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## Second Party Opinion

# Mota-Engil's Sustainability-Linked Bond

Sept. 30, 2022

Mota-Engil, headquartered in Portugal, is an engineering and construction company operating mainly in the infrastructure sector. In 2021, it derived its €2.59 billion of revenue from the following business segments: engineering and construction, waste management, energy, multi-services, and transport concessions. Mota-Engil operates in 23 countries across Europe, Africa, and Latin America.

In our view, Mota-Engil's sustainability-linked bond, published in September 2022, is aligned with:

 Sustainability-Linked Bond Principles, ICMA, 2020

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## Issuer's Sustainability Objectives


In 2021, Mota-Engil announced a strategic plan for 2022-2026, including sustainability and innovation as one of its five axes, which is in alignment with the U.N.'s 2030 Agenda for Sustainable Development and Sustainable Development Goals (SDGs). This strategic plan was supported by a materiality assessment exercise, conducted in 2019, which identified six particularly material topics for its business: sustainable economic growth, safety and health, talent management, environmental responsibility, culture of innovation, and support to local communities. In 2022, the company plans to broaden its materiality assessment, including consultation with relevant external and internal stakeholders. Mota-Engil has focused on safety to promote the well-being and productivity of its workforce and reduce the frequency and cost of occupational illnesses and workplace absence. The company identified the engineering and construction segment as one where workplace safety is particularly relevant. Mota-Engil aims to further align its funding strategy with its commitment to improve workplace safety, through the issuance of sustainability-linked bonds. In line with this goal, the company established a target to reduce its lost time injury frequency rate (LTIFR) among workers that are part of the engineering and construction segment to 2.76 by Dec. 31, 2026, from 4.55 in 2021 (the baseline year).

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

KPI	SPT	Baseline	2021 performance
LTIFR	Reduce LTIFR to 2.76 by Dec. 31, 2026	4.55 (2021)	4.55


# Second Party Opinion Summary

## Selection of KPIs

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


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

## Calibration of sustainability performance targets (SPTs)

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


**SPT 1** Reduce LTIFR to 2.76 by Dec. 31, 2026, from 4.55 in 2021 (the baseline year) for employees in engineering and construction. Not aligned **Aligned** Strong Advanced

## Instrument characteristics

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

Bond issuances will be subject to an additional remuneration of €1.25 per bond, payable by Mota-Engil on the maturity date, Oct. 20, 2027, triggered by a failure to reach the SPT on the observation date of Dec. 31, 2026.


## Reporting

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

**Score** Not aligned **Aligned** Strong Advanced

Mota-Engil's sustainability report, published annually, will include up-to-date information on the selected KPI, and the company's performance toward achieving the SPT. This information will be subject to independent external verification.

## Post-issuance review


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

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

# Transaction Assessment

## Selection of key KPIs

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as aligned, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer’s sustainability disclosures; and how material it is to the issuer’s industry and strategy.

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

**KPI 1** Lost time injury frequency rate

Not aligned

**Aligned**

Strong

Advanced

We assess the LTIFR as aligned with the SLBP considering its clear scope, objective, and calculation; and direct link to improving workers’ safety.


The KPI’s scope is clearly defined as comprising the company’s employees belonging to the engineering and construction business segment only. Mota-Engil aims to increase workforce well-being, productivity, and motivation, while reducing work-related injuries and absenteeism. The LTIFR per 1 million hours worked is an International Labour Organization (ILO) indicator, which we view positively because it allows for external benchmarking. However, unlike other safety metrics, the LTIFR is an indicator of the loss of productivity and cannot consistently indicate the extent of harm caused by an incident and its consequences on the workforce. Mota-Engil recognizes this shortcoming of using LTIFR as a KPI within the prospectus.

The KPI’s scope is limited to employees in the engineering and construction business segment and excludes other segments. While engineering and construction accounts for most of the company’s revenue and hours worked (74% and 69%, respectively), it only accounts for 26% of lost time incidents, as of 2021. We view the exclusion of the environment segment, which accounted for 67% of incidents, as a limiting factor. The issuer justifies the exclusion of this segment because in this division, employees are most exposed to risks related to traffic and other external factors not controlled directly by the company, and which contribute to lost-time incidents. The other business segment was also excluded from the KPI due to the low numbers of hours worked it represents. The environment and other business segments have higher LTIFRs (28% and 35%, respectively) than the engineering and construction segment (5%) due mainly to a lower number of hours worked. Excluding these two business segments limits the score to aligned, because they are material to the company in terms of workplace safety.

Finally, we believe the KPI is material and relevant to both Mota-Engil and the sector. Indeed, safety is one of the company’s five ESG priorities, alongside the reduction of greenhouse gas emissions, increase of waste valorization, increase of diversity of the workforce, and investment in innovation. Furthermore, it is linked to one of the most relevant and pressing sustainability issues facing the engineering and construction industry (see "[Key Sustainability Factors: Capital Goods](#)," published May 11, 2021, on RatingsDirect).

## Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as aligned, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence performance.

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

## Second Party Opinion

**SPT 1** Reduce the LTIFR to 2.76 by Dec. 31, 2026, from 4.55 in 2021 (baseline year).

Not aligned

**Aligned**

Strong

Advanced

We believe the ambition, clarity, and characteristics of the issuer's target are aligned with the Sustainability-Linked Bond Principles.

The bond prospectus clearly outlines the SPT, including the timeline for target achievement, the expected observation date, and the trigger events. The target is expressed as a reduction of the LTIFR, a standard ILO metric, which allows for external benchmarking. The SPT's observation date is Dec. 31, 2026, and will consider the LTIFR for that year. The SPT is to reduce the LTIFR to 2.76 by that date compared with the baseline (4.55 in 2021)

When setting the level of ambition for the SPT selected, Mota-Engil conducted a benchmarking exercise considering 16 of its global peers in the infrastructure industry. The benchmarking exercise provides information on how the issuer's target compares with those of peers, and peers' historical performance on the metric. The benchmarking exercise showcases that the target set by Mota-Engil is ambitious, in line with industry practices.

Tempering our assessment is the lack of three years of reliable KPI historical performance data, which could provide further context on the ambition of the target.

### Instrument characteristics

The Principles require disclosure of the type of financial or structural impact involving trigger event(s), as well as the potential variation of the instrument's financial or structural characteristics.

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

Mota-Engil discloses under its sustainability-linked bond prospectus that the bond will be subject to a potential variation of remuneration, triggered by the observed performance against the stated SPT.

The prospectus states that if the SPT is not met on the observation date, Mota-Engil will pay an additional remuneration of €1.25 per bond (correspondent to a 25-basis-point or 0.25% additional interest on the bond coupon), on the final repayment date of Oct. 20, 2027.

### Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the issuer's sustainability performance for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

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

### Disclosure score

Not aligned

**Aligned**

Strong

Advanced


We consider Mota-Engil's reporting practices aligned with the Sustainability-Linked Bond Principles.

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

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

## Post-issuance review

The Principles require post-issuance review commitments including the type of post-issuance third-party verification, periodicity and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note our second-party opinion is not itself a post-issuance review.

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

Mota-Engil commits to obtain independent and external post-issuance verification of the issuer's performance level against the SPT. The verification will be made available on the company's website.

## Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the U.N. set up in 2015, form an agenda for achieving sustainable development by 2030.

Mota-Engil's sustainability-linked bond intends to contribute to the following SDGs:

**KPI**

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Lost time incident frequency rate



**8. Decent work  
and economic  
growth**

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§The KPI is likely to contribute to the SDGs.

## Second Party Opinion

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