

We have the keys to lead the change

Felix Parra | CEO of Aqualia

We spoke with Félix Parra, CEO of Aqualia, as the perfect preamble to this Sustainability Report covering the 2023 financial year. Through his overall vision of the company, we highlight the importance of being brave when making decisions, especially regarding sustainability (ESG).

There is something that, like an invisible thread, unites the civilisations that have followed one another throughout history. This thread is liquid, since it is precisely water, and the need to have it nearby, that has determined people's lives – demographic movements, settlements and their survival. According to the United Nations, one in six people in the world lives with water stress, a statistic that is expected to increase due to climate change. In the 21st century, universal access to water should be consolidated. Aware of this, at Aqualia we advocate for the change to be not only green and digital, but also blue, and thus highlight one of the most cross-cutting elements of the 2030 Agenda: water. We return to the thread to speak with Félix Parra, CEO of Aqualia, and contextualize what the current moment is like and the future expectations of the sector.

A paradigm shift

Regeneration as a driving force

In recent years there has been a paradigm shift in the essence of companies, both from an organisational point of view and in their values. That invisible barrier that left many company matters sealed and private has been crossed, giving way to an unprecedented broadening of perspective and greater transparency. This fact has meant an enrichment within business consciousness, characterised by an embracing of ways that take into account the ecosystem that the company impacts. Aqualia perfectly exemplifies

this essential vital change and puts it into practice in many areas, but above all in the creation and analysis of consultation processes and active listening to interest groups carried out for the Strategic Sustainability Plan. From your experience as CEO of Aqualia, how have you experienced this change and what do processes such as the investigation of double materiality mean for the company's progress?

Fortunately, everything is being assimilated and channelled. The circumstance has prevailed, although derived from a crisis or, rather, ongoing crisis, which has caused us to be a more conscious company. You cannot continue with the same growth model without a vision of where you want to go, when resources are either scarce or suffer from climate change, as is the case with water. At Aqualia we decided a long time ago to work from our conscience. And this has a vocation to care for people and the environment, without taking our feet off the ground. And this has allowed us to make important decisions, from a realistic standpoint, that necessarily link us to the ESG criteria and the United Nations SDGs. They have been brave decisions – and not easy – taken from an analytical perspective that has not evaded the responsibility that a company like ours has and, although we know that magic formulas do not exist, we must take the first step and add it to many other steps. This has been appreciated by our clients, we know, both here and abroad, where we have grown so that our international activity now exceeds what we carry out in Spain.

Through these changes in the business, the company grows linked to the great challenge of efficient water management, always with the aim of doing our bit in regeneration for a positive future, which we strongly identify with. Something very important for Aqualia. The idea of regeneration is part of our identity; effectively managing the end-to-end water cycle is a source of life for people. For this reason, the business and social impacts are intrinsic to Aqualia's identity.

Climate emergency

Assess the opportunity

Likewise, the climate emergency has caused society, institutions and companies themselves to adopt new points of view, putting the well-being and future of people and the planet at the center. And although there is still much to do, for Aqualia, whose main activity is the effective management of one of our most precious resources (water), what has this change meant and what measures to mitigate climate change do you think are a priority?

Without a doubt, the United Nations guidelines, the SDGs, as well as the European directives and the ESG business management criteria (based on the triple bottom line perspective) have become a common guide that directs global efforts towards the mitigation of the negative effects and curbing climate change. We are all involved and responsible. In the specific case of the water sector at this time (and as if we were the forests that supplied the wood for Stradivarius, wood that improved its sound due to an unprecedented drought between 1645 and 1715 that caused extremely slow tree growth), it has become an opportunity to make major systemic changes driven by the current need. This change, the great socio-environmental challenges (specifically the water challenge, general climate emergency...) are really an opportunity for the business and a boost for the continuous innovation in which we are immersed.

In general, it can be said that all measures are a priority. But the trend towards decoupling underlines that economic growth is not necessarily linked to more CO₂ emissions, for example. In 2023, our 2021-2023 Strategic Sustainability Plan has aimed for 50 % of the consumed energy to come from renewable sources. And this is one of the main courses of action for Aqualia. We are aware that the concept of



growth linked to the model of unlimited resources is not compatible with a conscious use of water, and that we must understand that the main goal of what we do as a company is the well-being of society as a whole. Our aspiration is to help live better.

Furthermore, our area of action has grown, because we not only manage the water cycle, but we also address the needs of the local environment where we operate to transcend on a global level. We inevitably impact society and the environment, and this puts the focus squarely on conscious governance that makes the most of the situation and turns around adverse circumstances. In this aspect, Aqualia employees feel as committed to the management of the water cycle as they do to their social role in the towns where the company operates.

"The idea of regeneration is part of our identity; managing the integral water cycle well is a source of life for people."

Investment and R&D

Cornerstones of sustainable progress

The need for conscious care of the end-to-end water cycle leads to an upgrade in services and infrastructure that directly involves Aqualia. But this update requires greater investment and harmony in alliances with state and local governments. In fact, this public-private relationship is one of the main themes derived from the double materiality study carried out in 2023. How would you describe Aqualia's relationship with the public entities with which it works in the current situation?

Aqualia is a company fully established in the sector, with a solvency that we have demonstrated over the years. It has been achieved thanks to the fact that we have known how to innovate and adapt to specific or geopolitical changes. And at all times we have been able to maintain and carry, wherever we operate, our ethical values. This work has had benefits that will reflect in customer service. For example, we have been recognised, according to the ranking of Global Water Intelligence, as Best Water Company of the Year 2023, and that ten banking institutions led by CaixaBank have granted us a green credit of 1.1 billion.

The path towards sustainable development entails significant investment, which includes actions like infrastructure works, R&D for wastewater regeneration, the digitalisation of the entire process, water savings in the prevention of leaks, the promotion of the circular economy and the relationship with local suppliers, etc., all of which are carried out with a long-term vision. In other words, where we operate, the increase in efficiency has been exponential, the involvement at the local level is outstanding, and the proposal of solutions and investments responds to efficiency requirements towards a positive impact on the environment by Aqualia. Given the extreme conditions that surround the idea of water as a resource: Drought, restrictions, floods, breakdowns... we respond with the experience of being present in 18 countries and providing service to more than 45.2 million people, establishing ourselves as the solution to supply and management problems.

However, complying with the 2030 Agenda is the great challenge, as it requires an enormous investment. The European Union has estimated

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that, to comply with the Paris Agreement, around 180 trillion euros of additional annual investment are needed until 2030. On the other hand, and according to the United Nations, it is estimated that in 2030 160 % of the available water will be needed to meet the demand of the global population. These are data that underline the importance of the asset we manage, something of which we are aware and responsible. The challenge is such that, now more than ever, only an effective articulation of public-private collaboration can guarantee compliance with the objectives. An important part of our work is, together with public authorities, to be able to structure this collaboration. Therefore, we are a reference ally for institutions when it comes to facing the water crises of the coming decades.

A call to action

Sustainable financing

Going back to financing, the study *Sustainable and Responsible Investment in Spain 2023*, by Spainsif and DWS, points out that the share of assets managed with some environmental, social or governance (ESG) criteria has increased from 51 % to 55 % of the total marketed in Spain. Likewise, the International Monetary Fund (IMF) predicts that investment needs to mitigate climate change in developing and emerging market economies will quadruple to reach \$2 trillion in 2030. Based on your experience, how do you assess this increase?

This data undoubtedly conveys the positive trend of everyone's involvement in stopping *procrastination* and starting to seriously fight against climate change. And it shows the importance that is finally being given to sustainable management, and by that I mean the ESG pillars.

We ourselves already work on strategic lines aligned with these axes, lines with which we seek to contribute to the SDGs. This at a key moment in which it is known that the climate crisis is leading to a loss of competitiveness. The data underpinning this is relevant, since it is estimated that Spain has lost 1.8 % of GDP in one year (2022) due to climate change. As a company that occupies a place on the front line of the effects of this environmental crisis, we must value the importance of this data. Greater investment is needed – especially investment that creates regenerative value – and at the same time policies that leave no one behind. Our company's involvement has evolved and grown. In this sense, I would like the people who make up Aqualia to assume, each one according to their possibilities, this leadership towards change.

Critical and constructive

Knowledge of "sustainability" overload.

And from a company like Aqualia that leads sustainable change wherever it operates, and according to your personal experience as CEO of the company, what is your opinion about the excess of information (infoxication) related to the concept of sustainability? Although we mentioned that there is a paradigm shift already in place, hasn't this come at the cost of shaping, for better or worse, this word?

Yes, words, as living concepts in people's language use, may sometimes get exhausted. In this case, perhaps out of pure frustration, but at the same time I think it is a lesser evil, although its value and importance should be redirected. To do this, we need to have a broad point of view that encompasses the entire prism, listen to and learn from specialists and economists in social and environmental risks and challenges such as sociologists, scientists, impact economists. Escaping from a single-minded approach stimulates creativity. It should also inspire us to learn from the cultural world, for example, which offers many tools to unite in the common challenge and facilitate the finding

over
13,700*

employees around the world

*+40.2 % over 2021 due to international expansion

more
than **30 %**

of the energy consumed
in the company comes
from renewable sources

more
than **215 %**

increase in investment in
digitalisation over 2021

30 and **12**
goals in SDG

we have an impact on through
our Strategic Plan 2021-23

of solutions to the challenges that face us in the coming years. And 2030 is not that far away.

Precisely, a book that I liked, although many classify it as "activist", and that made me reflect on the topic was *Contra la sostenibilidad* by Andreu Escrivà. In the book, he denounces the devaluation of the word, accusing primarily the world of marketing and the double standards of many companies. This is also part of evolution, a word can expire, but the most important thing is the entire revolution that it has brought with it. We must always question the economic, environmental and social schemes on which sustainable development is based, but it is a different way of looking that has been established and has no turning back. It can be said that we are already sustainable natives, we see sustainability as a vector of transformation, organic growth, leadership and competitiveness. A differentiating factor, perhaps so, but with the same purpose.

On the other hand, regardless of the concept of sustainability, where we must focus our attention is on achieving a positive impact on communities thanks to good water management. But, without a doubt, we must encourage policies – of companies or institutions – that have a positive impact rather than punish the opposite, i.e. encourage those of us who can accelerate the change the most and are committed to achieving it. However, it is up to us first to assume the role of key agent to lead it and demonstrate – with our performance – that we have taken important steps even when they were not asked of us.

New technologies

Allies of sustainability

On the path towards this change there is a link that has become essential and which Aqualia strongly advocates for: the digitalisation and adoption of new technologies in the water industry's value chain. We know that artificial intelligence is already helping in many of the control processes, and that the more exposed you are through new technologies, the more cybersecurity vulnerabilities can be uncovered. How does Aqualia manage this ambivalence, balancing opportunity and risk?

We are aware that the risks that are rapidly emerging are technological, and this is precisely

what the recent *Global Risks Report 2024 by the World Economic Forum* states. Cybersecurity, artificial intelligence, or the use of the latter to misinform and misrepresent, are topics to which we should pay important attention. In the study, climate change, geopolitics, and demographic changes are mentioned as factors that can be influenced by the misuse of information.

The CEO Outlook Pulse Survey, from July 2023, stated that the great corporate challenges of the next decade included sustainability and artificial intelligence. To the point that, according to Larry Fink, of Blackrock, there is talk of new structural forces that shape a new economic order and that position artificial intelligence and digitalisation at the head of growing sectors.

At Aqualia we assume these risks as the continuous challenges we face. But, despite this, digitalisation is representing an unprecedented advance when it comes to effective management of the water cycle, and its use is focused on positively impacting the environment. The qualitative changes at Aqualia in the last three years, with the integration of AI, machine learning and big data systems into the Aqualia Live platform, represent an unprecedented leap in the comprehensive control of all processes and has positioned us as key partners of institutional clients.

The people

Progress and community

One of Aqualia's leitmotifs is "People who work for people", a motto that connects directly with those of the ESG and with several of the strategic lines of the Strategic Sustainability Plan. To what extent has placing people at the centre of the board been decisive in Aqualia's growth?

This change in Aqualia's governance has been vital. Years ago the company was the umbrella under which employees simply protected themselves. In recent times, and coinciding with this paradigm or systemic or thought shift, whatever we want to call it, value has been placed on the people who make up a company, thanks to whom a brand evolves, thinks and grows. And I would like to qualify it with an important aspect that has emerged from the listening processes with personnel from countries where Aqualia has begun to operate. In these conversations, the human and technical quality

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of the employees has been highlighted, and how they become specialist role models, who welcome new employees warmly. This idea of collaboration, of integrating through warmth, is, on many occasions, a differentiating aspect of Aqualia abroad.

Today, you cannot talk about sustainability without involving people and their environment closely, and this will not be achieved if you leave someone behind. In this sense, at Aqualia we fight so that no one is left behind. We can specify that our work manages to bring drinking water to communities that previously found it difficult. Even digitalisation has exponentially facilitated the processes, but for us to be able to carry out this work to defend access to a dignified and better life, we need a human team behind it. I feel very proud of the Aqualia team, because not only has it achieved business success, but it has become a generous and involved team, whose sole objective is to seek the well-being of people. Something that reminds me of Benjamina, the little girl from Atapuerca, for whom the community made up of unrelated individuals was able to give up their own profit, and even their own life, to care for Benjamina. A wonderful example of what community means as an organisation that perfectly assembles the care of people and progress for the common good.

The Board of Directors of Aqualia has appointed Santiago Lafuente, director for Spain, as the company's new CEO from April 9, 2024.

He takes over from Félix Parra, who has held this position since 2013, and who is reaching retirement.

From the present

The future is built

Summing up, Aqualia is in a privileged position. It has been carrying out strategic listening processes for its stakeholders for years, it has already begun a profound cultural transformation towards sustainability and it has the conviction, endorsed by governance, that these are the appropriate steps to achieve greater well-being and be able to consciously consolidate the business. At this point in time, how do you see the company's path in the coming years?

We still have a lot to do, but the strategic lines of our Sustainability Plan, although flexible, mark a solid roadmap in our performance, while being rooted in our ethical values. We are optimistic because we are already acting, and we know what needs to be done. Furthermore, we feel social validation for our performance, and we take the reins of this leadership with courage. The future will allow us to strengthen, mature and be in better conditions than other companies that have not yet started this transformative path.

Being fully aware that the trend – according to *World Economic Forum 2024*– is showing that climate change will continue to be a risk to be addressed, along with the loss of biodiversity and pollution. In addition to this, there are increasing concerns of a different nature, such as the cost of living, loneliness, technology... indicated by the *Priority Compass* survey by FII (in which 50,000 people from 23 countries participate). But, at Aqualia we see the future with the strength of energy, knowledge and desire. Furthermore, thanks to green financing, the necessary changes can be carried out. There is still a lot to do, but we want to and we can achieve it.