S&P Global Ratings

Powered by Shades of Green

Climate Transition Assessment

BRK Ambiental Participacoes S.A.

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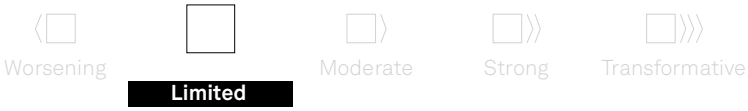
Primary contact

Azul Ornelas
Mexico City
azul.ornelas
@spglobal.com

Current Shade
Based on mix of activities

Transition Progress
Extent of change between the current and expected activities



Future Shade
for foreseeable future

Climate Transition Summary

BRK Ambiental Participações S.A.'s (BRK's) future shade of Medium green reflects our view that its services will continue to deliver significant environmental benefits to the Brazilian population. BRK generates revenue from providing water and wastewater services to a diverse client base, with residential customers accounting for an average of 84% of the client base across both services. We assigned a Medium green shade to most of its activities due to the environmental benefits associated with improving water supply reliability and water quality, as well as the company's mitigation of environmental impacts through various initiatives (see more in Actions and Investments). In addition, we consider BRK's operations are low carbon, with 86.5% of its electricity sourced from renewable energy and procured on the free market. This is relevant, given that water and wastewater treatment are energy-intensive activities.

BRK's strategy to achieving universal access to water supply and sewage collection and treatment services, presents clear environmental benefits. The law sets coverage targets of 99% for water and 90% for wastewater by 2033, significantly higher from current levels. Aiming for universalization, which means to provide all populations within BRK's operating municipalities with water and wastewater treatment, requires significant investment in mitigating water loss, further contributing to environmental benefits by reducing pressure on freshwater resources.

BRK's strategy is designed to ensure business continuity, supported by a clear governance structure and policies that maintain regulatory compliance. Water availability and quality remain critical to its operations, and we consider that the company has sufficient operational safeguards to manage these factors. BRK faces potential physical climate risks mainly prolonged droughts and more frequent and intense flooding. These risks are largely addressed through company-level assessments, which are expected to be further strengthened with the support of an independent consultancy beginning in 2026.

Strengths	Weaknesses	Areas to watch
BRK has initiatives in place that support water resilience and mitigate environmental impacts. We note energy efficiency and leakage control investments improve BRK's water supply operations. Similarly, aerobics systems that reduce methane emissions and energy consumption as well as sludge repurposing are initiatives that reduce environmental impacts of wastewater operations.	No weaknesses to report.	**BRK is seeking to strengthen its assessments and mitigate exposure to physical climate risks.** Although risk assessment is part of the corporate risk assessment, implementation of mitigation actions and investment has yet to further develop across operations.

A Climate Transition Assessment (CTA) is our qualitative opinion on the expected alignment of a company's activities with a low carbon climate resilient future once its planned transition changes are realized, considering implementation actions and risks. It is a point-in-time opinion, reflecting the information provided to us at the time the CTA was created and published, and is not surveilled. We assume no obligation to update or supplement the CTA to reflect any facts or circumstances that may come to our attention in the future. A CTA is not a credit rating and does not consider credit quality or factor into our credit ratings. See our Analytical Approach: Climate Transition Assessment and our Analytical Approach: Shades of Green.

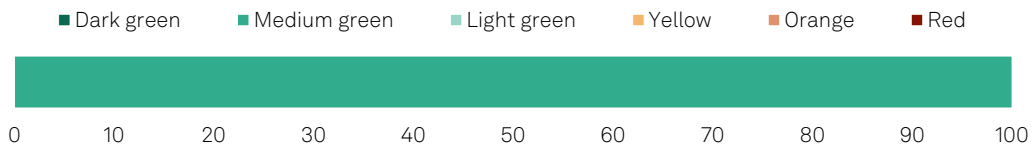
Company Description

Location: Brazil **Sector:** Water Utilities

BRK, headquartered in São Paulo, Brazil, operates as a private services provider focused on water supply and wastewater collection and treatment through concession and public–private partnership (PPP) models. For 2024, BRK reported total revenue of US$800.2 million. The company operates across multiple Brazilian states, serving residential, commercial, and industrial customers through special-purpose entities structured for long-term infrastructure delivery. BRK's activities include water distribution, sewage treatment, and related utility services aimed at meeting regulatory requirements and contractual service levels. All of its operations are in Brazil, where it delivers services to municipalities under concession contracts and long-term agreements, with operational performance linked to service continuity, asset maintenance, and compliance with environmental and sanitation standards.

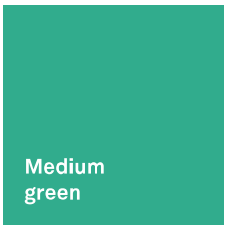
Current Activity

Current activities mix by shade (2024 % of total revenue)



Source: S&P Global Ratings.

Current Shade
Based on activities mix



Activity breakdown by shade (% of total in 2024)

Shade	Revenue	Opex	Capex
Dark green	**0**	**11**	**71**

Activities: Opex: Renewable electricity. Capex: Expanding water supply and wastewater collection and treatment services, energy efficiency projects, and water loss reduction. Investments into water and wastewater operations are highly beneficial from an environmental standpoint, as water infrastructure improves water security and resilience to climate change, and wastewater treatment prevents the release of untreated sewage into the natural environment which can be detrimental to aquatic ecosystems as well as having unmanaged methane release as the sewage decomposes. Therefore, we differentiate the capex and revenue shades.

Foreseeable future revenue estimate:

Some portions of the Dark green assessment for opex and capex could increase, such as the expenses for reducing water loss, improving efficiency, and mitigating methane emissions. However, the revenue associated with these assets is likely to have a Medium green shade, consistent with the climate and environmental performance of BRK's existing assets.

Medium green	**100**	**84**	**29**

Activities: Revenue: Water supply and wastewater collection and treatment, construction revenue for water and wastewater facilities, and related revenue streams. Opex: Salaries, contracted services for water and wastewater facilities, repairs and maintenance, general

materials and supplies, and other administration expenses. Capex: Expansion and modernization of existing water and wastewater treatment facilities, permits, quality health safety and environment (QHSE), IT, administrative, and other.

Foreseeable future revenue estimate:

We expect continuity of Medium green activities.

Light green	**0**	**0**	**0**

Activities: None.

Foreseeable future revenue estimate:

Not applicable.

Yellow	**0**	**5**	**0**

Activities: Opex: Purchase of fossil fuels and water treatment supplies (chemicals) to support water and wastewater operations.

Foreseeable future revenue estimate:

We expect proportions of Yellow activities to remain and have no impact on revenue.

Orange	**0**	**0**	**0**

Activities: None.

Foreseeable future revenue estimate:

Not applicable.

Red	**0**	**0**	**0**

Activities: None.

Foreseeable future revenue estimate:

Not applicable.

As of 2024. Most accounting systems do typically not provide a breakdown of revenue and investments by environmental impact, and the analysis may therefore not be directly comparable with annual reporting. Opex--operational expenditure. Capex--Capital expenditure. Source: S&P Global Ratings.

Shade Rationale

We assign a Medium green shade to 100% of BRK's revenue. For the water treatment and supply services, the Medium green shade stems from its systems that improve water supply to population, meet quality and environmental impacts regulatory requirements, do not exacerbate water risks, and manage operational emissions. Meanwhile, wastewater services' Medium green shade reflects the environmental benefit of avoiding the pollution of water streams as well as resource recovery initiatives throughout operations.

The Medium green shade reflects the environmental benefits of BRK's water supply and wastewater operations. Our assessment considers two key aspects--water quality and water quantity--and we believe BRK appropriately addresses both. Beyond meeting regulatory requirements for water quality in supply and for wastewater, BRK implements actions that enhance these benefits. For example, the company manages waste and sludge, repurposing 61% of the waste generated, resulting in lower landfill waste than its domestic peers. Furthermore, BRK supports sustainable water quantity through efficiency improvements, leakage reduction,

water reuse initiatives, and avoiding water abstraction in areas experiencing high water stress. BRK's high renewable electricity use (86.7%) supports its efforts to mitigate operational greenhouse gas (GHG) emissions. Although we consider the entity to implement some Dark green initiatives such as resource recovery and water reuse in water-stressed areas, BRK has yet to fully offset environmental impacts, develop climate-resilient infrastructure, or broadly adopt green and passive systems, limiting the potential for Dark green revenue.

Although the social risks or benefits do not directly affect a shade of green, we consider that BRK's operations support Brazil's sanitation goals. Expanding water supply coverage and wastewater treatment to underserved areas contribute to safe and quality water. Similarly, wastewater treatment services mitigate sanitation and associated public health risks.

We assign a Medium green shade to 84% of opex, Dark green to 11% of it, and Yellow to 5%. The company's opex costs consist of administrative ones such as labor, consumables such as fuels and chemical supplies, electricity, and other operational related costs. The Medium green shade is representative of the expenses that support in providing water and wastewater services. Dark green opex stems from the purchase of renewable electricity in the free market and grid electricity. As of 2024, 80% of Brazil's electricity generation came from renewable sources, according to the IEA. Furthermore, Empresa de Pesquisa Energética (EPE) estimates that the Brazilian electricity grid's generation mix in 2024 has an emission factor (threshold) of 59.9 $kgCO_2e$ per MWh generated. The Yellow shade reflects the purchase of fuels required for operation and chemicals for water and wastewater treatment. Despite supporting BRK's essential services, the use of fossil fuel technologies and chemicals is associated with climate transition risks and is not aligned with a low-carbon, climate-resilient future.

Climate Transition Plan

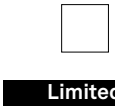
Future Shade
for foreseeable future

Future Shade

We assign BRK a future shade of Medium green for the foreseeable future. The company is expanding and improving its water and wastewater services, while seeking to reduce its environmental footprint. The majority of current spending is for maintaining and enhancing existing water and wastewater services and infrastructure. While these investments are improving the environmental profile of BRK's water and wastewater treatment operations, we do not foresee its revenue going to a Dark green shade. This is because the company is focused on achieving universal access to water supply and sewage collection and treatment services. However, significant environmental impacts, including waste and sludge generation, methane emissions, potential changes in local hydrology, and impacts on aquatic ecosystems, are not yet fully offset. Furthermore, while the company identifies physical climate risks, its infrastructure has not yet been designed to be fully resilient to climate change impacts. Similarly, opportunities to incorporate green infrastructure and passive systems have not yet been widely adopted, although we note that the company has undertaken initiatives in this area, which we consider positive.

Transition Progress

Transition Progress
Extent of change between the current and expected activities



BRK's transition progress of Limited reflects that activities will remain generally similar between its current and future activity mix. We do not foresee substantial changes in the environmental benefits and impacts stemming from BRK's operations over the next few years. Similarly, the entity's systems are already primarily electrified and using renewable energy. We anticipate that investments focused on reducing water loss rates, ensuring a consistent supply of renewable energy, and recovering resources from waste streams will further support Medium green operations.

Transition plan summary

Key targets →	Actions and investments →	Expected impact on revenues
Net zero GHG emissions by 2040.	BRK is investing in efficient technologies and sustainable wastewater treatment to lower energy consumption. The company has secured 28.79 MW of renewable self-generation capacity starting in 2025, and already sources 86.5% of its energy from renewables. It has interim targets to reduce by 30% GHG emissions by 2030 from a 2022 baseline, supported by ongoing reduction initiatives.	Will further reduce the company's operational emissions. However, we do not anticipate will impact the revenue shade.
Reduce water distribution losses to no more than 25% by 2030.	Investment in modernization and maintenance of the network. Improvement of monitoring, through automatization of water distribution analyses. Similarly,	Will improve water resilience, and the company's impact on water quantity. However, we do not

	implemented a program to reduce water losses.	anticipate this single action will impact the revenue shade.

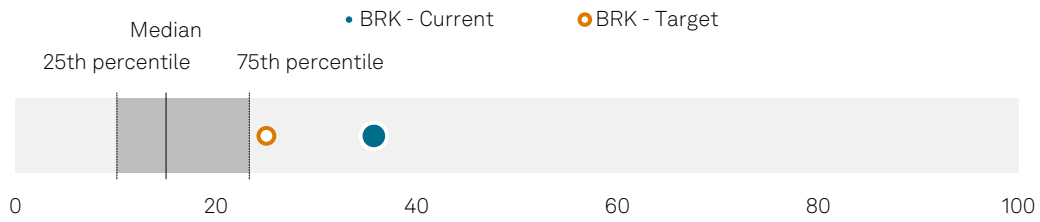
Source: S&P Global Ratings.

Metrics And Targets

Peer comparison

BRK is behind its global peers in terms of the water system leakage rate, which we view as a key indicator, though not the sole determinant of the shade of green for water and wastewater utilities. We choose the leakage rate as the key performance indicator for peer comparison due to the availability of data in the existing database. Given that physical loss from leakage constitutes the major cause of high non-renewable water levels, the issue of incomparability is minimized. BRK's continued investments to reduce water losses have improved its performance, but losses are still higher than those of global peers, reflecting the fact that a significant portion of its assets remain in earlier stages of development and are still undergoing efficiency improvements, unlike more mature operations. The company's target to further reduce leakage to a maximum of 25% will bring it more in line with peers. We note that the average water distribution loss in Brazil was around 40%, according to the "2025 Water Loss Study" based on data from the National System of Information on Sanitation and Water (SINISA) in 2023, positioning BRK slightly ahead of national average. Above-average leakage can be a function of age, pipe failure, or leaks. Factors outside of management's control include topography, the number of pressure zones, and the remoteness of transmission assets, affecting the metric.

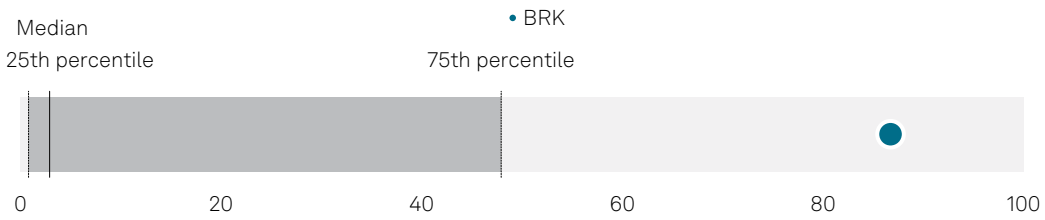
Leakage rate (%)



Data as of Aug. 19, 2025. Based on a sample of 91 companies representing a universe of companies classified under Water Utility and Multi-Utility industry in Corporate Sustainability Assessment (CSA) in latest year of either 2024 or 2023. The sample is geographically diverse, with 34% of the sample US-based, 24% Europe, 36% Asia-Pacific and 5% based in Latin American and the Caribbean. Data for 74 companies was not disclosed. Maximum value is the highest amount observed from our sample data. Source: S&P Global Sustainable1, S&P Global Ratings.

BRK's use of renewable energy exceeds the median of global peers, supporting the shade of green for water and wastewater revenues. BRK achieved its target of sourcing 70% of energy from renewable sources. As of 2024, BRK sourced 86.5% of its energy from renewables through free-market contracts, small hydro plants (PCHs), and distributed generation via solar plants.

Renewable energy consumption (%)



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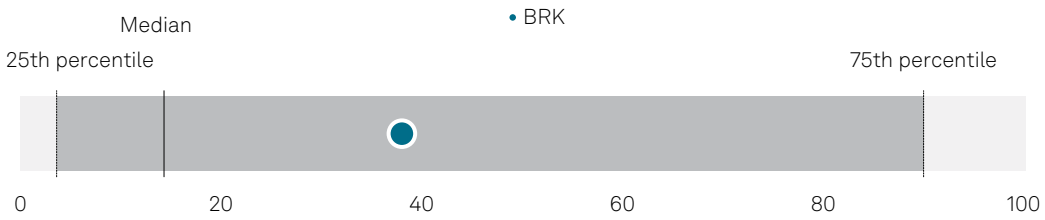
BRK's ratio of waste sent to landfill is in line with the domestic peers' median. Out of the total non-hazardous waste generated by its operations, BRK repurposed in 2024 approximately 61% through initiatives such as composting sludge for local agricultural use and reusing sand from effluent treatment plants in the manufacture of ceramic blocks. Less than 1% of generated waste is recycled. Waste management practices follow the hierarchy defined by the Brazilian National Solid Waste Policy (PNRS), prioritizing waste prevention, followed by reduction, reuse, recycling, treatment, and appropriate final disposal. Compared to global peers, BRK's waste sent to landfill is higher than the 14% median.

Waste to landfill (% of total waste generated)



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Transition targets

BRK currently operates across more than 100 municipalities through 15 concessions and 6 PPPs, governed by contracts with different modalities and distinct performance metrics and targets, and subject to oversight by 17 regulatory agencies. The latter limits the ability to fully standardize disclosures. Accordingly, BRK has provided water and wastewater coverage metrics for its five largest concessions, which together account for approximately 60% of total net operating revenue. Under Brazil's sanitation framework, public sanitation service providers must ensure that 99% of the population has access to potable water and 90% to sewage collection and treatment by 2033, with these targets established by the granting authority rather than by the operators themselves.

Target time frames

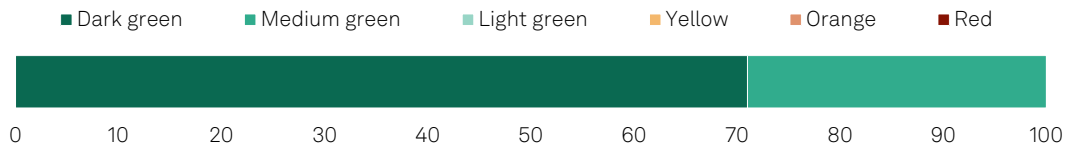
Transition metrics	Baseline metric (2022)	2024	2030	2033	2040

Coverage of water supply (%)	Not applicable	98	Not applicable	99	Not applicable
Coverage of wastewater collection and treatment (%)	Not applicable	65	Not applicable	90	Not applicable
Absolute scope 1 and 2 emissions (tCO2e)	416,257	378,794 (9% reduction)	291,380 (30% reduction)	Not applicable	Net Zero
Absolute scope 3 emissions (tCO2e)	Not applicable	40,071	Not applicable	Not applicable	Net Zero
Water distribution losses (%)	Not applicable	35.7	25	Not applicable	Not applicable

Coverage of water supply and wastewater collection and treatment metrics is a simple average of the five most representative concessions for BRK which together account for approximately 60% of total revenue. Source: Company Reporting and S&P Global Sustainable1.

Actions And Investments

2024 capex breakdown by shade (% of total)



Source: S&P Global Ratings.

BRK's investments in expanding and improving its water and wastewater treatment will help maintain its Medium green activities. BRK reported capex of R$882 million for fiscal 2024. We expect that future years of shading of capex will look similar to that of 2024, while the company continues with the expansion and new connections strategy.

We assess 71% of BRK's 2024 capex as Dark green, as these funds are dedicated toward water and wastewater coverage expansion, energy efficiency, and leakage control. Wastewater expansion supports ecosystem resilience by reducing pollution in the river streams of the areas where BRK operates. Expanding the quantity of water for stakeholders, while mitigating associated environmental impacts, is also in line with a low-carbon climate-resilient future. Energy efficiency can help reduce the company's Scope 2 emissions by lowering energy demand. Similarly, investments in leakage control are critical for water utilities, as they help preserve finite water resources, reduce operational losses, and mitigate risks associated with water scarcity and supply disruptions.

The remainder of Capex was to maintain existing water treatment operations and other operational activities. We classify the latter as Medium green, since they support Medium green water and wastewater activities.

BRK has developed a portfolio of mitigation projects to meet its climate goals, organized around four pillars: efficient sewage treatment plants, advanced technologies for sludge treatment and recovery, biogas burners, and self-generation of electricity from renewable sources. Most of BRK's GHG emissions are generated from the treatment of wastewater, given that GHGs arise from methane and nitrous oxide released during biological processes, sludge handling, and energy used in operations. BRK addresses these factors by implementing highly efficient treatment plants, low-emission sludge management technologies, biogas burners to control fugitive emissions, and renewable energy generation to reduce reliance on fossil fuels. BRK has implemented high-efficiency technologies in its treatment plants, such as aerobics systems that reduce methane emissions and energy consumption. We view these investments favorably, given the company's focus on operational efficiency.

Implementation Drivers

We believe the entity has robust governance mechanisms to execute its transition strategy. BRK is an operating subsidiary of Brookfield, which holds a 70% stake in BRK. Four of seven members of BRK's board of directors hold positions in Brookfield or in a Brookfield subsidiary. While no Board of Directors have explicit backgrounds in sustainability, several possess relevant experience in project finance, asset management, and government relations. The board approves BRK's ESG plan and Business Plan; it also has an ESG Commission to deliberate on important topics. BRK enforces its supplier code of conduct, which contains considerations for environmental protection. Lastly, BRK discloses its climate impact, including specific GHG accounting methodologies, in alignment with the Global Reporting Initiative.

BRK has a capital plan commensurate with the costs of its expansion projects. BRK's transition plan is largely a continuation of business-as-usual activities, with an emphasis on emissions reduction and climate resilience. BRK plans to finance these efforts via a mix of revenues from tariffs, debt issuances in Brazilian and international bond markets, bank financing, and equity injections from project sponsors.

BRK's transition plan could take a hit from physical climate risk and social factors. According to WRI Aqueduct, the majority of Brazil experiences low-medium to medium drought risks, with some areas of medium-high risk. As climate change intensifies, both the number of consecutive dry days is increasing while consecutive wet days are decreasing. Together, these trends point to a general drying pattern across most regions of Brazil, according to the World Bank.

Given that water supply represents a significant portion of BRK's revenue, intensifying drought risks represents business continuity risks. We believe this risk is somewhat mitigated by BRK's efforts to assess water risks and implement mitigation initiatives such as scarcity and safety plans, continuous reservoir monitoring, and a program to reduce distribution losses. Finally, we view favorably that BRK engages with customers to reduce water consumption and promote water resilience. In 2022, the company commissioned IDB Invest to conduct a behavioral study in Limeira (Sao Paulo) to analyze water consumption patterns and identify factors that encourage conscious usage.

Much of Brazil has medium-high water quality risks. Additionally, climate change is making hydrological patterns more volatile, and more frequent or intense floods could increase the risk of sewage overflow incidents. Quality risks primarily stem from source water pollution, namely agricultural runoff. Given that BRK sources approximately half (48%) of its water from surface sources, significant deterioration of surface water quality is a material risk to BRK and could necessitate further investment in treatment technologies. BRK mitigates this risk through continuous water quality monitoring to meet regulatory requirements and has invested in critical infrastructure to mitigate the flood risk. However, BRK's infrastructure is not yet fully resilient to climate change impacts.

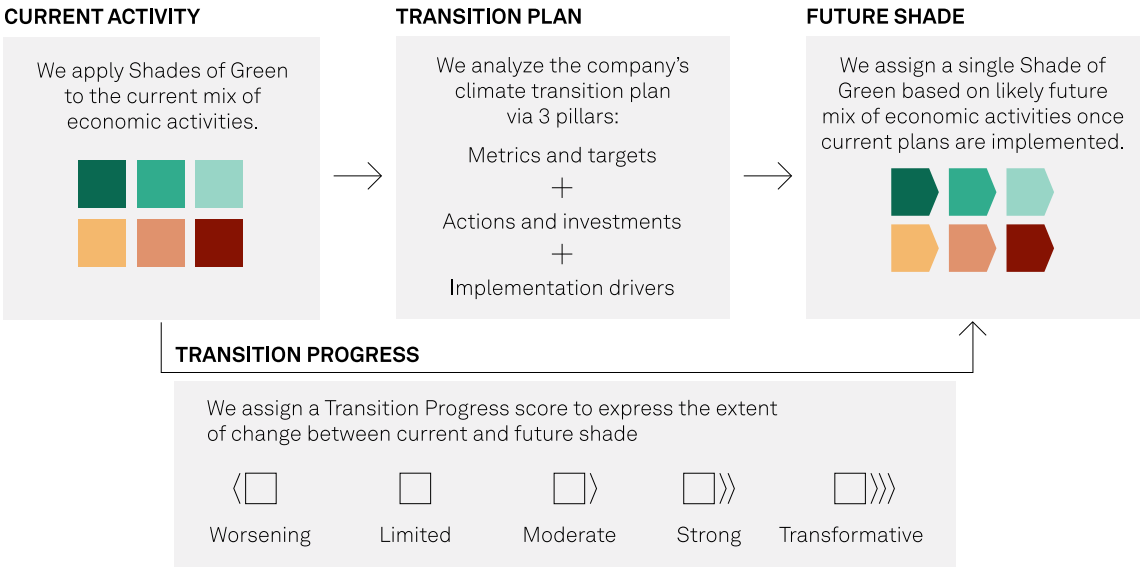
While social considerations do not influence the shade we assign to an activity, they could support or constrain an entity's ability to implement its transition plan, particularly access and affordability considerations. Brazil's 2020 Sanitation Law set targets of 99% and 90% for coverage for water and wastewater services, respectively, by 2033. Latest data suggests 84% and 56% coverage in Brazil, respectively, according to the entity's disclosure. Service providers that fail to meet the mandate may face penalties and loss of federal funding. In Brazil, governmental authorities set water tariffs at the outset of a concession, which are reviewed and adjusted periodically. Rates must balance affordability with financial sustainability. While we do not view this as an immediate implementation blocker, we note that this is a relevant area to watch.

B3 Ações Verdes

S&P Global Ratings confirms that BRK meets the requirements for B3 Ações Verdes (BAV) Designation set out in the B3 Circular Letter on Green Equities.

As per the requirement by B3 Ações Verdes, only green activities that are eligible for the EU taxonomy can be counted toward the designation thresholds. In 2024, 100% of BRK's revenue met these requirements, exceeding the 50% threshold for revenue. The sum of opex and capex that met these requirements is 97%. This exceeds the 50% threshold for investments, defined as the sum of capex and opex. In 2024, BRK had no revenue derived from fossil fuel activities, meeting the threshold of less than 5% of the company's revenue coming from such sources.

Assigning a Shade for S&P Global Ratings' Climate Transition Assessment



Source: S&P Global Ratings.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades. LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Related Research

- Analytical Approach: Climate Transition Assessments, May 29, 2025
- FAQ: Applying Our Integrated Analytical Approach For Climate Transition Assessments, May 29, 2025
- Analytical Approach: Shades Of Green Assessments, July 27, 2023

Analytical Contacts

Primary contact

Azul Ornelas
Mexico City
azul.ornelas
@spglobal.com

Secondary contacts

Rafael Janequine
Sao Paulo
rafael.janequine
@spglobal.com

Natalie Wu
San Francisco
natalie.wu
@spglobal.com

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