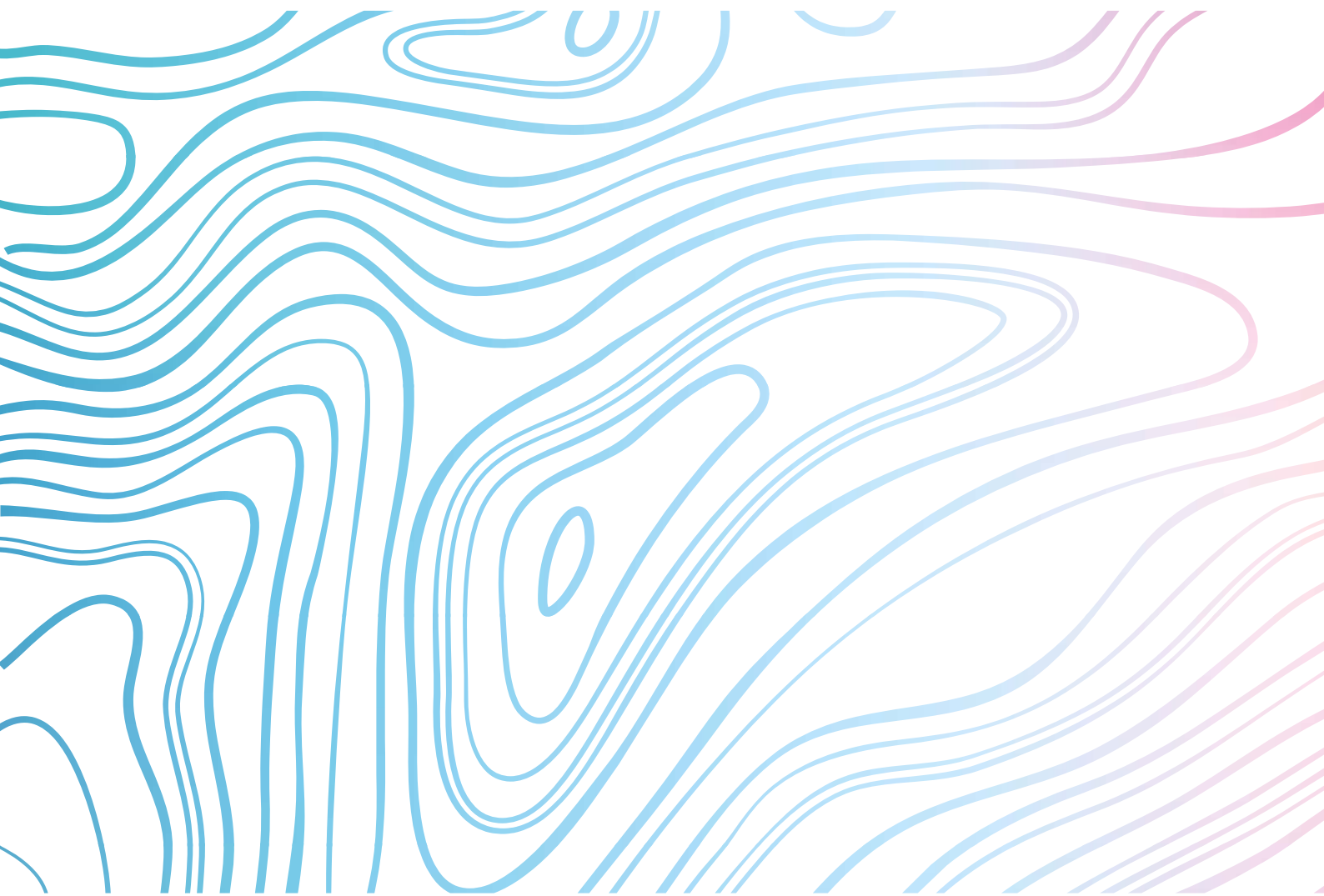


# AdP by US

*Making a difference in the lives of people*

SUSTAINABILITY REPORT 2021





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# I. THE ÁGUAS DE PORTUGAL GROUP



WE ARE AWARE OF THE ENORMOUS RESPONSIBILITY THAT IS HANDED TO US WITH THE MANAGEMENT OF THIS MOST PRECIOUS ASSET THAT IS WATER, SUPPORTED BY A ROBUST ORGANISATIONAL MODEL AND A STRONG ETHICAL CULTURE, ADVANCING DOWN A STRATEGIC PATH ESTABLISHED WITH THE PURPOSE OF MAKING THE DIFFERENCE IN THE LIVES OF PEOPLE.



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:** Supervision of the Board.

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



# 1.1 MESSAGE FROM THE CHAIR

Water, the most precious of all resources, essential for human life and every species, a constant presence in the most varied moments, places and activities, paradoxically ends up becoming practically imperceptible in our daily lives. It only gains visibility in the most complex circumstances, as happened in 2021 as regards concerns over both public health and climate change.

Right at the beginning of the year, in the most dramatic phase of the pandemic, the primordial function of water in breaking the chain of COVID-19 contagion was demonstrated. Then, as the year came to a close, it was the opportunity of the Glasgow Climate Summit as well as the consequences of the hydrological year in terms of the scarcity of water.

Managing the supply of water and sanitation services is the mission we are committed to, ensuring public services essential to human life, public health, the preservation of the environment as well as the sheer relevance of water to the local economy, regional cohesion and sustainable development.

Under the auspices of the Strategic Framework of Commitment of the Águas de Portugal Group, we established the purpose of making the difference in the lives of people, advancing with our activities to provide the conditions for a future in which economic growth aligns with environmental responsibility, social justice and the quality of life of people.

Our signing up in 2010, to the United Nations Global Compact and the Global Compact Network Portugal, as well as the #SDGAmbition program, serves to highlight our dedication to contributing to implementing the United Nations development agenda in which water represents one of the 17 Sustainable Development Goals (SDGs) of Agenda 2030 and plays a central and transversal role to all the other SDGs.

The need to enact the principles of economic, social and environmental sustainability point to the urgency of actions and changes in the paradigm for the value we attribute to water and the uses we make of this and the other resources that our planet makes available to us.

The impacts, increasingly severe and harmful, that derive from climate changes, the growing pressures on ecosystems and the rising environmental pollution are duly recognised as major civilisational challenges due to the threat they pose to the conditions for inhabiting our planet.

Climate change represents a double-edged issue: on the one hand, in order to contribute to cutting the impact of our way of living on the climate, we are responsible for striving for the decarbonisation of the urban water cycle; on the other hand, in order for us to adapt to the effects caused by the climate on our way of life, we have to strengthen the resilience, efficiency and circularity of water management.

Hence, the Águas de Portugal Group launched a sustained and integrated program for the reduction of energy consumption and the internal production of energy from 100% renewable sources. Equally, we have attributed renewed attention to system resilience in the face of scenarios of both water shortages and flooding, promoting hydric efficiency and the recycling of water alongside the recovery of other subproducts from our activities with high ecological value. Furthermore, another priority, transversal to society, consists of raising the general awareness of the value of water and for its economical usage.

We count on the knowledge, the experience and the enthusiasm of the over 3,500 professionals that integrate into a multipolar system of critical competences for the water sector, anchored in nineteen companies located across Portugal and other geographies. In partnership with the municipalities, we serve and contribute to the wellbeing of around eight million people in Portugal.

In response to continued requests from multilateral institutions, we deepened the national response capacity for dealing with emergency situations or provide technical assistance for implementing the water service modernisation plans on various continents.

The economic and financial robustness of the Águas de Portugal Group endows stability on our companies for developing their activities and empowering them to undertake the investment plans essential to appropriately dealing with the challenges inherent to the efficiency, rehabilitation and expansion of infrastructures and as well as the energy and digital transitions.

We are aware that the decisions we take in the provision of a public service essential to life, especially the options and the execution of company investment plans, as well as in the normal ongoing activities, impact on every citizen, consumer, worker and supplier, among the other interested stakeholders.

Hence, 2021 highlighted the reaffirmation by all our companies of their commitment to a model of governance based on the highest ethical standards, transparency, responsibility and excellence in public management practices.

Our organisational ethical framework incorporates the Principles of Good Governance and aligns with the recommendations of the OECD on Public Integrity and the Principles of the United Nations Global Compact, specifically the 10th Principle that advances the combat of corruption in all its forms and the targets of the SDG 16 - Peace, Justice and Strong Institutions.

We are aware of the enormous responsibility that is handed to us with the management of this most precious asset that is water, supported by a robust organisational model and a strong ethical culture, advancing down a strategic path established with the purpose of making the difference in the lives of people.

## 1.2 THE BIG NUMBERS



**3 589**

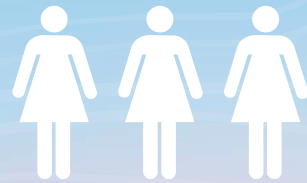
EMPLOYEES

**6,9**

MILLION M<sup>3</sup>  
WATER FOR  
REUTILISATION

**40%**

OF WOMEN IN SENIOR  
MANAGEMENT POSITIONS



**530**

MILLION M<sup>3</sup>  
WASTEWATER TREATED  
AND DISCHARGED  
INTO THE ENVIRONMENT



**€**

**725,2**

MILLION EUROS  
IN TURNOVER



**586**

MILLION M<sup>3</sup>  
WATER ABSTRACTION



4,9%

ENERGY SELF-SUFFICIENCY

36,6

GWh  
OF RENEWABLE ENERGY  
PRODUCED

59%

OF COMPANIES  
CERTIFIED  
IN ENERGY  
MANAGEMENT

88%

OF COMPANIES  
CERTIFIED  
IN ENVIRONMENTAL  
MANAGEMENT

88%

OF COMPANIES  
CERTIFIED  
IN QUALITY  
MANAGEMENT

47%

OF COMPANIES  
CERTIFIED  
IN WORK LIFE  
BALANCE  
MANAGEMENT

82%

OF COMPANIES  
CERTIFIED  
IN WORKPLACE  
HEALTH  
AND SAFETY  
MANAGEMENT

53%

OF COMPANIES  
CERTIFIED  
IN SOCIAL  
RESPONSIBILITY

# 1.3 THE YEAR IN REVIEW



## THE AdP GROUP IN THE PANDEMIC CONTEXT

2021 was once again a year of turbulence and greatly marked by the COVID-19 pandemic. The Águas de Portugal (AdP) Group, with its accumulated experience and knowledge, continued to undertake its commitment to provide critical and essential services, on a continuous basis, through the dedication and spirit of mission of our staff who, always out on the front-line, guaranteed the continuity of all operations.

In 2020, we took on still greater responsibilities as our services are the guarantee of public health. In due time, we implemented Contingency Plans at every Group company in order to ensure effective responses minimising the potential risks to the health of our employees as well as the continuity of our activities. We readjusted our operations, guaranteed the health and safety of our teams both for operating structures but also for those able to exercise their working functions remotely, providing the appropriate individual protection equipment, psychological support, workplace gymnastics, among other aspects to all of our members of staff.

The exceptional risk management measures under the auspices of the COVID-19 contingency plans determined the human resources and critical technical means for ensuring essential services.

This paid and we continue to pay special attention to the awareness and knowledge of all members of staff over adopting essential individual behaviours for personal hygiene and social behaviour, both in the workplace context and in their personal lives.

The Contingency Plans were adjusted over the course of time to take into account the developments in the epidemiological situation and the measures decreed in Portugal. All these adjustments always corresponded to two premises: maintaining the safety of all employees and continuity in the provision of an essential public service.

RE-ADAPTED TO  
GUARANTEE THAT  
THERE WOULD  
NEVER BE NO WATER  
IN THE TAPS OF  
THE PORTUGUESE  
AND THAT THEIR  
WASTEWATERS  
WOULD ALWAYS GET  
TREATED.



## INTEGRITY COMMITMENT

The AdP Group Integrity Commitment was publicly presented in December 2021 and incorporates a model of governance with the highest ethical standards, transparency, responsibility and excellence in public management practices subscribed to by every company in the Group. The AdP Group Integrity Policy sets out our vision on our ethics and integrity and identifies the different organs and internal instruments that reflect and implement our commitments across the field of ethics, compliance and other legally related obligations.



## SOCIAL IMPACT STUDY GRANTS

In 2021, the year when this program received the largest number of candidates, 64 study grants were awarded, 33 scholarships for Higher Education and 31 grants for Special Needs Teaching with a value of 1 200 euros apiece.

The study grant attribution program for the children of AdP Group employees was launched in 2013/2014 and has already awarded a total of 333 grants.



## ENGINEERS FOR A DAY

The AdP Group again participated in the “Engineers for a day” project with its objective of promoting among primary and secondary school students the option for engineering and technologies, deconstructing the idea that these are male professions and combating the stereotypes that condition academic and career choices. The AdP Group participated in two different initiatives, with first person accounts demonstrating that in the choice of professions there are no gender boundaries.

This Project is integrated into the National Strategy for Equality and Non Discrimination - Portugal More Equal.



## GIRL MOVE

This year, AdP again welcomed an intern, Taniça, on the Change program, a female entrepreneurship project run by Girl Move. This latter entity is a foundation with the mission of bringing about movement in life, supporting and empowering females in Mozambique through education and setting up human networks for mutual help and cooperation among peers, inter-generations and internationally.

## PARTNERSHIP WITH THE PARALYMPIC COMMITTEE OF PORTUGAL

We continued as partners in paralympic sport, with support for the CPP – the Paralympic Committee of Portugal in their preparations for the Tokyo Olympic Games in 2021. Within the scope of a social responsibility strategy, we back sport for all and this support aligns with our own mission.



## PARTNERSHIPS

SDG 17 appeals for partnerships and the AdP Group has adopted this path both for the management of knowledge and innovation and for social responsibility. We collaborate with various entities ranging from the Portuguese Network for the United Nations Global Pact, the Alliance for the SDGs, BCSD, the iGEN Forum, the Portuguese Charter for Diversity, among others, all aligned towards sustainable development. In 2021, we became members of APPDI – the Portuguese Association for Diversity and Inclusion and GRACE – the Association of Responsible Companies.



In addition, in 2021, we again joined the Social Responsibility Week as the organiser of the session “And if we didn't wash our hands?”

In the vanguard of a global trend, and following the AdP Group joining the commitments of the UN Global Compact (UNGC) in 2009, last year saw all companies advance with their individual memberships and thereby further strengthening our commitment to the 10 principles incorporated into the Global Compact spanning the fields of human rights, working practices, environmental protection and anti-corruption mechanisms annually reported to the UNGC through Sustainability Reports.

## INNOVATION STRATEGY

The Innovation 360° Strategy was defined and presented within the framework of adopting innovation as a vector for enabling and accelerating the AdP Group commitment for the decade. Within this scope, over the course of three years, the AdP Group is allocating over a million euros to a fund established specifically to finance new projects and accelerate strategic innovation.



## COVIDetect COVIDTECT



In May, there was the release of the results for COVIDetect, the research project launched in 2020 and developed by a consortium including various AdP Group companies, the University of Lisbon Faculty of Science and the Analysis Laboratory of the Higher Technical Institute seeking to establish an early warning system for the presence of the SARS-CoV-2 virus in wastewaters and thereby contributing to improving responses to any eventual new outbreak of disease.

Through collaboration with the European Commission within the scope of a pan-European initiative for the application of wastewaters as a sentinel for the presence of SARS-CoV-2 in the population, the consortium responsible for the COVIDetect pilot project made a significant contribution towards the final draft Recommendation (EU) 2021/472 issued by the Commission as regards a common approach to establishing a surveillance system for SARS-CoV-2 and its variants in the wastewaters of the EU, published on 17 March 2021.

## ACTION PLAN FOR REUTILISATION

The AdP Group produced its Action Plan for Reutilisation that deploys projects for producing water for reutilisation (ApR) at around 50 installations across the Group.



Água para Reutilização

Furthermore, within the scope of the circular economy, there is the participation in several European consortiums developing innovation projects, including “LIFE RENATURWAT”, which involves demonstrating the potential improvement to wastewater treatment from recourse to the sludges that result from the water decantation process in wastewater treatment plants, and “LIFE PHOENIX”, which seeks to develop and demonstrate modular solutions, flexible and efficient for the sustainable and secure production of water for reutilisation (ApR).

## ENVIRONMENTAL EDUCATION

In partnership with the Ministry of Education under the auspices of the EDS – Education for Sustainable Development Project, the aforementioned Ministry, through the General Directorate of Education, supplied the pedagogic resources developed by Águas de Portugal that were then deployed by teachers in the #EstudoEmCasa program.



Another highlight was the “Aquaquiz” game that represents a tool made available by the AdP Group to teachers and education communities within the scope of supporting the development of participative, creative and dynamic pedagogic practices that promote the value of water within the context of the Sustainable Development Goals (SDGs).



The AdP Group continued with its campaign to raise awareness about the efficient utilisation of water seeking to ensure the population attributes value to water and the corresponding need to quit wasteful habits.

## CONTINUOUS IMPROVEMENT

This highlights the progress with implementing development and continuous improvement policies and processes that greatly contribute towards achieving systems certification in Quality, Environment, Safety, Social Responsibility, Energy, Assets Management and Work Life Balance within a logic of transparency and credibility. In 2021, 88% of Group companies held the certificate of Quality - ISO 9001, 88%, of the Environment - ISO 14001, 82% of Safety - ISO 45001, 53% of Social Responsibility - SA 8000, 59% of Energy ISO 50001, 38% (of 12 operators) of Asset Management - ISO 55000 and 47% of Work Life Balance Management NP 4552.

In 2021, the 13 AdP Group companies ran a total of 1,436 vehicles and maintained Energy Certification across the fleet.



## THE ZERO PROGRAM

The AdP Group has been developing strategies to combat climate change and took on the commitment to obtain energy neutrality in 2030 through the ZERO Program that involves every Group company and activity, including those ongoing at the international level. The Program spans reducing the consultation of electricity and boosting the in-house production of 100% renewable energy, thereby driving the reduction in greenhouse gas emissions until obtaining neutrality. This initiative serves to strengthen the commitment assumed in 2019, when we signed up to the “Business Ambition for 1.5° C” charter promoted by the United Nations Global Compact.



## THE NEUTRO PROGRAM

The AdP Group was one of the Portuguese entities signing up to the United Nations Global Compact for the Sustainable Development Goals and developing actions and initiatives capable of ensuring a reduction of at least 50% in the CO<sub>2</sub> emissions registered in 2010 as a means of preventing the global average rise in temperature on the planet from exceeding 1.5° C.

In order to guarantee the definition of a methodology for inventorying the carbon footprint of AdP Group companies, in 2021, AdP Energias proceeded with a contractual tender for acquiring the specialist technical consultancy services necessary and contracting them for the project, developing, installing and monitoring a tool for inventorying the carbon footprint of AdP Group companies.

This tool shall render support for the periodic production of an inventory that will provide the physical basis for the annual inventories of AdP Group company greenhouse gas emissions and the subsequent design and development of the AdP Group Carbon Neutral Program - NEUTRO – and at each of its companies and in addition to underpinning the multi-annual budgeting for carbon neutrality.

We would furthermore identify the NEUTRO Program as an essential factor for Group financing and enabling access to green bond lines of credit designed to generate support for climate and environmental projects incorporating business and company sustainability.



## INTERNATIONAL

AdP Internacional signed two contracts with the Ministry of Energy and Waters of the Republic of Angola, for a total amount of 10.5 million dollars, with financing from the World Bank and the European Investment Bank, for technical assistance for the development of water supply and wastewater sanitation services, will serve to benefit 2.5 million people in various different provinces.

The AdP Group is currently responsible for implementing two projects in Cape Verde, one focused on the circular economy for the reutilisation of water and recovery of sludges for agriculture on the island of Santiago and with the other involving the design of a Sanitation Plan for Fogo island.

Technical support to the World Bank through specialist assistance with the objective of promoting and implementing broad reaching and efficient plans for the transformation and preparation of concessions for the rising new challenges and for the increasingly demanding climate, social and demographic changes within the framework of the Utilities of the Future - UoF project.





• ERSAR highlighted the best practices of management entities in the water and waste sectors in Portugal, in 2020 and 2021, with the attribution of Seals of Quality and Excellence Awards. These distinctions reflect the commitment and dedication of all Group members of staff even within the extremely difficult context brought about by the COVID-19 pandemic, placing excellence of service first and foremost. The following AdP Group members received awards:

- EPAL picked up the Excellence Award for Public Service in the Supply of Water (to consumers), for the Efficient Usage of Water and the Quality of the Public Water Supply Service (to the consumer),
- Águas de Santo André, S.A. and Águas da Região de Aveiro with Seals of Quality for their Exemplary Quality of Water for Human Consumption, and
- Águas do Algarve, with two Seals of Quality in the categories of Efficient Water Usage and the Public Water Supply Service (for entities) and with the Award of Excellence in the latter category.

• The APDA – Pipes of Gold Awards, attributed during the National Meeting of Water and Sanitation Management Entities (ENEG 2021), distinguished the following Group companies in 2021:

- Águas do Norte won in the “Best Climate Change Adaptation Project”, for its project “Climate change strategy of Águas do Norte – Pretarouca Dam”.
- EPAL was an award winner in two categories: “Best Action for Sustainability” for the work “Educating for the Protection of Ecosystems and Biodiversity” and “Best Value Action for Water” for the inclusive project “Communicating with Everybody – Partnerships for implementing multiformat communications”.

• AdP Internacional received an Honourable Mention in the Pedro Cudell Internationalisation Award, in the Large

Company category. This award is an initiative by SOFID, S.A. to award and raise the profiles of projects of excellence carried out by Portuguese companies that focus on African countries and impact on the Sustainable Development Goals through their activities.

- The Service Contract for the Management, Operation and Maintenance of Water Supply Systems for Huíla Province in Angola, implemented by AdP Internacional through EPASHuíla, in Angola, was the winner in the “Services” category of the PT Global Water Awards 2020-21, awards that distinguish and celebrate leading international projects by entities in the Portuguese water cluster and attributed by the Água & Ambiente journal and PPA – the Portuguese Partnership for Water.
- EPAL/ AdVT was distinguished with an Honourable Mention for the “Environmental Education in Action” project under axis SDG 4 – Quality Education by the APEE – the Portuguese Association of Business Ethics at the 7th Ceremony of Recognition for Socially Responsible and Sustainable Practices. This project is designed for a school age population, ranging from pre-school to secondary and alongside their families.
- Águas do Tejo Atlântico received a Diploma for Best Business Responsibility Practices from APCE – the Portuguese Association of Communications Companies. In 2021, the company also received an Honourable Mention (2nd place) in the Safeguard Rivers Awards attributed by GEOTA for the Indigenous Fish project stemming from a partnership with ISPA university with the objective of annually monitoring, throughout the dry season, the threatened indigenous freshwater species in the intermittent rivers of central Portugal.
- AdRA – Águas da Região de Aveiro received the LAC AC (Leadership in Client Service – Safe & Care) certificate from the Portuguese Institute of Client Relations in recognition of the “excellent quality” of its in-store attendance services and their safety even when faced with the pandemic.
- Águas do Norte picked up an Honourable Mention in the European competition “Top European Award on Industrial Excellence”, promoted by COTEC PORTUGAL, the IESE Business School and the AESE Business School, which distinguished its respective digital transformation process.
- Águas do Norte also received the Openness Award 2021 for the “AdN4.0+: Increasing service efficiency through re-engineering and dematerialising processes”, awarded by ESOP – the Portuguese Association of Open Source Software Companies.

## I.4 PROFILE

The AdP Group was founded in 1993 as an exclusively state owned company to serve as the state instrument for advancing with its public policies across the domains of water supply and wastewater sanitation (bulk and retail). The activities of Group companies are fundamental to obtaining national objectives through implementing the measures defined and stipulated by the strategic plans for the sector.

AdP - Águas de Portugal, SGPS, S.A. is a holding group managing the companies in its portfolio. On 31 December 2021, the Group contained 19 companies of which 13 are the management entities of water supply and wastewater treatment systems and with 2 companies located outside of Portugal.

Currently, we provide services to over 8 million of people in Portugal, around 80% of the population and employ 3 589 workers.



### OUR PURPOSE

Making 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 COMMITMENTS

- Sustainability in the usage of natural resources and the 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  
are fundamentals humans rights.*

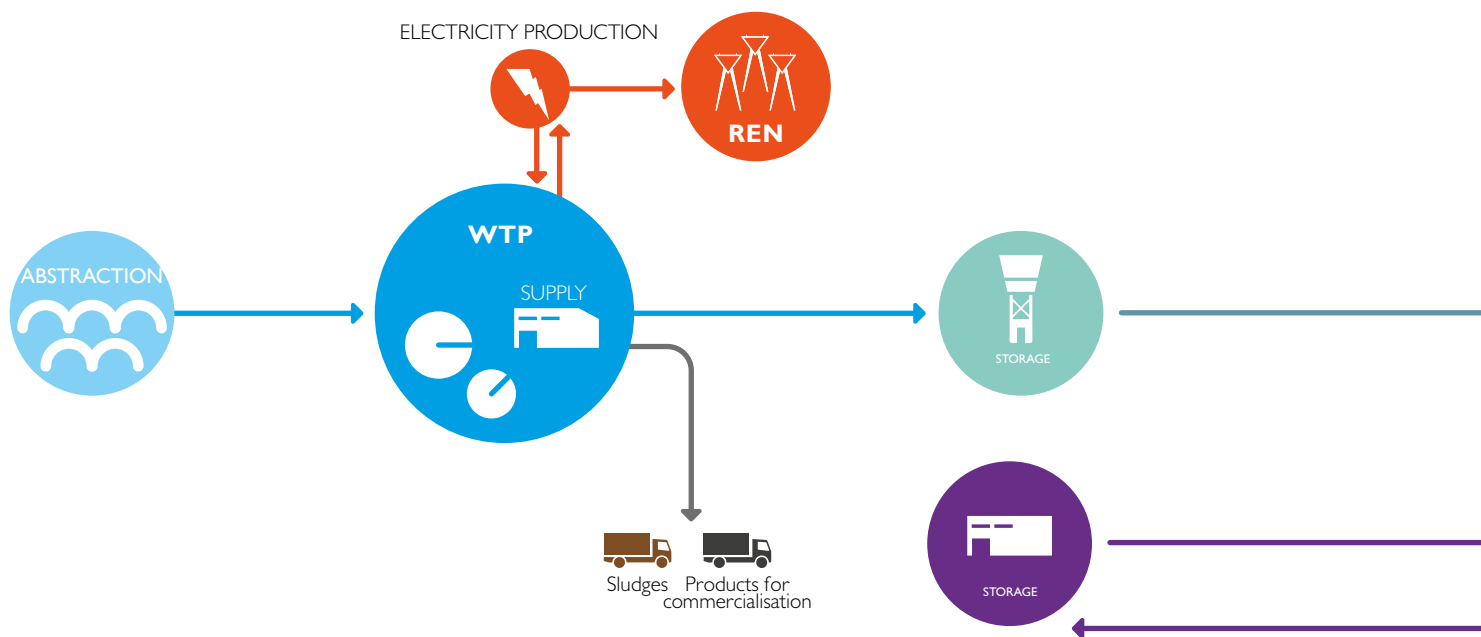
## Implementation of the 10 Strategic and Operating Principles

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

in "Progress Information on the United Nations Global Pact"



The core activity of the AdP 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.



### Abstraction

Collection of water, both surface and subterranean, from the hydric environment. This may include pumping activities.



### WTP - Water Treatment Plant

#### Treatment

Correction of the physical, chemical and bacteriological properties of water to render it fit for human consumption.

#### Supply

Transport of water upstream. May include pumping and storage activities.



### Electricity production

Production of electricity from hydro, wind and solar sources.



### Storage

Storage of water so as to enable the continual operation of the supply network.



### Storage

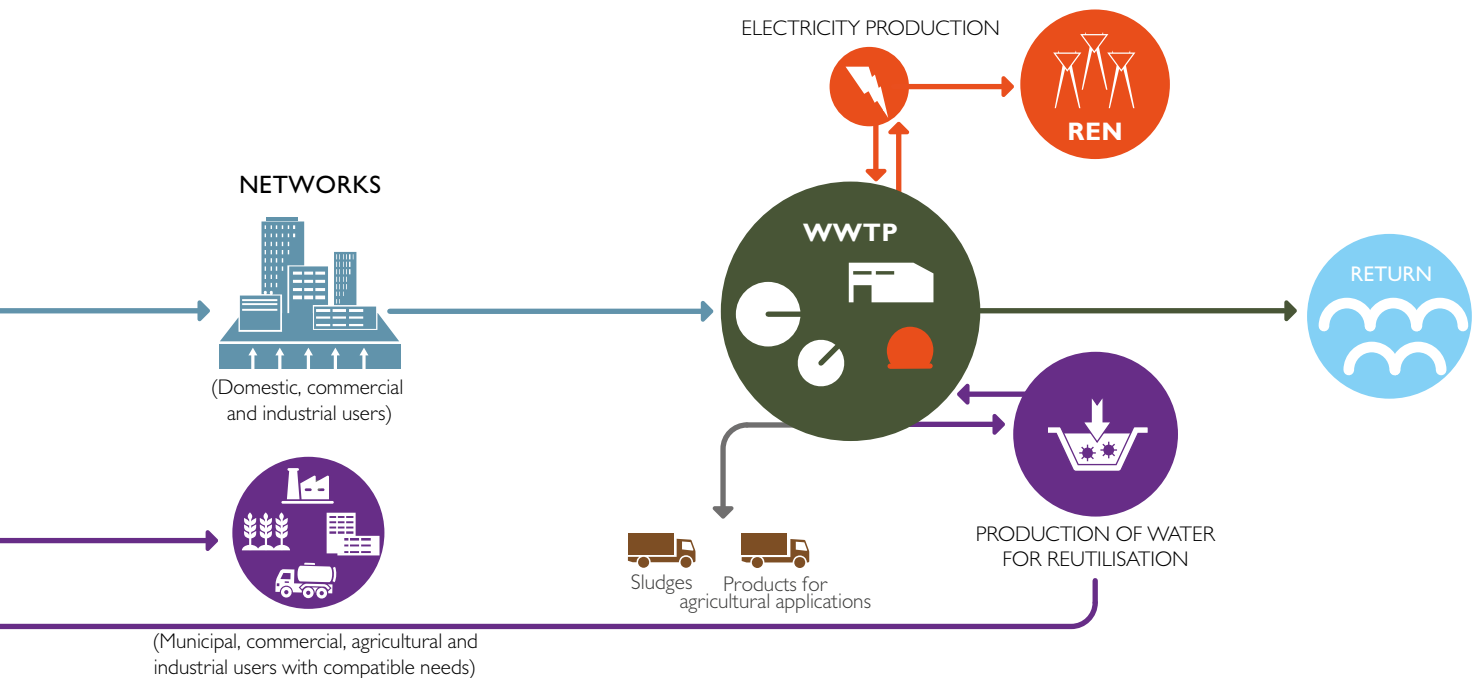
Storage of water for reutilisation.

UPSTREAM

DOWNSTREAM

## THE ÁGUAS DE PORTUGAL GROUP

- Ensures the basic services required for 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 3 589 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.



### NETWORKS

#### Distribution

Distribution of water to consumers in the quantities and at the pressure required by their needs. May involve pumping activities.

#### Collection

Collection of the wastewater produced. May involve pumping activities

#### Transport

Transport of wastewater from their point of collection to the wastewater treatment plant units. May involve pumping activities.



### WWTP - Wastewater Treatment Plant

#### Treatment and recovery

Correction of the physical, chemical and biological characteristics of the wastewater taking into consideration the final destination of the treated wastewater.

Recovery of the treatment process sub-products (energy value of the sludges, production of water for reutilisation, recycling of nutrients, etcetera).



#### Production of water for reutilisation

Production of water for reutilisation for internal and external usage.



#### Electricity production

Production of electricity through capturing the biogas produced by the anaerobic digestion of sludges, and from hydro, wind and solar sources.



### Return

Return of treated waters that are not subject to reutilisation to the hydric environment.

DOWNSTREAM

UPSTREAM

Over the course of recent decades, the AdP Group has contributed to the profound transformation of this sector in Portugal. Through Group companies, regionally based and integrating sustainability leveraged by the management strategy as a tool for generating value for all our stakeholders, we have progressively raised our contribution towards achieving the SDGs and we perceive ourselves as part of the solution for these goals. The management of the core business of our company rests on pillars of universality, continuity, quality of service, efficiency and price equity.

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 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.

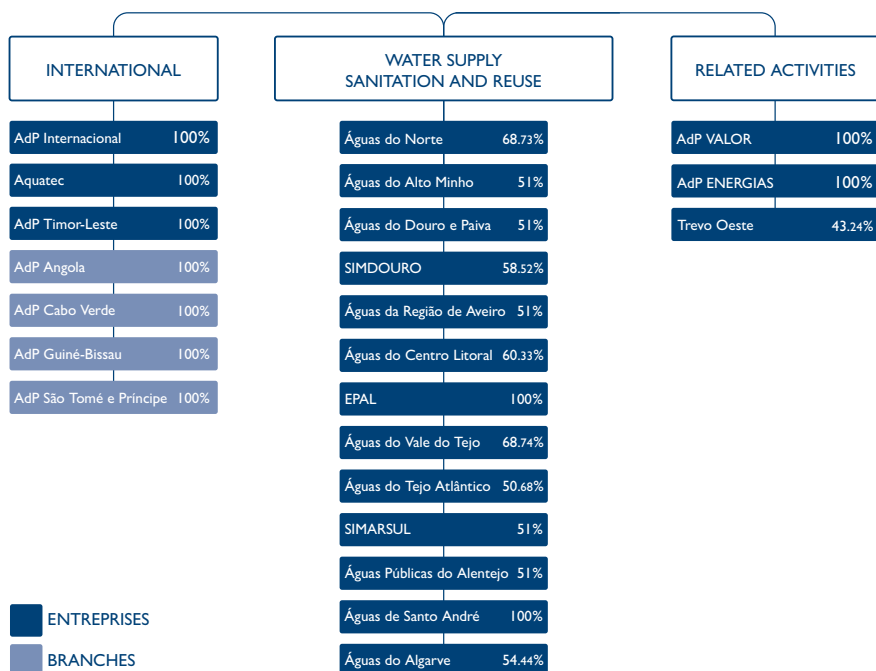
The Group response to the challenges clearly reflects in the coverage rates charged for the integrated systems under its operational and management responsibility, alongside meeting service quality indicators.

The sustainability of the AdP Group also boosts the dynamism of the national and local business communities through the potential to sustain and grow provided to the economic sectors.

The AdP Group objectives are stipulated by the government policies for the sector, through the orientations handed down in the strategic plans for this field of action, the general orientations issued by ministerial decree and by the specific guidelines of shareholders.



*The focus of the AdP Group business  
is the environment and community service.*



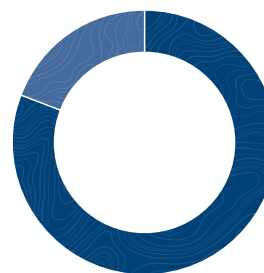
The ownership structure of AdP - Águas de Portugal, SGPS, S.A. is held by Parpública - Participações Públicas, SGPS, S.A. (81%) and by Caixa Geral de Depósitos (19%).

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 our know-how to implementing the most efficient outcomes and with fairer prices for populations receiving water supply and sanitation services.

The regulation of activities carried out by the AdP Group falls under the auspices of ERSAR – The Water and Waste Services Regulation Authority. 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 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 Group companies have received positive evaluations of their service quality.

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

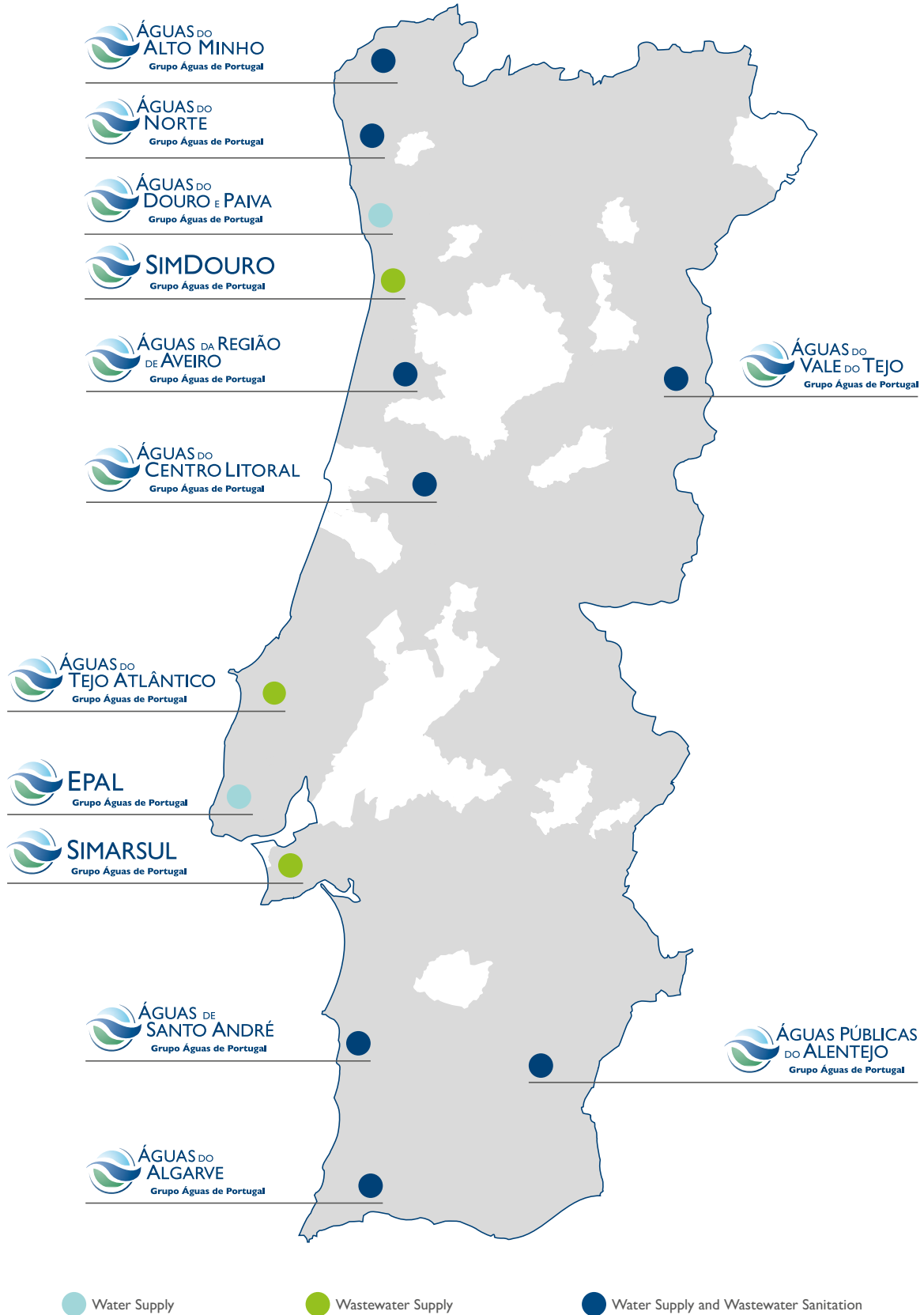
### Ownership structure



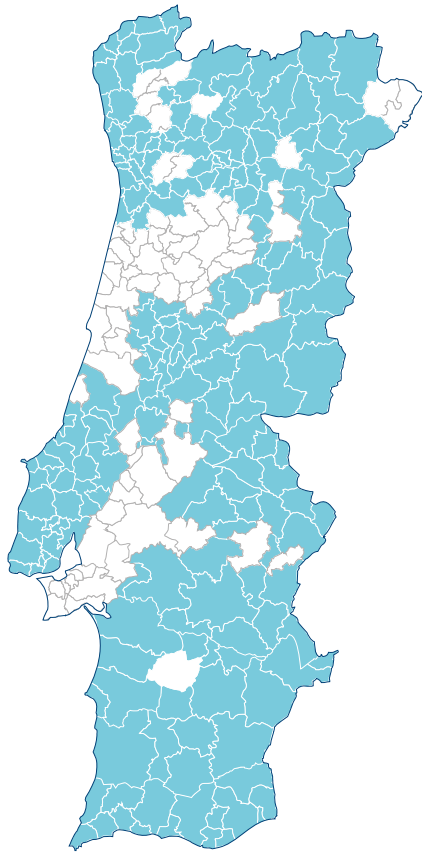
- Parpública **81%**
- Caixa Geral de Depósitos **19%**

# 1.5 WHERE WE ARE

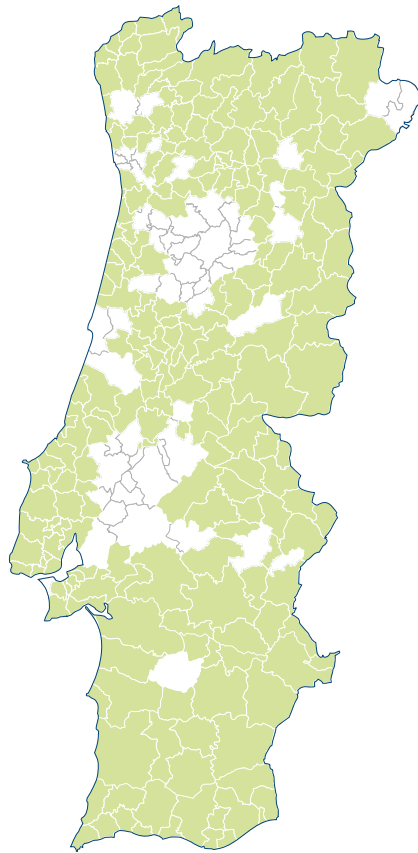
The AdP Group, through its 13 operating companies, spans a major proportion of mainland Portugal, from the north to the south, delivering services to around 80% of the Portuguese population.



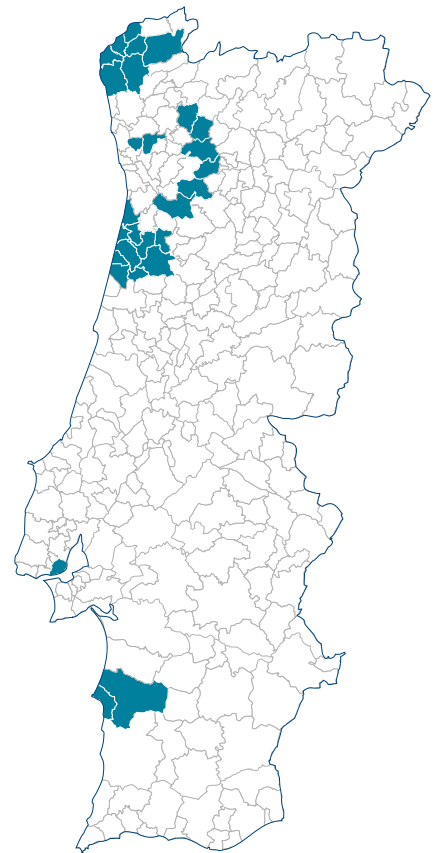
BULK WATER SUPPLY



BULK WASTEWATER SANITATION



RETAIL WATER SUPPLY AND SANITATION SERVICES



**13**

OPERATING COMPANIES

**3**

SANITATION COMPANIES

**3**

HOLDING AND  
FUNCTIONAL COMPANIES

**8**

WATER SUPPLY AND  
SANITATION COMPANIES

**2**

WATER SUPPLY COMPANIES

**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 to guarantee the sustainability of operations, efficiency and the quality of the service and the generation of value.

AdP Group governance incorporates:

- Implementing a professionalised management philosophy, based on the appropriate competences and strengthening the productive standards according to the most demanding quality parameters in order to bring about compliance with its mission;
- Adopting the best management practices according to the Principles of Good Governance for State Business Sector companies;
- Developing an organisational culture oriented towards performance excellence through the deployment of a set of benchmark standard business practices that enable the company to successfully head down its path towards business sustainability fundamentally based on a management philosophy that contemplates the economic, environmental, social and ethical dimensions.

### 1.6.1 GOVERNING BODIES

Following deliberation by the General Assembly 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 mandates eligible for re-election. The current management was delegated to the Executive Commission made up only of executive directors – one chair, one vice-chair and three directors.

In 2021, the AdP SGPS Board of Directors met on 11 (eleven) occasions and the Executive Commission 58 (fifty-eight) times.

## 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  
(on behalf of Parpública)

Other governing and supervisory bodies and the external auditor

## TABLE 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.

## COMPANY SECRETARY

**Permanent** Cristina Rebelo Pereira  
**Alternate** Ricardo Cortes Ribeiro

## EXTERNAL AUDITOR

Pricewaterhousecoopers, SROC, Lda.

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

## 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

## I.6.2 ORGANISATIONAL STRUCTURE

The organisational structure of the Águas de Portugal Group spans two levels of organisation 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.

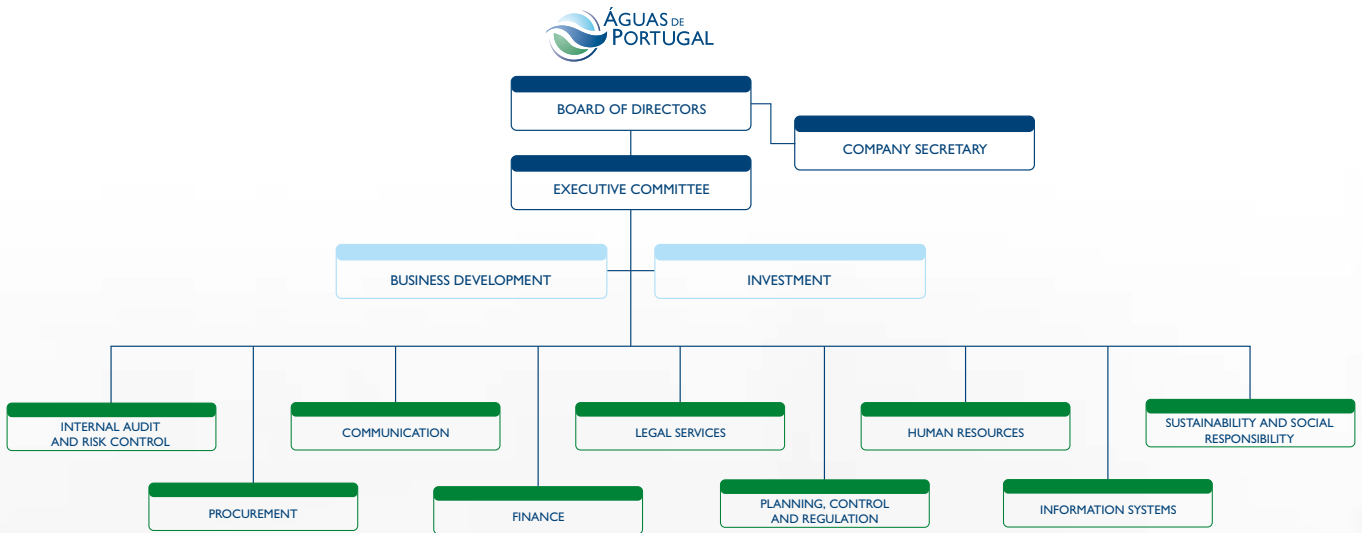
### Implementation of the 10 Strategic and Operating Principles

**Criterion 1:** Description of the current principles of corporate and business unit functions.

in "Irogress Information on the United Nations Global Pact"



### FUNCTIONAL BODIES



GOVERNING BODIES

AREAS

DEPARTMENTS



## 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.

## 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.

## 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.

## 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 (DPO)

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)

The responsibilities of the Company Secretary are, among other issues, those specifically stipulated both by the company board of directors and by the terms of art. 446 B of Código das Sociedades Comerciais (Company Code), especially responsible for supporting the meetings of company bodies and following/accompanying the respective deliberations of the internal group and company structures and their respective managers.

## 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 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 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 from 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 from the Lisbon and the Tagus Valley system following the publication of Decree-Law no. 34/2017, of 24 March.

### 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 PÚBLICAS DO ALENTEJO (AgdA)

AgdA is the management company, under a public partnership regime, of the bulk water and sanitation services for 20 municipalities in the 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.

### 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.

### 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 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.

### AdP VALOR

Attributed the mission of driving 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 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.



## 1.6.3 INSTRUMENTS OF GOOD GOVERNANCE

WORKING WITH RESPONSIBILITY, SAFETY, TRANSPARENCY AND ETHICS IS VITAL TO THE GROUP AND NURTURES THE TRUST OF ALL STAKEHOLDERS.

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. A mission based on a long term vision, a robust organisational model and a strong ethical culture.

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.

### 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

The AdP Group Integrity Commitment, subscribed to by every company, was publicly presented in December 2021 and is based on a governance model with the highest ethical standards.

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 prioritising 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”.

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.

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 (UNGP), anti-corruption and in alignment with the targets of Sustainable Development Goal 16 - Peace, Justice and Strong Institutions of the United Nations Agenda 2030. In 2019, all AdP Group companies responded to the Anti-corruption Call to Action issued by the UNGP, 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 establishes harmonised criteria for decision-making processes at the internal level and for the relationships with interested parties.

**WE SUPPORT**



## HUMAN RIGHTS



### Principle 1

Companies should support and respect the protection of the internationally recognised human rights.

### Principle 2

Companies should guarantee their non-participation in violations of human rights.

## LABOUR STANDARDS



### Principle 3

Companies should support freedom of association and the effective recognition of collective negotiation.

### Principle 4

The abolition of all forms of forced and compulsory labour.

### Principle 5

The effective abolition of all forms of child labour.

### Principle 6

The elimination of discrimination in the workplace

## ENVIRONMENT



### Principle 7

Companies should support preventive approaches to the environmental challenges.

### Principle 8

Implementing initiatives to promote environmental responsibility.

### Principle 9

Companies should encourage the development and spread of environment friendly technologies.

## ANTICORRUPTION



### Principle 10

Companies should combat corruption in all its forms, including extortion and bribery.

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

The Policy, which describes 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.

This furthermore identifies the different internal bodies and instruments that convey the implementation of the commitments in the fields of ethics, compliance and other legally stipulated obligations - Code of Ethics and Conduct; Prevention Plan for Risks of Corruption and Similar Infringements; Regulation for the Voluntary Reporting of Irregularities; Manual for Public Procurement under the General Regime and the Procurement Manual – with some instruments and procedures having been updated and interrelated with the European directive on the protection of persons that report violations of European Union law (Whistle Blowing).

The governance structure of organisational ethics was also strengthened by the founding of an Ethics Committee, as a consultive body alongside the expansion of the Ethics Commission, the executive body holding competences for analysing whistle blowing reports, questions and other ethical dilemmas reported through the channels of communication, purpose established, confidential and safe, particularly as regards the reporting of irregularities.

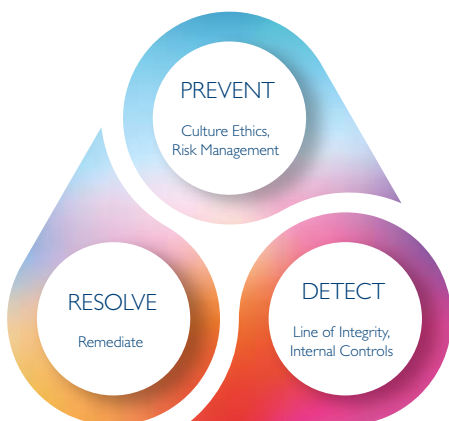
The implementation of the principle of transparency takes place through the regular release of information about the performance and initiatives, both internally and externally, and both by the holding group and Group companies.

## 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. The “Prevent” axis is that which requires the highest level of investment constituting the first line of defence for integrity.

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.

## 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, That is available for consultation at [www.adp.pt](http://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 interested party and improving governance practices.

## 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, this ensures fluidity in the communications processes, studying the proposals for process/function integration and sharing the best practices of the companies making up the AdP 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 Committee is undertaken by one of its members nominated by the respective Committees and with rotation encouraged on a 3 (three) month basis.

## 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 areas 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.

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.



### 10th Principle

Companies should combat corruption in all its forms, including extortion and bribery.

**Criterion 12:** Existence of robust commitments, strategies and policies for anti-corruption.

**Criterion 13:** Effective management by the AdP Group to integrate the anti-corruption principles.

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

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



# I.7 RISK MANAGEMENT

## INTERNAL CONTROL AND RISK CONTROL SYSTEMS

The AdP Group in general, and the Board of Directors of AdP SGPS in particular, pay great attention to themes such as internal control, risk management, fraud, the transparency of information and the reliability of financial reporting. 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.

The rigorous management of companies ensures the principles of transparency and credibility based on values of integrity and ethics. The daily concerns over efficiency and economic growth cannot be detached from ethical and responsible behaviours.

The Group deploys various tools for prevention, implementation and control that seek to ensure actions in accordance with the Group's principles and values.

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 regular monitoring activities for the core risks resulting from the daily operations of all its companies.

These represent transversal concerns for the AdP Group and, in order to enable a systematic and broad visibility of the internal controls existing in companies, 2021 saw the conclusion of the first phase in 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 deemed as the model best adaptable to the structure of Group companies, flexible enough for every entity and any of the units of business activities as well as being reliable in terms of the responses provided to the existing challenges.

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 in the structure prevailing.



## COMPONENTS OF THE ICS – THE INTERNAL CONTROL SYSTEM

### • CONTROL ENVIRONMENT

This defines the spirit of the organisation, influencing the awareness employees hold of the risks. 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.

### • 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.

Objectives are to be 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 in the business process and technological environments.

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

Communication is the ongoing process that enables staff to understand the responsibilities of internal controls and their importance to achieving the objectives.

### • 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.

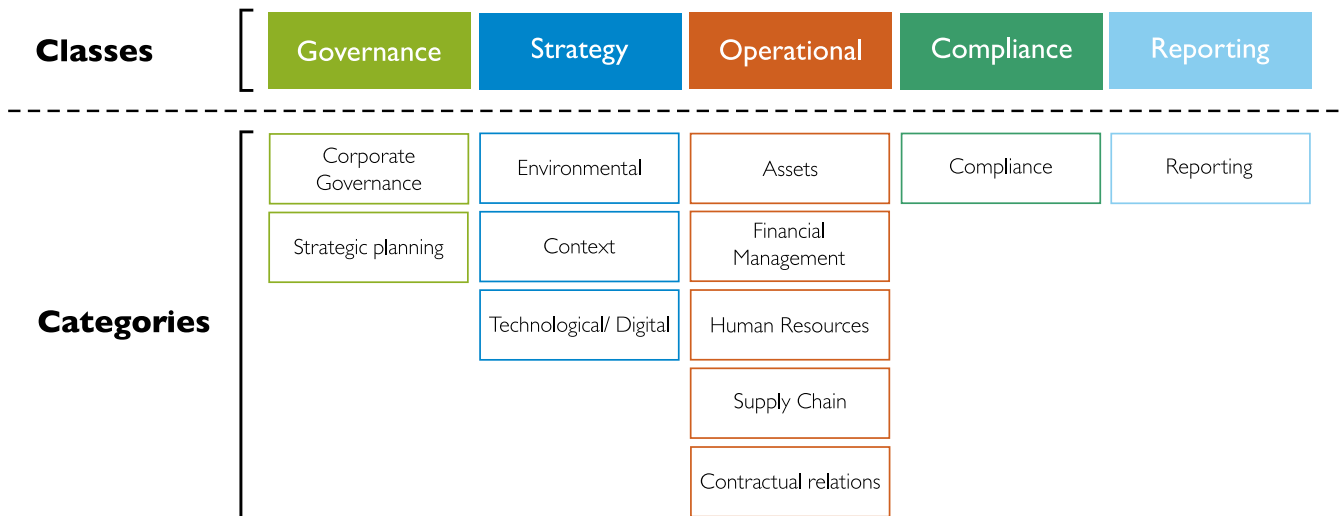
Ongoing, one-off/independent, or a combination of both, audits serve to determine whether each of the five internal control components, including the controls that apply the principles within each component, are present and functioning.

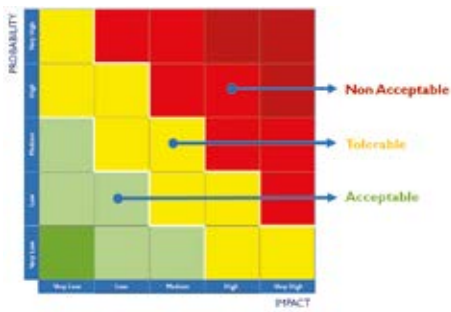
The results are assessed in accordance with criteria established by the regulators, recognised by regulatory bodies and the recognised normative bodies and with shortcomings communicated in a timely manner.

Within the scope of the first project phase, the following activities took place in 2021:

- i. Mapping the 15 initial processes at Group companies based on the systematised information from the MRC – the Matrix of Risks and Controls at two pilot companies, implying adjustments to the information collected on the reality of the risks and controls existing in each company. The work, begun in the 4th quarter of 2020, respected the initially defined chronogram and had achieved conclusion at almost the majority of AdP Group companies at the end of the 4th quarter of 2021;
- ii. Undertaking preliminary analysis of the Maturity of Internal Controls at AdP Group companies and producing the respective reports that systematise the main conclusions of the questionnaires submitted and that identify the existing level of knowledge and awareness in each company on these issues;
- iii. Conclusion and sending of the MRCs for procurement processes, with their drafting resulting from the audit carried out of this process in companies, which identified the risk events and the existing controls;
- iv. Joint review of the MRCs submitted by the companies in order to ensure the consolidation of systematised information and improve on the contents presented;
- v. Undertaking of an audit of the tests and evaluation of the effectiveness of the controls associated with the accounts payable processes of Group companies based on their respective MRCs;
- vi. Reviewing the processes identified within the framework of the Group's Internal Control System and map the second project phase, ensuring the maintenance of the alignment with the strategic objectives and significant accounts of the companies;
- vii. Adjudicating the entity responsible for undertaking this mapping, in conjunction with the pilot companies, the remaining business processes within the scope of the second phase of implementing the Group's Internal Control System beginning at the start of 2022;
- viii. Reviewing of the AdP Group Internal Control Manual and the Metrics defined for evaluating the ICS in order to guarantee its adaptation to the reality of AdP Group companies, incorporating the knowledge acquired over the course of implementing the first phase in this project, with the provision of approval by the companies at the beginning of 2022.

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.

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, flooding, 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 downstream 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.

Whenever risk assessment deems an aspect intolerable or unacceptable to a company, risk handling plans are drafted, approved and adopted as mitigation measures. These identify the corrective actions to be taken, the strategy for handling them (avoiding, accepting, reducing or sharing the risk), the respective timeframe for implementation and the person in charge for each dimension to the implementation plan in question. Depending on the duration of the defined handling period, monitoring date schedules may be defined as well as their designated officers and the impact of such actions is ascertained during subsequent evaluations.

According to the methodology implemented, having concluded the risk evaluation processes carried out by AdP Group Companies, the Boards of Directors are to evaluate the need to identify and/or implement corrective actions that then require regular monitoring so as to accompany their implementation, their impact on mitigating the risks identified and ascertaining the respective level of control.



