZERO Program).



- Following this approval, ZERO Program investments began within the scope of achieving energy neutrality in 2030, involving every Group company and activity through reducing energy consumption and sharply increasing the in-house production of 100% renewable energy. We would here highlight the design/construction contracts for photovoltaic plants at Águas do Norte, Águas do Tejo Atlântico and EPAL, telemetry infrastructures, and the Energy and Emissions Control Centre and hydroelectric production, both at EPAL.
- The decarbonisation process of the AdP Group company operating fleets was approved within the framework of implementing a Green Fleet. To achieve this (part of the ZERO Program), there was approval of the Council of Ministers Resolution no. 136/2022 of 26 March that authorises the Environmental Fund to provide support to AdP Group companies in this area.



- Decree-Law no. 15/2022 of 14 January, which establishes the organisation and operation of the National Electricity System, transposing Directive (EU) 2019/944 and Directive (EU) 2018/2001, provides for the constitution of a Renewable Energy Community (REC) by the AdP Group, national in scope to allow surplus energy to be transferred between infrastructures whether in the producing company, in other Group companies or in partner entities.

- In terms of digitalisation, the AdP Group undertook various initiatives, in particular the digitalisation of operations, in terms of automation and remote-management, through a Working Group that produced a diagnosis of the degree of digitalisation of the various different operations spread throughout the territory coupled with an action plan to achieve a transition aligned with the demands of service quality.
- We would here highlight the earliest stages in the AdP Group circularity strategy, which aims to bring together the various dimensions of the circular economy in which the Group is involved. Of particular note in this context is the ApR – Water for Reutilisation strategy, the action plan for integrating recycled materials into new Group construction projects, strengthening means of recovering biogas and producing eco-reagents.
- We are furthermore taking significant steps towards energy neutrality, continuing to work on actions specifically contributing to achieving the targets set out in the energy neutrality program and the carbon neutrality plan, including:
 - Energy efficiency, including actions to reduce water losses and undue inflows,
 - 100% renewable energy production,
 - Electricity storage pilot project,
 - Building a water energy community,
 - Wastewater treatment hydrogen production pilot project, and
 - AdP Group GHG Inventory - Scope 1, 2 and 3.



WE CONTINUED ALONG THE PATH OF THE SDGS



- In 2022, all Group companies joined the United Nations Global Compact (UNGC), thus participating in that considered the largest global corporate responsibility initiative. Launched by the United Nations in 2000, this seeks to bring together stakeholders based on universally accepted principles: the Universal Declaration of Human Rights, the Declaration of the International Labour Organisation on the Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development. The Águas de Portugal Group companies thus reaffirm their commitment to fully respect the ten principles enshrined by the United Nations in this Global Compact, which involve Human and Labour Rights, Environmental Protection and Anti-Corruption Mechanisms. AdP - Águas de Portugal, SGPS, S.A. has been a signatory of the UNGC since 16/08/2010, and is also a member of the local UNGC network and the Alliance for Sustainable Development Goals.
- Various partnership and cooperation projects are currently underway, particularly with the World Bank under the Utilities of the Future program and with a protocol signed to deepen these institutional partnership activities in the year under review.



- We subscribed to the United Nations "Sustainable Ocean Principles" and stand among the 150 companies worldwide committed to assessing their impacts on the ocean and integrating ocean sustainability into their overall strategy. The AdP Group's role fundamental stems from our sanitation and water treatment activities. Contributing to substantial improvements in the quality of the water returned to the waterways represents a specific goal for this sector of our activities.



- We participated in the High-Level Symposium on Water that Portugal organised under the auspices of the United Nations Oceans Conference, held in Lisbon in June, thus contributing to reflections on how to improve and strengthen coordination between freshwater and ocean policies, reinforce partnerships and understand how the sustainable management of water and wastewater services envisaged in SDG 6 impacts on the implementation of SDG 14.



- SDG 17 calls for partnerships and the Águas de Portugal Group has responded both in terms of knowledge and innovation management as well as in the field of social responsibility. We correspondingly collaborate with several entities, from the Portuguese Network of the United Nations Global Compact, the Alliance for SDGs, the BCSD, the IGEN Forum, the Portuguese Charter for Diversity, GRACE, APDDI, among others, all aligned towards the path for sustainable development.

- In 2022, we joined the Observatory of Sustainable Development Goals at Portuguese companies, a CATÓLICA-LISBON initiative in partnership with BPI Fundação la Caixa.



WE INVESTED IN THE MOTIVATION AND WELL-BEING OF OUR WORKERS

- In order to improve the Collective Labour Agreements, a new cycle of negotiations was initiated with the trade unions. In 2022, there was a general salary increase of 1.2% across the AdP Group (authorised by Order no. 110/2022-SET of 28/01/2022) and alongside updating the length of career service calculation.
- The corporate scholarship program, contributing to the development and learning of the descendants of our Group's employees represents an internal Social Responsibility program with great impact. In 2022, 76 scholarships were awarded for the 2022/2023 school year, 35 for children and young people with special education needs and 41 for young persons attending higher education. Therefore, this year saw a record number of scholarships awarded, which fills us with great pride! The scholarship program for the children of Águas de Portugal Group employees was launched in the 2013/2014 academic year, having now already awarded a total of 409 scholarships.



- In the field of health and well-being, and in keeping with our Reconciliation policy, we continued with the Gymnastics program, with three sessions per week for staff on a post-labour timetable, and in addition to making psychological support appointments available to all members of staff and their families.
- We subscribed to the Workplace Mental Health Pact in an initiative set up by the CATÓLICA-LISBON Center for Responsible Business & Leadership, which challenges organizations to accept their responsibility towards adopting measures to mitigate the problems posed by the fragility of mental health in working environments.



- One of our guiding principles is equality and respect for diversity. We actively promote the combating of discrimination and regard ethics as paramount to our performance. In 2022, we continued to play a role in several projects promoting gender equality and inclusion and alleviating poverty and social exclusion.
- The AdP Group has implemented a sustained gender equality policy. In addition to this specific policy, the existence of a set of non-discriminatory Human Resources policies, the Group's own Code of Ethics and Conduct and certifications in the SA8000 Social Responsibility standards and the Reconciliation between Work and Family Life standard all serve to consolidate this issue. The AdP Group also features among the eight Portuguese "Flagship Companies" leading the way towards achieving 40% representation of women in decision-making positions by 2030, having signed the National Goal for Gender Equality in 2021, an act that reiterates the goal of promoting equal treatment and opportunities and the balanced participation of men and women in professional activities. In 2022, we fulfilled our Equality Plan and renewed our commitment to iGen – the Forum for Organisational Equality.



WE GENERATE IMPACT

- This year AdP welcomed Flávia, a trainee in the CHANGE project run by the GIRL MOVE Academy. GIRL MOVE is a foundation with the mission to create a movement of life, support and empowerment for women in Mozambique, through their education and establishing human networks of mutual help and cooperation between peers, intergenerationally and internationally. Its main objective is thus to empower young women, through education and cooperation, in order to combat early school dropout, marriage and pregnancy as well as combating gender violence. In addition, within the framework of our partnership, we participated in the CHANGEMAKER LAB program. We adapted our AQUAQUIZ game to the local reality to enable its playing in schools, thereby contributing to increasing student knowledge about water and promoting best practices for protecting resources and public health.



- As part of its Social Responsibility strategy, the Águas de Portugal Group provides support for national social inclusion actions and, in 2022 we continued to serve as partners of Paralympic sport, sponsoring the Portuguese Paralympic Committee (CPP) on its way to the Paris 2024 Paralympic Games and fully aware of the impact and pride that this partnership elicits in all AdP Group members of staff.



WE CONTINUE TO EDUCATE FOR SUSTAINABILITY

Environmental education is a transversal strategic initiative of the Águas de Portugal Group with the objective of actively contributing towards implementing activities strongly oriented towards more aware environmental education in order to beginning of able to nurture the adoption of more sustainable behaviours as regards the value of water as a scarce resource and essential to life and every facet of human activities. AdP Group companies maintain close relationships and partnerships with their respective local communities. Fostering greater awareness in the population over the sustainable usage of water and sanitation services represents a constant across Group companies, in particular through campaigns and activities. In 2022, we designed and ran developed the campaign “Let’s turn the tap on drought” in partnership with municipalities throughout the country. The core goal was to raise awareness about the spartan usage of water, especially throughout a period of drought.



LEADING AWARDS AND DISTINCTIONS IN 2022

- The Ethical Standards of the Águas de Portugal Group were recognised by the APEE – the Portuguese Association for Business Ethics in the 2nd edition of its Code of Ethical Compliance, with an award in the “Ethics and Compliance Leadership” category



- The AdP Group was honoured with the “Fleet of the Year 2022” award by Fleet Magazine.
- Águas de Santo André was distinguished by ERSAR with the Exemplary Water for Human Consumption Quality Seal.



- ERSAR also awarded EPAL the Efficient Use of Water Quality Seal and the Public (Consumer) Water Supply Service Quality Seal.



- EPAL also picked up the Digital Transformation 2022 Award in the Organisational Effectiveness/ Efficiency category for the WONEApp project.



- Águas do Douro e Paiva was awarded the PME Sustainability Seal by Porto Business School under its Sustainable Action project that seeks to recognize the merit of national companies standing out for their adoption of sustainable management practices and corresponding implementation of sustainability tools and methodologies.



- Águas do Norte was, for the second time, a finalist in the Portugal Digital Awards 2022, on this occasion for the “Barragens na Palma da Mão” project.



- At the 8th Edition of the Recognition of Social Responsibility and Sustainability Practices, promoted by APEE – the Portuguese Association for Business Ethics, EPAL was with the Social Responsibility and Sustainability Strategy Award and with 4 honourable mentions for the “Get Connected” (in the Community category), the “Impact of Social Networks “ (Communication category), for the work carried out with non-governmental environmental organizations (Quality Education category) and the “Circular Chefs” project (in the Sustainable Consumption and Production category). Águas do Tejo Atlântico received two Honourable Mentions to the projects “Indigenous Fish - Monitoring and raising awareness to protect rivers in the Western region and the native ichthyofauna living in them” (SDG 15 - Protect Terrestrial Life) and “Discovering and Valuing Water – one way of commemorating World Environmental Education Day” - (SDG 4 - Quality Education - Environmental Education).



- EPAL was the winner of the APCE Award in the Communications Excellence category for the project “Here I drink tap water: Lisbon Restaurants”. This initiative, run by the APCE – the Portuguese Association of Corporate Communication, annually distinguishes projects in the areas of institutional and environmental communication, sustainability, events, publications, among others.



- Águas do Tejo Atlântico was shortlisted for the “Water Europe Innovations Awards” for the Hidrogasmov project, which aims to produce 100% renewable biomethane through the purification of biogas generated by sludge produced in the Frielas Water Factory, contributing to decarbonising the natural gas network and the transport sector. Hidrogasmov is a project taking place under the auspices of the collaboration protocol signed between Águas do Tejo Atlântico and DouroGás Renovável. Águas do Norte was selected for the Water Europe Innovation Awards 2022 for the CAN - Alerts and Notifications Centre project.



- AdP Internacional received an honourable mention in the PALOPs Special Award Category - VISÃO Green Awards for best water management practices in Portuguese-speaking African Countries for the Service Contract for the Management, Operation and Maintenance of Water Supply Systems to the Province of Huila (Angola).



1.4 THE GROUP PROFILE

OUR PURPOSE

Make the difference in the lives of people.

OUR VISION

To be one of the most efficient and sustainable international operators in water management through focusing on excellence in client service, innovation, resilience, energy and carbon neutrality and the circular economy.

OUR MISSION

To design, build, operate and manage water supply and wastewater treatment systems within a framework of economic, financial, technical, social and environmental sustainability with a high level of competence capable of responding effectively and efficiently to the great challenges currently facing Portugal and the world in the environment sector.

OUR VALUES

- Sustainability in the usage of natural resources and the preservation of water as a strategic resource essential to life
- Preservation of water as a strategic resource essential to life
- Balance and improvement of environmental quality,
- Equal access to basic services,
- Promoting wellbeing by improving the quality of life of citizens.

**ACCESS TO DRINKING WATER AND
BASIC SANITATION IS A HUMAN RIGHT
ESSENTIAL TO LIFE**

THE STATE AND THE MUNICIPALITIES ENTRUSTED AdP GROUP WITH A CENTRAL ROLE IN MEETING NATIONAL CHALLENGES IN ENVIRONMENTAL TERMS, WITH OUR PERFORMANCE HAVING GREATLY CONTRIBUTED BOTH DIRECTLY AND INDIRECTLY, TO NATIONAL DEVELOPMENT.

With its operations spanning three decades, the Águas de Portugal Group is an exclusively state-owned company that serves as the state instrument for advancing with its public policies across the domains of water supply and wastewater sanitation. Its activities constitute services in the general economic interest, crucial to the well-being of the population, the development of economic activities and to protecting the environment.

Through its regional subsidiaries, the Group has been fundamental to obtaining national objectives through implementing the measures defined and stipulated by the strategic plans defined for the sector.

Over the last 30 years, the AdP Group has invested a total of around EUR 8 billion which, together with its planning and execution capacity, its experience in operational and financial management, the development of innovative solutions and the strong commitment and dedication of its staff, has enabled improvements to these essential public services, with positive and tangible impacts on environmental quality, public health, service levels and overall sector sustainability.

By integrating sustainability into the foundations of its management strategy, the Group has become a means of creating value for all our stakeholders. The management of our core company businesses is based on the pillars of universality, continuity, service quality, efficiency and price equity.

The Group's response to these challenges clearly emerges through the expansion in the coverage rates of all its different systems, as well as in the quality of service indicators.

The AdP Group's objectives are determined by government policies for the sector, through guidelines handed down in the strategic plans applicable to its operating areas, general instructions issued by ministerial order and in addition to any specific shareholder guidelines.

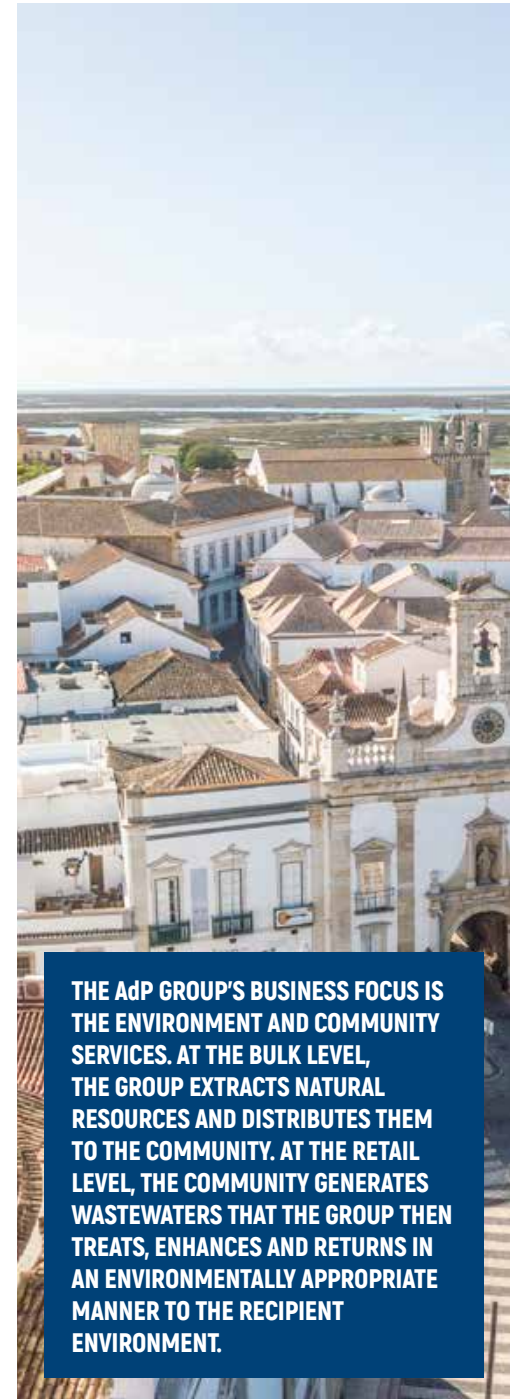
OVER THE LAST THREE DECADES, THE GROUP HAS CONTRIBUTED TO PROFOUNDLY TRANSFORMING THIS SECTOR IN PORTUGAL.

AdP - Águas de Portugal, SGPS, S.A. is the holding company for the Group. On December 31 2022, the Group consisted of 19 companies, of which 13 are water supply and wastewater treatment system management companies, four are instrumental companies and with two international companies located outside Portugal.

The Group currently provides services to over 8 million Portuguese people, around 80% of the population, serving more than 200 municipalities and with 3,742 employees.

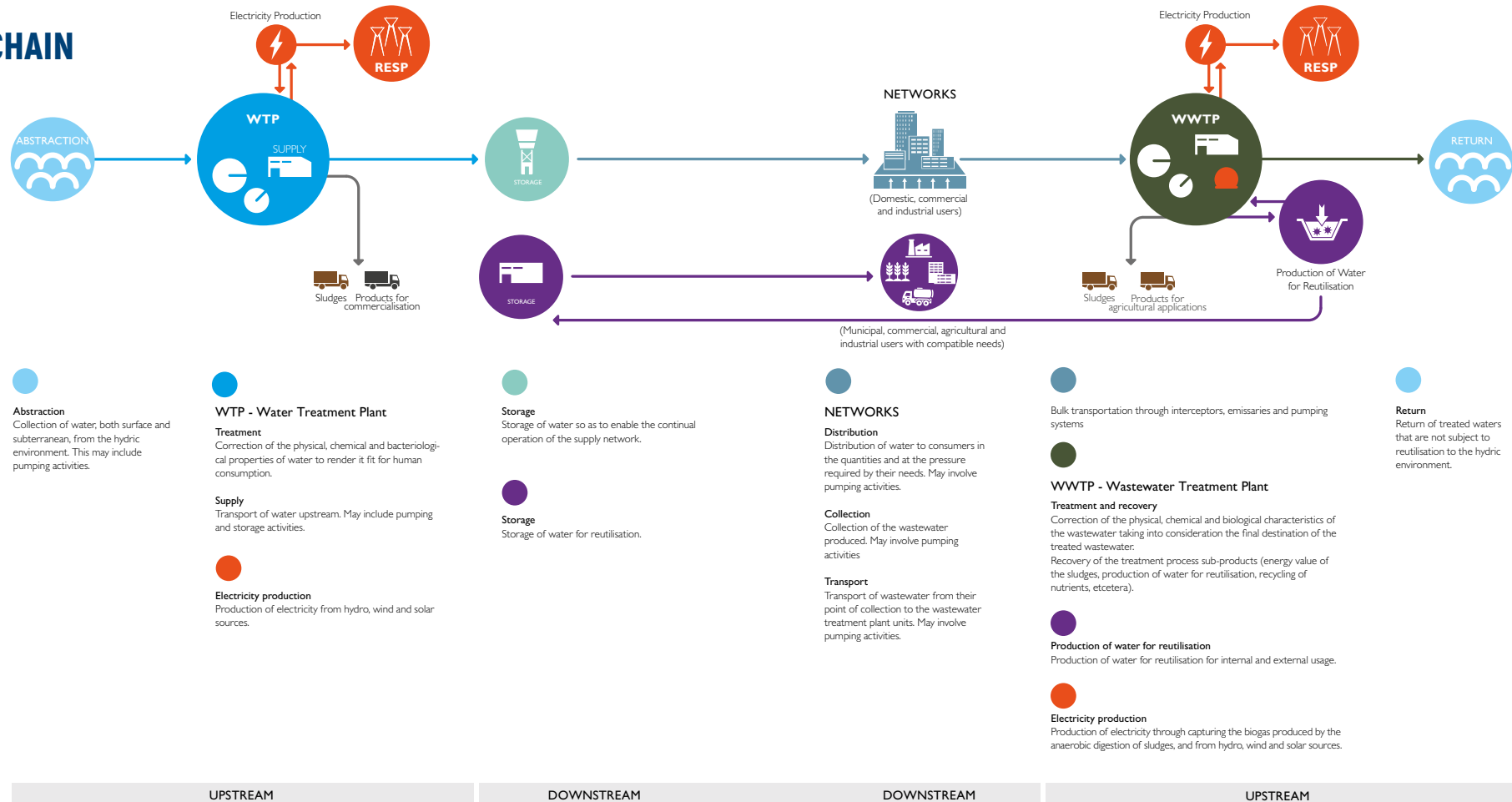
The core activity of the AdP - Águas de Portugal Group is the integrated management of the urban water cycle throughout all of its phases, ranging from catchment, treatment and distribution of water for public consumption, collection, transport, treatment and the rejection of urban and industrial wastewaters, including the production of water for reutilisation. These constitute public services essential to the wellbeing of the population, public health, social and economic development and the protection of the surrounding environment.

The AdP Group also operates in the renewable energy sector, with the objective of maximising the returns from the energy potential of its assets and endogenous resources, and in international markets through the provision of services in association with local partnerships or Portuguese companies in the sector.



THE AdP GROUP'S BUSINESS FOCUS IS THE ENVIRONMENT AND COMMUNITY SERVICES. AT THE BULK LEVEL, THE GROUP EXTRACTS NATURAL RESOURCES AND DISTRIBUTES THEM TO THE COMMUNITY. AT THE RETAIL LEVEL, THE COMMUNITY GENERATES WASTEWATERS THAT THE GROUP THEN TREATS, ENHANCES AND RETURNS IN AN ENVIRONMENTALLY APPROPRIATE MANNER TO THE RECIPIENT ENVIRONMENT.

VALUE CHAIN



THE ÁGUAS DE PORTUGAL GROUP

- Ensures the basic services required for the economic and environmental development, the functioning of different sectors of activity and the eco-innovation of society.
- Provides a fundamental contribution to more resilient, safe and equitable societies in their access and usage of hydric resources, to environmental protection and sustainable development.
- Constitutes a professional benchmark of reference for engineering, innovation and the creation of knowledge as demonstrated by the decentralised system of competences based on the regionalised structure of the Group's 3,742 professionals.
- Maintains proximate and constructive relationships with shareholders and clients within the framework of safeguarding high levels of satisfaction of the needs and expectations of final users.



IMPLEMENTATION OF THE 10 STRATEGIC AND OPERATING PRINCIPLES

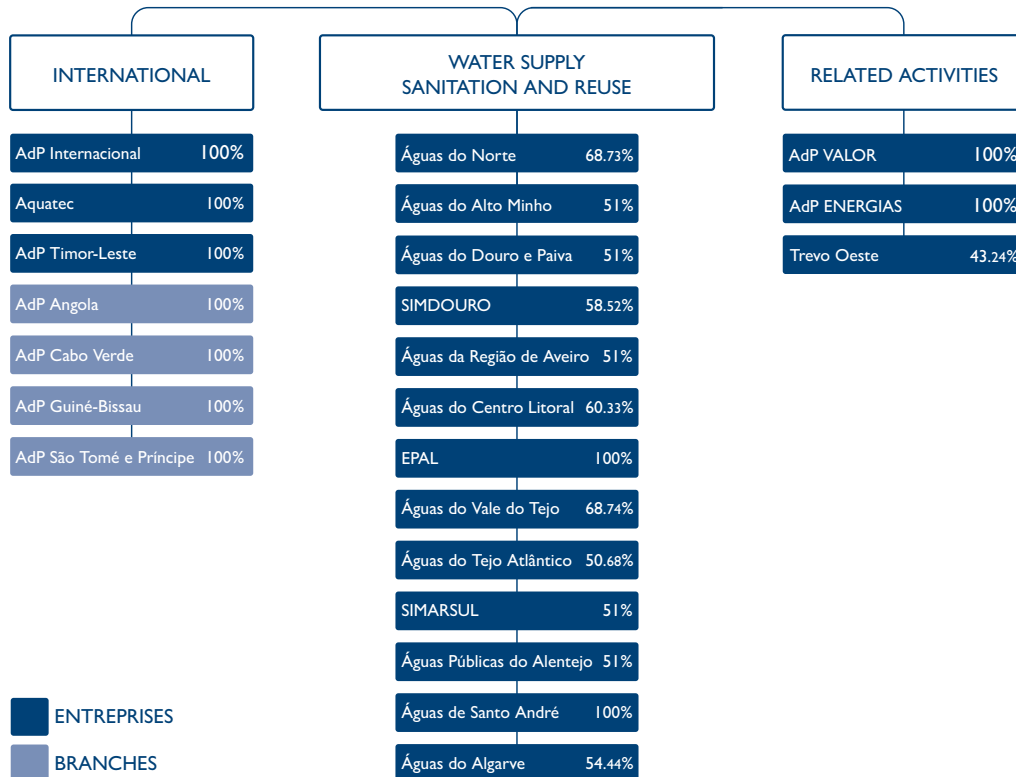
Criterion 2: Description of the implementation of the chain of value.

in "Progress Information on the United Nations Global Pact"

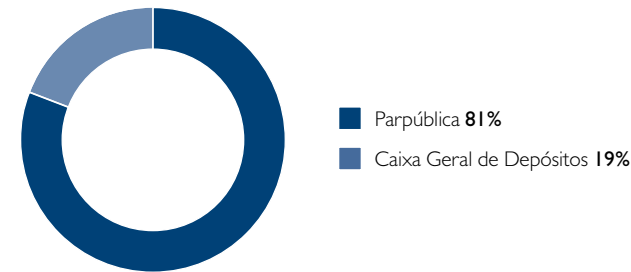
THE FOCUS OF THE AdP GROUP BUSINESS IS THE ENVIRONMENT AND SERVING THE COMMUNITIES.

In an increasingly demanding society, the reliability levels of the services provided are obtained daily, whether from the point of view of continuity or of quality, through ownership and management of a portfolio of holdings of companies predominantly concessionaires of multi-municipal systems.

These companies, emerging out of partnerships between the state and the municipalities, may take on either the model of concessionary companies for state owned systems – multi-municipal systems or the municipal system management company model under a public partnership regime, with the equity capital majority held by AdP SGPS on behalf of the state.



The ownership structure is held by Parpública - Participações Públicas, SGPS, S.A. (81%) and by Caixa Geral de Depósitos (19%).



The Municipalities are shareholders in the concessionary companies while also simultaneously in the position of clients. We work in close collaboration with these municipalities in constructing solutions aggregating retail operations and applying its know-how to implementing the most efficient outcomes and with fairer prices for providing populations with water supply and sanitation services.

The regulation of activities carried out by the AdP Group falls under the auspices of ERSAR – the Regulating Entity for Water and Waste Services. ERSAR oversees and inspects the design, construction, management and operation of the systems as well as the respective management entities and ensures the regulation of the respective sectors and the balance between the economic sustainability of the systems and the quality of the services provided in order to safeguard the interests and rights of citizens in the provision of essential goSDG and services. ERSAR monitors and evaluates the quality of the services provided through a set of indicators, carrying out benchmarking among the various water and waste sector management entities and annually publishing the results. Ever since 2004, the year when ERSAR launched its service quality evaluation, there has been the Annual Report on the Water and Waste Sectors in Portugal, in which Grupo companies have received positive evaluation of their service quality.

The APA – Portuguese Agency for the Environment accompanies the environmental regulations to which the water service management companies in the AdP Group are subject to.



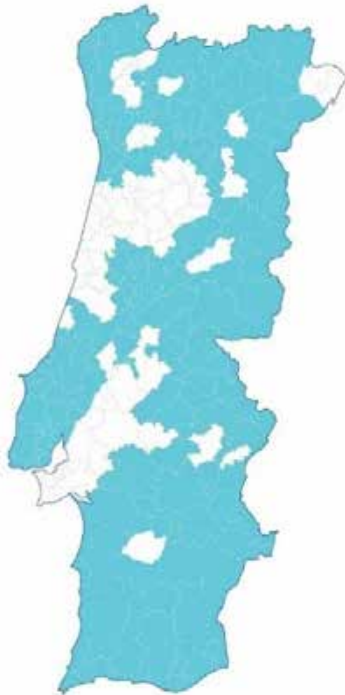
1.5

WHERE WE ARE

WE DIRECTLY IMPACT ON TERRITORIAL DEVELOPMENT AND THE GENERAL QUALITY OF LIFE.

The AdP Group, through its 13 operating companies, spans a major proportion of mainland Portugal, from the north to the south, delivering services to around 80% of the Portuguese population.

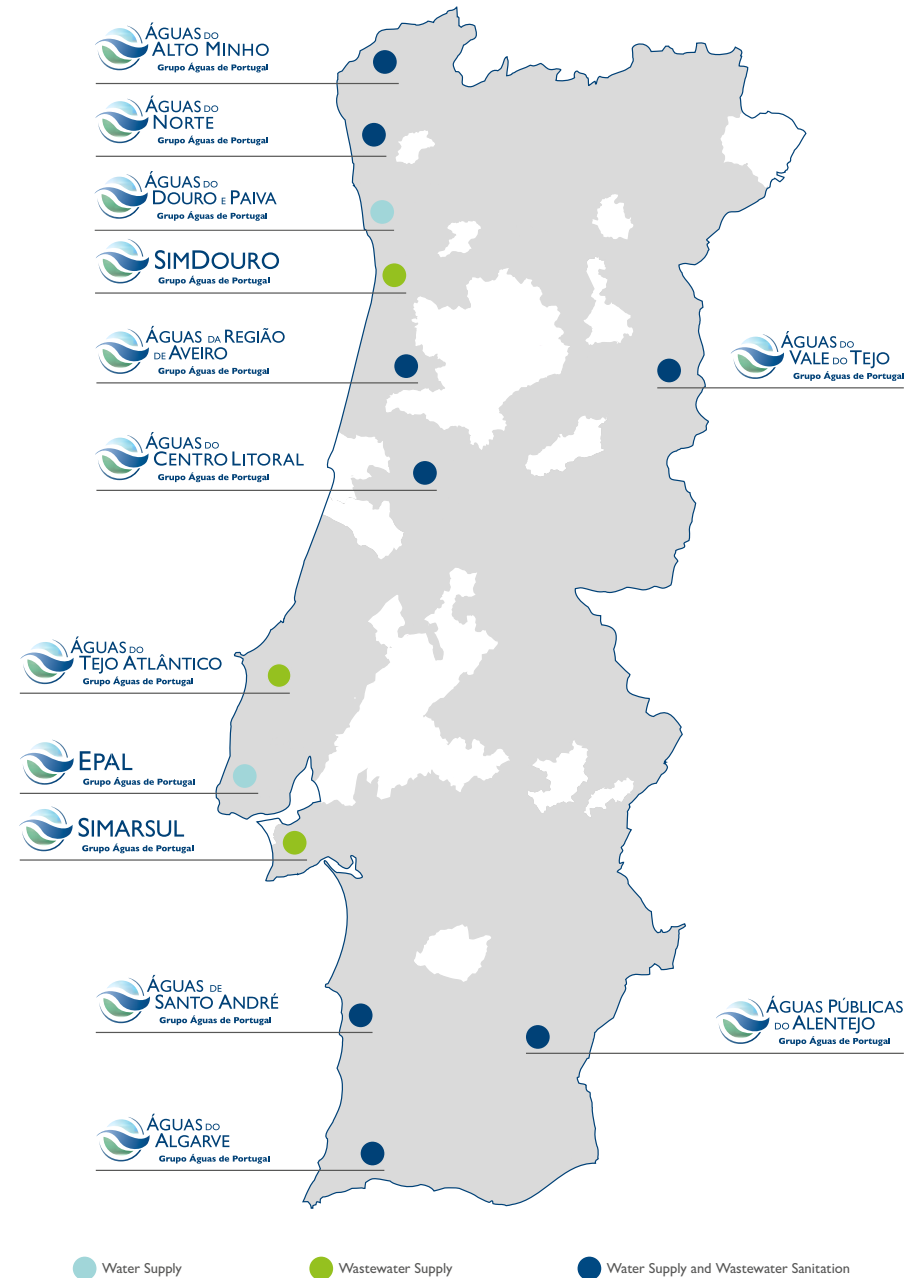
BULK WATER SUPPLY



BULK WASTEWATER SANITATION



RETAIL WATER SUPPLY AND SANITATION SERVICES



AdP WORLDWIDE



13

OPERATING
COMPANIES

8

FOR WATER
SUPPLY AND
SANITATION

2

FOR WATER
SUPPLY

3

FOR
SANITATION

3

FUNCTIONAL
COMPANIES +
HOLDING

2

INTERNATIONAL
BUSINESSES



1.6 GOVERNANCE

The Group draws upon a robust model of government based on ethics and transparency, fully respecting the Principles of Good Governance for State Sector Companies and a business strategy that seeks to meet national needs guarantee the sustainability of operations, efficiency and the quality of the service and the generation of value for Shareholders and other Stakeholders.

The AdP Group governance incorporates:

- The implementation of a professionalised management philosophy, based on appropriate skills and on increasing production capacity, in accordance with the most demanding quality parameters, in order to fulfil its mission;
- The adoption of best management practices, according to the Principles of Good Governance for Companies in the State Business Sector;
- The development of an organisational culture aimed at excellence of performance, through deploying a set of benchmark reference business practices, fundamentally based on a management philosophy that takes fully into account the economic, environmental, social and ethical dimensions.

It is worth highlighting that in 2022, training in Corporate Governance was provided to every Águas de Portugal Group manager, undertaken in partnership with the Portuguese Institute of Corporate Governance, which fostered a greater alignment among all companies as regards promoting and disseminating good corporate governance practices as an essential tool for economic efficiency, sustainable growth and financial stability, with the manager participation rate attaining approximately 90%.

1.6.1 GOVERNING BODIES

Following deliberation by the General Assembly (AG) on 4 May 2020, and for the 2020-2022 triennium, the Board of Directors of the AdP Group (AdP SGPS) contains six directors (five executives and one non-executive), with a chair, a vice-chair and the remaining members who undertake three year mandate susceptible for re-election. The current management was delegated to the Executive Commission made up only of executive directors – one chair, one vice-chair and four directors.

UNTIL 23 AUGUST 2022

BOARD OF DIRECTORS

Chair José Carlos Athaide dos Remédios Furtado

Vice-Chair José Manuel Leitão Sardinha

Director Catarina Isabel Clímaco Monteiro d'Oliveira

Director Carla da Conceição Afonso Correia

Director João Pedro Moura Castro Neves

Non-executive Director Jaime Serrão Andrez (representing Parpública)

EXECUTIVE COMMISSION

Chair José Carlos Athaide dos Remédios Furtado

Vice-Chair José Manuel Leitão Sardinha

Director Catarina Isabel Clímaco Monteiro d'Oliveira

Director Carla da Conceição Afonso Correia

Director João Pedro Moura Castro Neves

AS FROM 23 AUGUST 2022

BOARD OF DIRECTORS

Chair José Carlos Athaide dos Remédios Furtado

Vice-Chair José Manuel Leitão Sardinha

Director Catarina Isabel Clímaco Monteiro d'Oliveira

Director Carla da Conceição Afonso Correia

Director Pedro Manuel Amaro Martins Vaz

Non-executive Director Jaime Serrão Andrez (em representação da Parpública)

EXECUTIVE COMMISSION

Chair José Carlos Athaide dos Remédios Furtado

Vice-Chair José Manuel Leitão Sardinha

Director Catarina Isabel Clímaco Monteiro d'Oliveira

Director Carla da Conceição Afonso Correia

Director Pedro Manuel Amaro Martins Vaz

OTHER GOVERNING AND SUPERVISORY BODIES AND THE EXTERNAL AUDITOR

BOARD OF THE GENERAL ASSEMBLY

Chair Isabel Sofia Sousa Santos Albuquerque

Vice-Chair Maria Helena Dias Duarte

Secretary José Espírito Santo Menezes e Teles

SUPERVISORY BOARD

Chair Carla Maria Lamego Ribeiro

Director Mário José Alveirinho Carrega

Director Rui Manuel Mendes Cabeças

OFFICIAL CHARTERED ACCOUNTANT

Grant Thornton & Associados, SROC, Lda,
represented by Pedro Miguel Raposo Lisboa Nunes, ROC

COMPANY SECRETARY

Permanent Cristina Rebelo Pereira

Alternate Ricardo Cortes Ribeiro

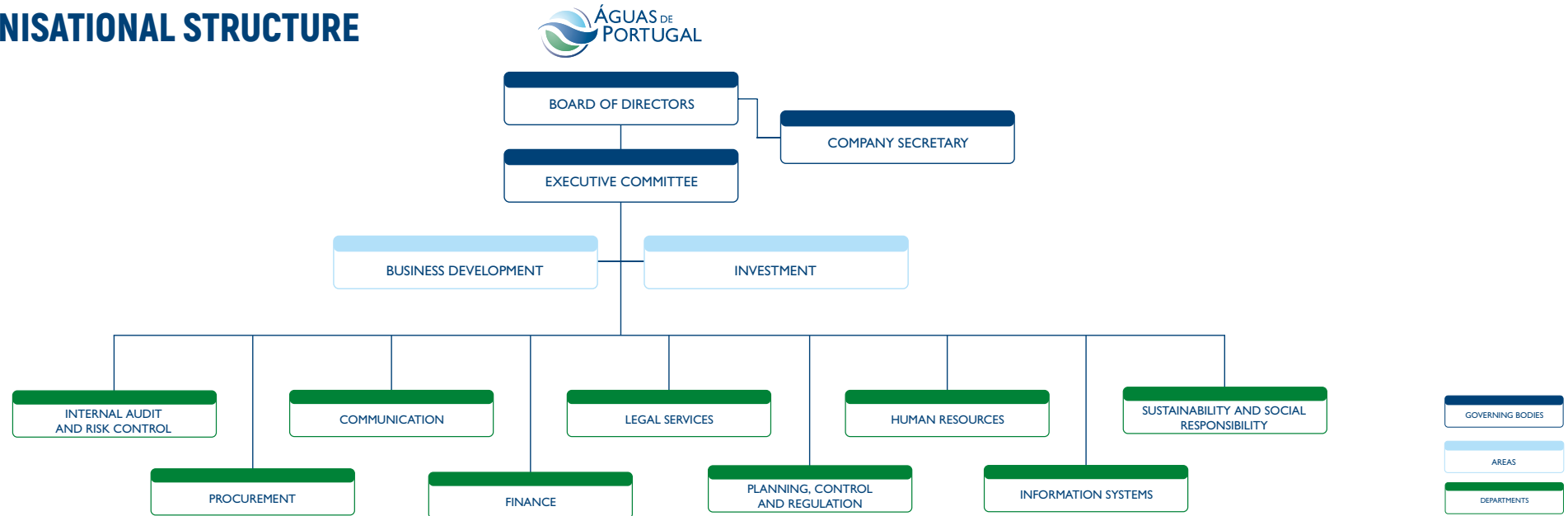
EXTERNAL AUDITOR

Pricewaterhousecoopers, SROC, Lda.

In 2022, the AdP SGPS Board of Directors met on 9 (nine) occasions and the Executive Commission 56 (fifty-six) times.

The management of the AdP Group companies is ensured by a Board of Directors (BD), with its Chairs and members elected by the General Assembly (GA). It is also the responsibility of the GA to elect a Supervisory Board and an Official Chartered Accountant to guarantee oversight of the company. The composition of the BD provides for the distinction between executive directors and non-executive directors.

1.6.2 ORGANISATIONAL STRUCTURE



FUNCTIONAL BODIES

The organisational structure of the Águas de Portugal Group spans two levels of organise and decision-making with distinctive competences: i) Group (strategic), ii) Group Companies (operational).

The Group Companies, endowed with their own means and holding responsibility for the results returned, run decentralised management structures even while functioning within a system of planning and control handed down by the holding company. The latter correspondingly defines, in a participative and interactive approach, the strategic orientations, the business and investment plans, the annual objectives and budgets and periodically undertaking their revision and control.

The organisational structure also incorporates a set of functional bodies that support Group management, responsible for the definition and implementation of policies, managing corporate resources and evaluating and controlling the group companies.

FINANCIAL

Responsible for defining and coordinating the Group financial policy. Guaranteeing the accountancy and fiscal management of the Group, especially harmonising criteria, procedures and practices in accordance with the national norms.

PLANNING, CONTROL AND REGULATION

Responsible for ensuring the provision of the correct management information to the decision-makers for their appropriate interpretation alongside the implementation of corrective measures and coordinating the regulatory strategy, including tariff related issues and maintaining the relationship with the Regulatory Entity, identifying the key issues for minimising regulatory risks and their respective impacts on the scope of AdP Group assets.

HUMAN RESOURCES

Responsible for defining the Group human resource policies and strategies as well as managing these resources.

INTERNAL AUDIT AND RISK CONTROL

Responsible for the identification of the risks inherent to the Group's businesses, carrying out internal audits of companies in which the Group holds a majority stake, defining the key factors for control necessary to minimising or eliminating their impact and undertaking compliance tests to evaluate the results.

COMMUNICATIONS

Responsible for defining the communications strategy and policy for the Group and providing direct consultancy to the Board of Directors on these issues.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Responsible for planning, coordinating and implementing the sustainability policy and the AdP Group social responsibility program, thereby ensuring the organised implementation of the vision, strategy and commitment to the principles of sustainable development set by the Group.

BUSINESS DEVELOPMENT

Responsible for identifying, studying and developing new businesses, contributing to detecting and analysing the new market opportunities and the development of new management models and/or improving on existing solutions.

INVESTMENT

Responsible for supervising the annual planning process for investments by companies and their respective implementation over the course of the year; coordinating the technical components of funding applications submitted to the European Investment Bank and the corresponding reporting to the bank and closure of projects, thus centralising diverse procedures, across the internal and external levels, relative to AdP Group investments.

LEGAL SERVICES

Responsible for ensuring the provision of legal consultancy services to the Group in accordance with the defined strategy, thereby defending the interests of AdP and compliance with the law.

PROCUREMENT

Responsible for undertaking the negotiations for contracting supplies for the Group, seeking to maximise the cost/benefit ratio with the best quality existing in the market in order to thus contribute towards Group results.

INFORMATION TECHNOLOGY SYSTEMS

Responsible for supporting the definition and ensuring the implementation of strategies related to information and communication technology systems, seeking to provide the greatest level of operating and functioning capacity to the Group/Companies and thereby contributing to their results.

DATA PROTECTION OFFICER

The DPO assists those responsible for handling or outsourcing all of the questions related to personal data protection. Specifically, the DPO is to: (i) inform and advise those responsible for this handling or outsourcing, as well as the respective members of staff, on meeting their respective obligation in terms of the data protection law; (ii) control compliance by the organisation with all the legislation interrelating with data protection, especially the audits, awareness raising activities and training of staff involved in information processing operations; (iii) provide advice whenever carrying out an Impact Evaluation on Data Protection and supervise its implementation; (iv) act as a point of contact for requests from persons regarding the handling of their personal data and exercising their rights; (v) cooperate with the Data Protection Authorities and act as a point of contact for data related questions.

COMPANY SECRETARY (ART. 446 B CSC)

As responsabilidades do Secretário da Sociedade são, entre outras matérias que lhe sejam especialmente atribuídas pelo órgão de administração da Sociedade, as resultantes do disposto no art.º 446-B do Código das Sociedades Comerciais e sgts., competindo-lhe, nomeadamente, o apoio às reuniões dos órgãos sociais e o seguimento/acompanhamento das respetivas deliberações junto da estrutura interna da sociedade, das empresas participadas e respetivos gestores.



IMPLEMENTATION OF THE 10 STRATEGIC AND OPERATING PRINCIPLES

Criterion I: Description of the current principles of corporate and business unit functions.

in "Progress Information on the United Nations Global Pact"

GROUP COMPANIES

EMPRESA PORTUGUESA DAS ÁGUAS LIVRES (EPAL)

A centenary company that has been 100% owned by AdP - Águas de Portugal, SGPS, S.A. since 1993. Its mission is to provide water services and the sustainable management of the urban water cycle throughout the sequence of its activities and businesses. The company is responsible for the bulk supply of water, directly or indirectly, to 35 municipalities on the north bank of the River Tagus and the household delivery across Lisbon Municipal Council, where there are around 360,000 direct clients, globally accounting for a population of around 2.8 million citizens, about one-quarter of the Portuguese population. The operation and management concession of the Vale do Tejo water supply and sanitation multi-municipal systems was awarded to Águas do Vale do Tejo and with EPAL – Empresa Portuguesa das Águas Livres, S.A., its delegated manager.

ÁGUAS DO NORTE (AdNORTE)

Bulk activity - AdNorte is the management entity for the Bulk Multi-municipal System of the Norte Region, correspondingly responsible for the bulk water supply and wastewater treatment activities. Following Decree-Law no. 16/2017, of 1 February, there was a demerger process that resulted in the establishing of the new Multi-municipal Water Supply System for South Greater Oporto and the new Sanitation System for South Greater Oporto, which led to alterations in terms of the territorial scope of the system.

Retail activity - AdNorte is the management entity operating, under a public partnership regime, the water distribution system for the Noroeste region.

ÁGUAS DO ALGARVE (AdA)

AdA is the management company of the bulk multi-municipal system for the Western and Eastern regions of the Algarve, responsible for bulk water supply and wastewater treatment activities.

ÁGUAS DA REGIÃO DE AVEIRO (AdRA)

AdRA is the management company, under a public partnership regime, of the retail water and sanitation services in the Aveiro metropolitan region.

ÁGUAS DE SANTO ANDRÉ (AdSA)

AdSA manages and operates the Santo André system, supplying water of appropriate quality and quantity to the local population and collecting and treating wastewater in the same area. This company is simultaneously responsible for meeting the drinking water, industrial water and wastewater and industrial waste needs of the industries located in the Sines Industrial and Logistics Area (ZILS).

ÁGUAS DO DOURO E PAIVA (AdDP)

AdDP is the managing company for the multi-municipal water supply system of South Greater Oporto and results from the demerger of the multi-municipal water supply and sanitation system of the Norte region of Portugal that took place following the publication of Decree-Law no. 16/2017 of 1 February.

SIMDOURO

SIMDOURO is the management company for the multi-municipal sanitation system of Greater Oporto and results from the demerger of the multi-municipal water supply and sanitation system of the Norte region of Portugal following the publication of Decree-Law no. 16/2017, of 1 February.

ÁGUAS DO CENTRO LITORAL (AdCL)

AdCL is the management company for the bulk multi-municipal system for the Centro region, responsible for bulk water supply and wastewater treatment and results from the merger of Águas do Mondego, SIMLIS and SIMRIA in June 2015.

ÁGUAS DO VALE DO TEJO (AdVT)

AdVT is the management entity responsible for the bulk multi-municipal water supply and sanitation system for the Tagus Valley and results from the demerger of the multi-municipal water supply and sanitation system for Lisbon and the Tagus Valley, which correspondingly resulted in the establishment of two multi-municipal wastewater sanitation systems: the Greater Lisbon and West system and the Setúbal Peninsula system. Following the publication of Decree-Law no. 34/2017, of 24 March, which brought about the aforementioned demerger, the company was renamed and with its territorial scope subject to substantial change.



ÁGUAS DO TEJO ATLÂNTICO (AdTA)

AdTA is the management company of the multi-municipal wastewater sanitation system for the Greater Lisbon and West region resulting from the demerger of the multi-municipal water supply and sanitation system for the Lisbon and Tagus Valley region following the publication of Decree-Law no. 34/2017, of 24 March.

SIMARSUL

SIMARSUL is the management company of the multi-municipal wastewater sanitation system for the Setúbal peninsula resulting from the demerger of the multi-municipal water supply and sanitation system for Lisbon and the Tagus Valley system following the publication of Decree-Law no. 34/2017, of 24 March.

ÁGUAS PÚBLICAS DO ALENTEJO (AgdA)

AgdA is the management company, under a public partnership regime, of the bulk water and sanitation services for the Baixo Alentejo region.

ÁGUAS DO ALTO MINHO (AdAM)

AdAM is the management company of the water system for the Alto Minho region, providing both water supply and wastewater treatment services. The AdAM partnership and system management contracts were signed on 2019 and remain in effect for a 30-year period.

AdP ENERGIAS

Set the objective of undertaking activities within the scope of environmental management, specifically the production, usage and delivery to external consumers diverse forms of renewable energy, establishing systems for collecting, transport, treating and valuing sludges and their application or final destination for the development of processes and installations for improving energy efficiency and consultancy and the provision of services in the same areas, as well as accessory and complementary fields and other sectors of the environment industries.

AdP VALOR

Attributed the mission to drive strategic innovation throughout the AdP Group, dynamically managing the network of critical competences available, launching and managing new sustainable businesses aligned with Group priorities and structured around the principles of the circular economy, managing strategic technical processes that aggregate the potential for value creation and successfully meeting the challenges of the Group as well as providing specialist engineering and operational services within a context of sustainability and valuing the urban water cycle.

AdP INTERNACIONAL (AdPI)

AdPI brings together the companies with the activities ongoing outside of Portugal and holds the mission of leading and managing the AdP Group businesses outside of its domestic market. This highlights the role of economic sustainability as a fundamental driver of the activities developed but while also playing a leading role in the field of cooperation in keeping with how some of the activities under development, or in providing continuity to others, contain an underlining perspective of cooperation and social responsibility to the detriment of any exclusively commercial logic.

With its activities oriented towards a logic of economic and environmental sustainability of the projects and missions engaged in, AdP Internacional deploys the following main lines of guidance:

- Consolidation of existing projects, favouring the expansion into new regions, in markets where there is either already a significant presence or relevant experience;
- Sustaining growth in the sector, obtaining new businesses within a logic of minimising investment risks and within from a fee-based perspective;
- Strengthening the organisational structure, focusing on managing the creation of value for shareholders and consequently the development of new economically sustainable businesses;
- Support for the internationalisation of other Portuguese companies in the environmental sector.



SPECIALIST COMMITTEES

The holding group Board of Directors nominates multidisciplinary teams to manage and supervise the transversal Group projects.

Strengthened in 2021, under the auspices of the adjustments that have been introduced in terms of the governance model, the corporate structure and valuing the multipolar network of Group competences that function as junctions for the convergence of knowledge, experiences and awareness, especially for personal enrichment, improving decision-making processes and greater Group consistency. Designed to endow greater efficiency in implementing the transversal norms, ensuring fluidity in the communications processes, studying the proposals for process/function integration and sharing the best practices of the companies making up the Águas de Portugal Group.

The Specialist Committees are composed of directors and the managers of functional areas in each of the companies on nomination by their respective Boards of Directors. The coordination of each Committees is undertaken by one of its members nominated by the respective Committees and with rotation encouraged on a 3 (three) month basis. Currently, the following committees are sitting:

- Procurement
- Communication
- Engineering
- Financial
- Asset Management
- Retail Commercial Management
- Accredited Laboratories
- Maintenance
- Operation Supply
- Sanitation Operations
- Planning, Control and Regulation
- Human Resources
- Legal Services
- Information Systems and Cybersecurity
- Sustainability and Responsibility
- Media and Communications

1.6.3 INSTRUMENTS OF GOOD GOVERNANCE

In advancing with our public service mission, we manage a strategic resource essential to life and human development. A mission of the greatest responsibility, internalised by all representatives of the management bodies and by all staff who, in their daily activities, comply with the functions effectively and responsibly.

The priority attributed to the close management of companies underpins the principles of transparency and credibility based on ethical values and integrity. The daily concerns, striving for efficiency or economic growth cannot be detached from ethical and responsible behaviours.

We have adopted information and internal control systems appropriate to our size and complexity and covering all relevant known risks

The Águas de Portugal Group, as an aggregator of public companies that provide public services to over 8 million people, has always been convinced that its daily concerns over with efficiency and economic growth cannot be dissociated from ethical and responsible conduct. To this end, the Group believes that the achievement of its long-term interests, in line with Agenda 2030, is necessarily based on strict compliance with the highest standards of ethical conduct. Every party interrelating with AdP Group companies, whether in their commercial, institutional or social activities, hold a legitimate interest in the transparency, dialogue and ethical attitudes of the Group's companies and their staff.

OUR MISSION IS BASED ON A LONG TERM VISION, A ROBUST ORGANISATIONAL MODEL AND A STRONG ETHICAL CULTURE.

AdP GROUP ETHICAL VALUES AND ACTION PRINCIPLES

The values and principles guiding the actions of the AdP Group establish a core ethical framework that shapes the behaviour of employees in their daily activities.

As central values, the AdP Group strives for:

- Excellence
- Integrity
- Responsibility
- Rigor

And is governed by the following principles:

- Compliance with all legislative and regulatory requirements in addition to other subscribed declarations
- Respect and protection of human rights
- Combat of corruption
- Contributing towards sustainable development

INTEGRITY COMMITMENT

INTEGRITY POLICY

VALUES AND PRINCIPLES [ETHICAL CRITERIA]



The AdP Group Integrity Commitment, subscribed to by every company, was publicly presented in December 2021 and represents our commitment towards implementing the integrity model and all the associated instruments in order to ensure the Águas de Portugal Group culture of integrity.

The AdP Group Integrity Policy sets out our vision on ethics and integrity, consolidating the commitment of constituent companies to the governance model based on the highest ethical standards, transparency, responsibility and excellence in public management practices.

The Policy, which described the integrity model that guarantees the ethical quality of the Group's decisions and options based on the three axes that structure the actions into prevention of inappropriate or inadequate behaviour, mechanisms for detecting potential situations in violation of the ethical framework and instruments and mechanisms for resolution, action and evaluation.

INSTRUMENTS

- Code of Ethics and Conduct
- Prevention Plan for Risks of Corruption and Similar Infringement
- Voluntary Whistleblowing Regulation
- General Regime Public Procurement Manual
- Procurement Manual
- Manual of Best Practices and Public Procurement
- Jury Scholarship

We share the vision on transparency and public integrity of international institutions such as the UN, the OECD and the European Union and we review our actions according to the OECD Recommendations on Public Integrity, which *"recognise as priority the promotion of a culture of public integrity consistently aligned to the values, principles and shared ethical norms for sustaining and prioritising the public interest over private interests in the public sector"*.

We have provided an ethical framework based on the values and principles enshrined in the Code of Ethics and Conduct, the Principles of Good Governance that require the Group to align with the 10th Principle of the United Nations Global Compact, anti-corruption and in alignment with the targets of Sustainable Development Goal 16 - Peace, Justice and Strong Institutions of the United Nations Agenda 2030.

WE SUPPORT



HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and.

Principle 2

make sure that they are not complicit in human rights abuses.

LABOUR



Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

the elimination of all forms of forced and compulsory labour;

Principle 5

the effective abolition of child labour; and

Principle 6

the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT



Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION



Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

In 2019, all AdP Group companies respond to the Anti-corruption Call to Action issued by the UN Global Compact, correspondingly subscribing to the Portuguese Anti-corruption Campaign.

The ethical framework receives backing from the norms of conduct and a set of other internal policies and procedures that guarantee conformity with the different instruments regulating Group activities and actions. The Policy serves to confirm how this set of principles establish harmonised criteria for decision-making processes, at the internal level and the relationships with interested parties.

Framed in the first pillar of the Strategic Framework of Commitment, Group Culture, the Policy serves to contribute to strengthening the remaining two, Service Excellence and Social Utility and serving to support the twelve strategic challenges.

The internal means of implementing these ethical commitments, including the scope of compliance and other interrelated legal obligations, are:

- Code of Ethics and Conduct;
- Plan for the Prevention of Risks of Corruption and Related Infractions;
- Regulation on Voluntary Whistleblowing;
- Manual of General Regime Public Procurement;
- Guide to Best Practices in Public Tenders;
- Scholarships Jury.

PURPOSE

VISION

MISSION

INTEGRITY COMMITMENT

to Make a Difference in People's Lives



INSTRUMENTS

- Code of Ethics and Conduct
- Prevention Plan for Risks of Corruption and Similar Infringement
- Voluntary Whistleblowing Regulation
- General Regime Public Procurement Manual
- Procurement Manual
- Manual of Best Practices and Public Procurement
- Jury Scholarship

INSTRUMENTS

THE AdP GROUP CODE OF ETHICS AND CONDUCT

The Code of Ethics and Conduct, revised in 2021, serves to express the AdP Group commitment to ethical conduct in its internal and external relationships within the objective of strengthening the ethical standards applicable and nurturing a working environment that fosters respect, integrity and equity.

More than a commitment, this Code of Ethics and Conduct reflects the will to advance along a path of continuous improvement of a business Group that accepts as structural principles for its actions, respect for the rights of workers, the responsibility for defending and protecting the environment, transparency in its relationships with the exterior and contributing towards sustainable development.

The observance of this code is overseen by the AdP Group Ethics Commission. The Code of Ethics and Conduct is available for consultation at www.adp.pt.

THE GOVERNANCE MANUAL

The Governance Manual seeks to endow AdP Group with a document that enables greater rigor, transparency and control over the governance of companies, concentrating the norms, deliberations and regulations, sharing knowledge of the fundamental materials of company governance with every interest party and improving the governance practices.

MANUAL OF BEST PRACTICES AND PUBLIC PROCUREMENT

Identifies the set of best practice recommendations for the field of public procurement that mitigate the risks existing and prevent the violation of the principles of transparency, equality and competition within the scope of ensuring the public interest.

PREVENTION PLAN FOR RISKS OF CORRUPTION AND SIMILAR INFRINGEMENTS

The Prevention Plan for Risks of Corruption and Similar Infringements identifies the key area that may potentially be subject to acts of corruption as well as the respective risks thereby resulting and the controls enacted by the company within the framework of their mitigation and reducing the likelihood of their occurrence. This also seeks to strengthen the culture of the Group and its respective employees as regards ethical behaviours and best practices as regards commercial relationships with clients, suppliers and other entities. This plan complies with the CPC recommendation of 1 July 2009 as well as with the RGPC – the General Regime for the Prevention of Corruption established by Decree-Law 109-E/2021 of 9 December.

In order to comply with the recommendation of the Corruption Prevention Committee of 7 November 2012 for the management of conflicts of interest in the public sector, AdP Group companies implement Declarations of Conflicts of Interest, subscribed by the Directors and members of staff in positions potentially subject to the occurrence of acts of corruption. Approval of expenses incurred by members of administrative bodies always requires the signature of another director. Members do not participate in the approval of their own expenses. The approval of expenses incurred by the other corporate bodies, when existing, always require signing off by a director. Furthermore, members of administrative bodies do not participate in deliberations that may result in direct or indirect conflicts of interest, concerning either possible expenses they incurred or other matters related to the provisions of no. 7 of article 22 of the Public Manager Statute.

All AdP Group companies communicate/make available the Prevention Plan of Corruption and Related Infractions on their websites.

VOLUNTARY WHISTLEBLOWING REGULATIONS

The Regulation on Voluntary Whistleblowing sets out the internal procedures for receiving voluntary reports of deviations from the AdP Group's ethical standards, as well as providing a tool for raising internal awareness of anti-corruption and bad governance procedures and informing employees of their rights and duties through establishing a whistleblower protection scheme.

Whenever a report is received that refers to infringements that may amount to crimes, the details are forwarded to the competent entity.

The mechanisms and procedures for receiving, retaining and processing the complaints/reports covered by these Regulations comply with the data protection rules in force as well as the information security rules.

PROCUREMENT MANUAL

The Procurement Manual aims to systematise the rules to be complied with in the procurement process, ensuring the standardisation of procedures and controls, compliance with the legislation and the regulations in force, and promoting observance of the principles of transparency, equality and competition.

THE INTEGRITY LINE

The AdP Group maintains a specific channel of communication directly to the Ethics Committee, called the Integrity Line, available via every AdP Group company website, with the core purpose of receiving all communications regarding ethical issues that may jeopardize the integrity, whether of the Group or any one of its companies, notified by internal or external stakeholders. The Integrity Line aggregates all communications reporting whatever may, in whatever form, violate the principles and essence of the Integrity Policy in effect at the AdP Group. This is available at www.adp.pt.

The governance of ethics is entrusted to two bodies with distinct and complementary attributions:

- The Ethics Council, a consultative body with an independent status, strives to promote the very highest ethical standards in the Águas de Portugal Group in terms of culture, conduct and behaviour and with the mission of advising and reflecting on excellence in ethics at the AdP Group;
- The Ethics Committee, an executive body with an independent status, undertakes the analysis of whistleblowing reports, questions and ethical dilemmas reported through the channels of communication, purpose established, confidential and safe, particularly as regards the reporting of irregularities.

The implementation of the principle of transparency takes place through the regular release on information about the performance and initiatives, both internally and externally, and both by the holding group and Group companies.



ANTI-CORRUPTION

10th Principle: Businesses should work against corruption in all its forms, including extortion and bribery.

Criterion 12: Existence of robust commitments, strategies or policies for anti-corruption

Criterion 13: Effective management by the AdP Group in order to integrate the anti-corruption principles

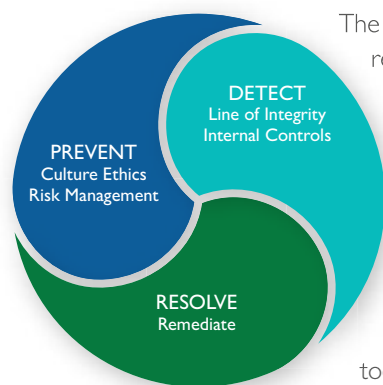
Criterion 14: Effective monitoring and evaluation of the anti-corruption management mechanisms

in "Information on Progress in the United Nations Global Pact"



THE AdP GROUP INTEGRITY MODEL

The AdP Group integrity model derives from the application of structural values and principles across three fundamental axes: preventing, detecting and resolving, which integrate all the support mechanisms and instruments and deployed through a governance structure that includes two bodies with distinct statutes and attributions, the Ethics Committee and the Ethics Commission.



The **“Prevent”** axis rests on the assumption of integrating ethical reflection, thus, every decision and option taken by managers and staff incorporate criteria based on compliance with the legislation in effect and that apply to the companies in the state business sector; the defined values and principles, the external commitment in this domain and the norms of internal conduct. This pillar results from the continuous investment in awareness, open dialogue, coherence between what we defend and our actions, and that results in the culture of integrity that characterises us. In 2022, five training courses took place on Ethics and the AdP Group's Integrity Policy, involving all the Group's directors and managers in addition to an e-learning course on “Ethics and Conduct in the AdP Group” provided for all Group employees within the scope of raising the general awareness of ethical issues.

The **“Detect”** axis serves to frame the different internal mechanisms for identifying situations and areas of risk, deviations from procedures or conducts, ethical dilemmas or anomalous circumstances and the definition of corrective measures. The Group makes available channels for collecting situations that may involve internal or external interlocutors and also endowing the bodies with the appropriate responsibilities and authority for defining the measures necessary for application.

The **“Resolve”** axis integrates the measures for implementation, the remediation methodologies that guarantee the depth and reach of the model and the evaluation of the Group ethical performance in accordance with the ethical performance indicators.

An assessment was carried out at the end of 2022 on the state of implementation of the Group's Integrity Policy involving a self-assessment process undertaken by each of the Group's seventeen companies in Portugal.

93%

DEGREE OF IMPLEMENTATION
OF THE INTEGRITY POLICY

The methodology incorporated the application of maturity scales whereby the company established its position in relation to the degree of implementation of each of the documents making up the Integrity Policy. These scales were designed to evaluate three dimensions:

1. Knowledge and understanding of the Integrity Policy objectives;
2. Ethical Culture;
3. Risk Management.

The overall results display a 93% level of Policy implementation, highlighting certain aspects for improvement as regards the Code of Ethics and Conduct and the Integrity Line, which includes the Voluntary Whistleblowing Regulation.

However, we would point out that this result is only an output from a self-assessment exercise without the collection and analysis of evidence from the management teams to provide more concrete data even though some companies did also provide links to such evidence in their response documents.

Degree of Implementation of the integrity policy in the AdP Group

The integrity policy entire strategic objectives. Action plans were outlined to implement the commitment and responsibilities were assigned. Various instruments included in the policy were implemented.

The integrity policy was appropriated by the company Integrated in the internal documentation. The teams working on policy issues are aware of the policy and are working on implementing the instruments.

The commitment was communicated internally to the teams, and the form of implementation was outlined, but it is still at an early stage.

No specific communication actions were developed on the assumed commitment to integrity as the teams were not involved in its implementation.

1.7

Risk Management

AdP Group activities are subject to events that may adversely affect performance, particularly in the contexts of accelerated change that we are today experiencing. It therefore becomes necessary for organisations to be able to develop strategies capable of dealing with uncertainties, especially pre-empting any threats as well as through identifying the opportunities arising that may shape the achieving of Group objectives.

The AdP Group dedicates a great deal of attention to the risks inherent to its activities, which reflects in the regular monitoring activities of the core risks resulting from the daily operations of all its companies.

THE MANAGEMENT OF RISK SHOULD CONSTITUTE A COMPANY GOVERNANCE TOOL INCORPORATED INTO EVERY INTERNAL PROCESS AND THEREBY POSING A TRANSVERSAL CHALLENGE TO EVERY GROUP MEMBER OF STAFF.

INTERNAL CONTROL SYSTEM

In 2022, the implementation of the Group project for an Internal Control System, based on the internationally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology continued to advance.

This model returns a direct correlation between the objectives the organisation is striving to achieve across three categories (Operation, Reporting and Compliance), and the five components (Control Environment, Risk Management, Control Activities, Information and Communication and Monitoring Activities), which represent those necessary to achieving the objectives set.



Control Environment

This should reflect the importance of internal controls and establish the discipline and structure of the other ICS components. This encapsulates the set of rules, processes and structures that provide the basis for the performance of internal control in the organisation. This defines the spirit of the organisation, influencing the awareness employees hold of the risks. This constitutes the foundations for all other components of the ICS.

Risk Evaluation

Intended to identify, evaluate, monitor and control all the risks that may influence the strategy and objectives defined by the institution, ensuring that they are met and that the necessary actions are taken to respond appropriately to undesired deviations.

Risk is defined as the possibility of an event occurring and affecting (positively or negatively) the achievement of the defined organisational objectives. This involves dynamic and interactive processes to identify and analyse risks that may impact on attaining the company's objectives with the findings providing the foundations for understanding how risks are to be managed. Objectives are defined at different levels of the organisation, consistently and categorically for operations, reporting, and compliance, with sufficient clarity to be able to identify and analyse the risks to those objectives.

Control Activities

Activities designed to prevent or reduce the adverse impact of risks, for example recurring process control activities. Control activities are actions established by policies and procedures that help ensure management directives for mitigating risks in achieving objectives are duly implemented. Control activities are performed at all levels of the organisation and at various stages of the business process and technological environment. Control activities can be preventive or detective in nature and can encompass a range of manual and automated activities, such as authorisations and approvals, verifications, reconciliations and business performance reviews. The segregation of duties is typically incorporated into the selection and development of control activities. When the segregation of duties is not possible, the management should develop and apply alternative control activities.

Information and communications

Procedures established to ensure the capture, processing and exchange of relevant, comprehensive and consistent data, within a timeframe and in a manner that enables the effective and timely performance of the management and control of the company's activities and risks. Such information is necessary for companies to comply with its IC responsibilities in support of achieving its objectives. The management obtains and/or generates and applies relevant and quality information from internal and external sources to support the functioning of the IC system. Communication is the ongoing process that enables staff to understand the responsibilities of internal controls and their importance to achieving the objectives. This may take place both internally and externally and provides the company with the information necessary to implementing controls on a daily basis. Internal communications constitute the means by which information is disseminated throughout the company, flowing throughout the organisation in every direction. This enables all employees to clearly receive messages from management conveying the importance of appropriately undertaking control responsibilities. External communications serve a dual purpose: this enables relevant external information to flow inwards while providing information to third parties in response to requirements and expectations.

Monitoring Activities

These are performed with a view to ensuring the appropriateness and effectiveness of the ICS itself over time, which furthermore ensures the timely identification of any deficiencies or opportunities for improvement. Ongoing, one-off/independent, or a combination of both, serve to determine whether each of the five internal control components, including the controls that apply the principles within each component, are present and functioning.

- Ongoing assessments, incorporated into business processes across different company levels, providing timely information.
- Periodic one-off/independent evaluations that vary in scope and frequency, depending on the respective risk assessment, the effectiveness of ongoing evaluations and other management considerations.

- Results are assessed in accordance with the criteria established by regulators, the recognised standards bodies or the Board of Directors and shortcomings are reported, in a timely manner, to the company's Board of Directors, the most relevant of which are then also reported to the Group's Board of Directors.

Within the scope of implementing the Group's Internal Control System (ICS), the following activities were carried out in 2022:

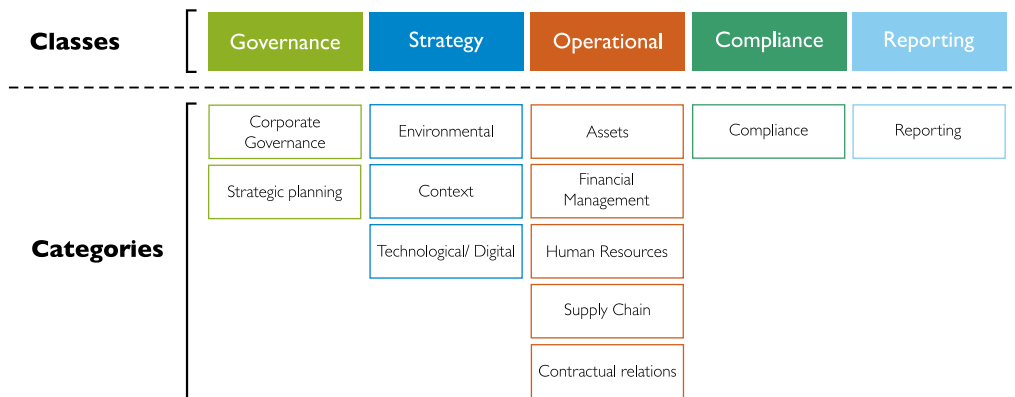
- Completion of any still outstanding PHASE I process mapping by the remaining companies;
- Beginning of project Phase 2 with the pilot companies mapping the remaining processes identified as critical, which included, among other activities, the preparation of **i)** flowcharts, enabling the swift understanding of the activities developed, and **ii)** Risk and Control Matrices (CRM) identifying the risk events and the controls, either in place or for implementation, mitigating them;
- Phase 2 kick-off meetings were held in the other Group companies, which included defining the process mapping schedule based on the information prepared by the pilot companies and which are due for completion by the end of 2023;
- Adaptation and approval, by most companies, of the AdP Group's basic Internal Control Manual, incorporating the CRMs already drawn up and the metrics approved.
- Testing of the pilot company defined indicators and metrics for evaluating the internal control systems of companies, which enables their assessment and the production of information on the functioning of the five internal control components;
- Continuation of the joint review of the CRMs completed by companies in order to ensure the consolidation of systematised information and improvements on the contents presented;



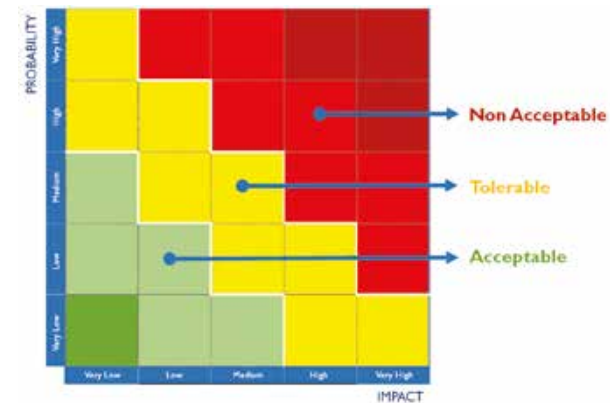
- vii. Conclusion of the audit tests and assessment of the effectiveness of the controls applied to accounts payable processes ongoing in Group companies based on the CRMs they prepared;
- viii. Beginning the audit tests and assessment of the effectiveness of the controls applied to salary processing processes ongoing in Group companies, based on the CRMs they prepared.

The suitability of the ICS aligns with the risk management model and is subject to adjustment whenever, following risk assessment procedures, risks are identified that fall within a level deemed unacceptable or there are shortcomings and/or failures detected in the analysis carried out by the underlying controls.

The corporate risk management model currently implemented in the AdP Group, also defined according to the COSO methodology, presents the risks organised according to a structure of defined classes and categories, as set out below:



Risk assessment is made based on the probability and impact of events occurring, considering the respective inherent and residual risks. Hence, we try to ascertain the efficiency of the ICS as devised to maintain the level of risk at thresholds deemed acceptable in accordance with the following matrix:



Risk assessment from the perspective of impact analysis includes the following analytical dimensions:

- Financial;
- Reputation;
- Legal or regulatory; and
- Level of alignment with business goals.

The probability of risk occurrence is also evaluated according to a wide range of factors, including:

- Existence and effectiveness of controls;
- Previous occurrence of the risk;
- Complexity of the risk; and
- Installed capacity to manage risk (people, processes, systems).

The Internal Audit and Risk Control Department is the AdP SGPS department responsible for identifying the risks to AdP Group businesses, pinpointing the key control factors required to minimise or eliminate their impacts, undertaking compliance tests to assess the results and performing internal audits of those subsidiaries in which it holds a majority interest.

Reporting directly to the AdP SGPS Board of Directors, the department's independence is strengthened in relation to the management of the audited companies and correspondingly

experiencing an appropriate degree of autonomy to carry out its work, optimising the resources available and avoiding any duplication of structures.

In managing business risk, those risks related to the categories of governance, strategy and planning, compliance and reporting are both handled directly and monitored at the Group company level while periodically examined by AdP SGPS in its capacity as majority shareholder. Operational and infrastructure risks are addressed not only by the Group companies and their governing bodies but also by the majority shareholder's centralised monitoring and control units, which are responsible for both identifying and managing the main risks.

Whenever risk assessment deems an aspect intolerable or unacceptable, Risk Treatment Plans (RTPs) are prepared, approved and adopted as mitigation measures and stipulated the corrective actions for implementation as well as the treatment strategy that they derive from (avoid, accept, reduce or share risks), the associated regularity of treatments and those responsible for each action.

Similarly, risk assessment exercises result in the identification of potential opportunities for AdP Group companies, then leveraged by Opportunity Implementation Plans (OIPs) which, like the RTPs, also present actions to be taken, the implementation deadlines and identify those responsible.

In keeping with the operational maturity of the companies, the ageing of the Risk Management Model implemented across the AdP Group and the continuous improvement required to respond to the growing demands on risk-related matters, 2022 saw the launch of a project to revise the model that included the following activities:

- The review and/or updating of the AdP Group's existing risk matrix
- The review and/or updating of the AdP Group's existing risk assessment methodology
- The review of the Company Risk Management Manual
- The integration of the Company Risk Management Model into the Internal Control Model

This project, in order to ensure its credibility and suitable to the realities prevailing in the AdP Group, involves not only the contributions of eight Águas de Portugal pilot companies but also the collaboration of an external consulting team, and is due for completion during 2023.

Given the aforementioned review of the risk management model, no risk assessment procedures were carried out during 2022.

At the end of 2022, as foreseen in the risk management model, the monitoring of the formally defined RTPs was carried out by companies within the scope of the risk assessment exercise relating

to 2021. This analysis demonstrated and verified that the company monitored the implementation of the respective company RTPs.

Taking into consideration the risk evaluation process carried out in 2021, some of the core risk exposure faced by the Group are the following:

- Extreme climate events - Loss of human life, damage to ecosystems, extinction of species, destruction of property and/or financial loss on a global scale as a result of extreme weather events: cold fronts, fires, floods, heat waves, extreme drought, storms and tornadoes, etcetera.
- Information security - Risk of loss of confidentiality, integrity and availability of information systems, resulting from a non-existent or inadequate definition of information security policies.
- Foreign exchange and commodities - Risk of the Organisation's financial statements being affected by its exposure to changes in commodity costs, specifically the costs of energy and reagents.
- Losses in retail supply - Risk of water resource losses along the retail supply chain, with a consequent reduction in supply capacity and financial losses, resulting from malfunctions and failures not detected in time or from ageing infrastructures.
- Bulk sanitation infiltrations - Risk of infiltrations along the bulk sanitation chain with a resulting reduction in treatment capacity and financial losses due to undetected malfunctions and faults, ageing infrastructures and the absence of network separation.

In addition to identifying the main risks inherent to Group activities, this also mapped the main trends at the global and sector levels that may emerge as threats or opportunities for the Group.



