

EXECUTIVE SUMMARY

WHAT IF THE SMARTEST DECISION WAS **TO INVEST IN THE PLANET?**

SUSTAINABILITY REPORT 2019

Non-Financial Information Statement 2019



BUSINESS AS UNUSUAL



Letter from the Chairman

José Manuel Entrecañales
CHAIRMAN OF ACCIONA

Dear friends,

I am pleased to present ACCIONA's Sustainability Report for 2019, a year in which we've seen an encouraging progress in raising awareness on many of the global challenges of our era, all while the urgent need to address some of them has become a real emergency.

An emergency certified by science in its constant calls to pay attention to the increase in the planet's global temperature, the concentration levels of CO₂ or extreme atmospheric phenomena, for example. Effects that are clearly being caused by the ever-increasing emissions of greenhouse gases, which have risen by more than 20% in the last five years alone.

I agree with the slogan embraced by the COP25 held in Madrid this year: the time for action is now. We are living at a time when it is urgent to review the growth models of the past in order to embark on a new phase of more sustainable and inclusive prosperity, which will allow us to act in a more coordinated and effective way in the face of these global challenges.

In this regard, the Sustainable Development Goals (SDGs) continue to be the best approach for jointly addressing the challenges and issues of this global agenda. An agenda whose success depends largely on the ability to develop the infrastructure necessary to achieve it.

This year, we've made our own calculations in order to extensively and precisely estimate the investment effort required to achieve this objective. We have reached to the conclusion that, in most regions, public investment and development assistance alone will not be enough to come even remotely close to the volumes of investment required.

The only possible alternative is the collaboration of the private investment sector. But even so, the investment required is of such magnitude that it is essential to create a genuinely favourable environment to promote and stimulate the private investment towards the right direction.

A significant step forward was taken in 2019 with the promotion of sustainable financing; especially as a result of the efforts made to promote the transition to a low-carbon economy, particularly in Europe.

Initiatives by regulators and supervisors, which include the climate factor in the prudential calculations of financial and insurance companies, or the growing interest in labelling activities as low-carbon, are powerful instruments for channelling investment and making it visible. For this reason, it is with a great deal of interest that we have been following the work being done by the European Union institutions on the development of a taxonomy on low-carbon activities.

The taxonomy and other incentives for sustainable finance can become a good example of how to design appropriate risk-benefit environments which are attractive to the private sector, and this in turn, can accelerate results related to climate neutrality and other future environmental goals. It is a clear signal for markets to align financing with the climate agenda and avoid the temptation to resort to cosmetic practices which, sadly, are so common when we rigorously assess improvements in this field.

This year, ahead of the regulations planned for 2022, we have projected the principles and metrics of the European taxonomy onto ACCIONA's businesses. For the first time at the end of the 2018 fiscal year and now in this report for 2019 results, the conclusions presented on these pages confirm that our commitment and investment strategy are consistent with the development of activities focused on fostering the transition.

Our advanced Sustainability Master Plan, in place since 2010, calls for continuous improvement on our social and environmental performance, which is linked to our professionals' incentives since 2015, an effort that has allowed us to comply with demanding international standards and objective-based work.

The application of the principles and metrics of the European taxonomy onto ACCIONA's businesses confirm that our commitment and investment strategy are consistent with a low carbon economy.

In the *Sustainability Report* you will find all the progress and objectives covered. They add to the recognitions received, such as the highest sustainability rating in the S&P RobecoSAM assessment, the selection of our company as the world's greenest utility by Energy Intelligence, or our inclusion on the list of the 100 most sustainable companies in the opinion of Corporate Knights, among others. These achievements are a reflection of the clear commitment of ACCIONA and its team to improve every day, in every business and on every project.

I hope you will find in its pages that the information is sufficient and rigorous enough to form a solid and reliable opinion on the evolution of our performance, our objectives and our efforts to remain at the forefront of sustainable transformation.

We believe that ACCIONA is ideally positioned to play a leading role in promoting a new generation of transformational infrastructure assets, capable of accelerating the achievement of the objectives of the global agenda defined by the SDGs and multiplying the real positive impact of our activity. It is an approach that is certainly unusual from the perspective of traditional economic sectors, but nonetheless an ACCIONA hallmark: a dynamic company that evolves and adapts to changing times, which has managed to maintain its focus on the development of basic infrastructure over the last 100 years, aimed at improving the quality of life of the people and communities in which they live.

ACCIONA in the world

Present in over 40 countries
on 5 continents



Energy



Construction



Concessions



Water



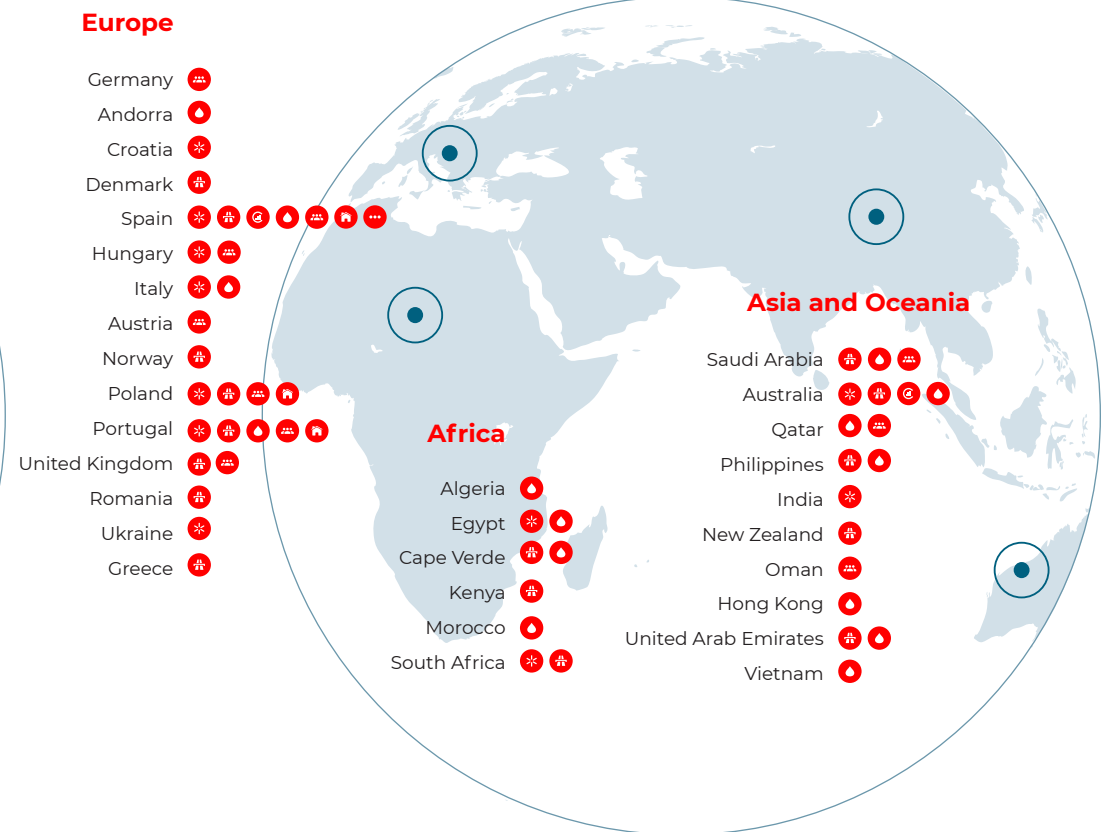
Services



Real Estate



Other businesses

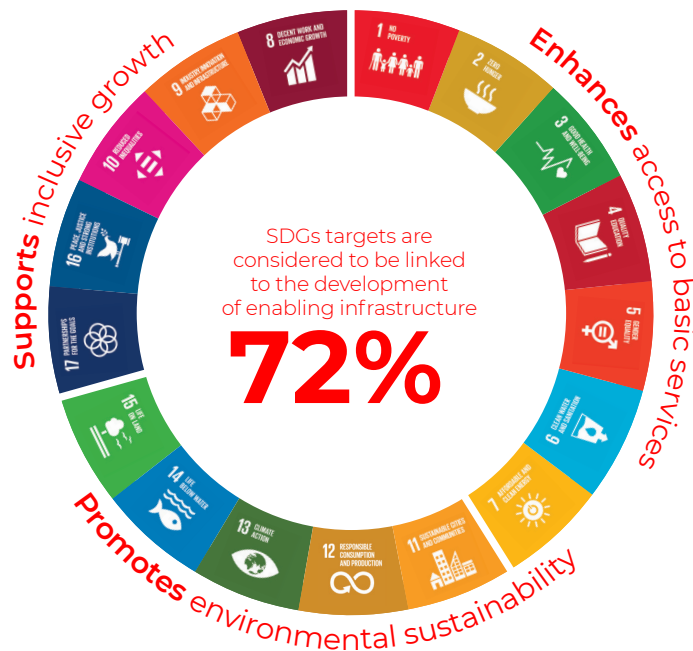


Business as Unusual: a different way of doing business

ACCIONA is a company focused on the development and operation of basic infrastructure assets that enable the achievement of the Sustainable Development Goals.

CONTRIBUTION TO THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS IN 2019

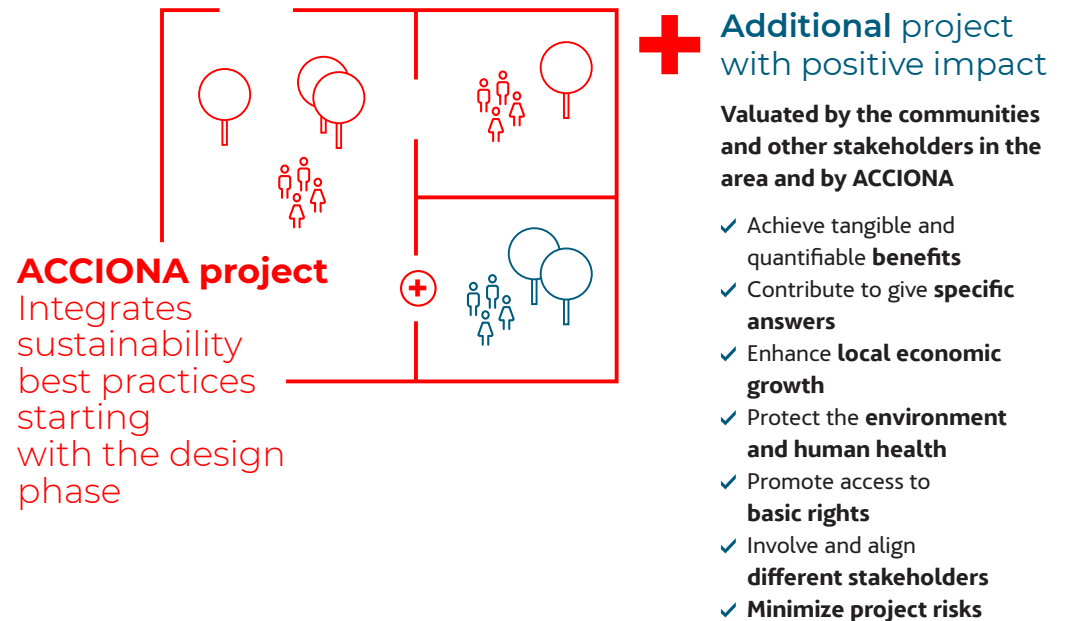
Relationship of infrastructure to the SDGs



Source: Delivering on Sustainable Infrastructure for Better Development and Better Climate, Global Economy and Development program at the Brookings Institution.

ENHANCED IMPACT SOLUTIONS

ACCIONA seeks to maximize the sustainable impact of its projects. In line with this vision, the company has designed its Enhanced Impact Solutions: business solutions that include additional projects implemented by ACCIONA during the execution of the main project to generate an additional positive social and environmental impact.



Sustainability Master Plan 2020

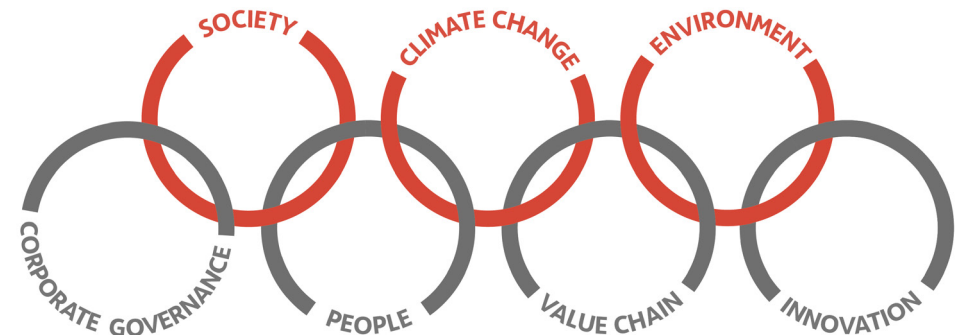
ACCIONA has a model for monitoring and managing its sustainability commitments, with the main objectives being transparency and continuous improvement.

ACCIONA's sustainability strategy is outlined in the Sustainability Master Plan (SMP).

The current plan, SMP 2020 (<https://smp2020.acciona.com/>), is structured around strategic and operational objectives in the following areas that apply to the entire organization:

- › In **Society**, the objective is to collaborate in improving people's quality of life. To that end, work is being carried out in the areas of social impact management, dialogue and leadership, social action and volunteering.
- › In terms of **Climate Change**, ACCIONA, a carbon neutral company since 2016, takes on the mitigation of climate change as one of its key strategic objectives.
- › In regard to the **Environment**, the company's aim is to offer environmental solutions to challenges like water stress, as well as promoting the efficient use of natural resources in its operations.
- › In **Corporate Governance**, objectives are established in the field of human rights, ethics, corporate governance, risk management and transparency.

- › In terms of **People**, targets have been set related to occupational health and safety, development and incentives, diversity and inclusion, and training.
- › In **Value Chain**, the company seeks to reinforce mitigation of environmental risks, social values and corporate governance in its supply chain, and among shareholders and customers.
- › In the area of **Innovation**, besides maintaining an innovation figure as a percentage of sales that is higher than the European average, ACCIONA aims to progress in the fields of collaborative and operational innovation.



Society

Infrastructure has the virtue of improving people's quality of life, as such, ACCIONA's aim is to amplify this value through dialogue and support for the communities where it operates.



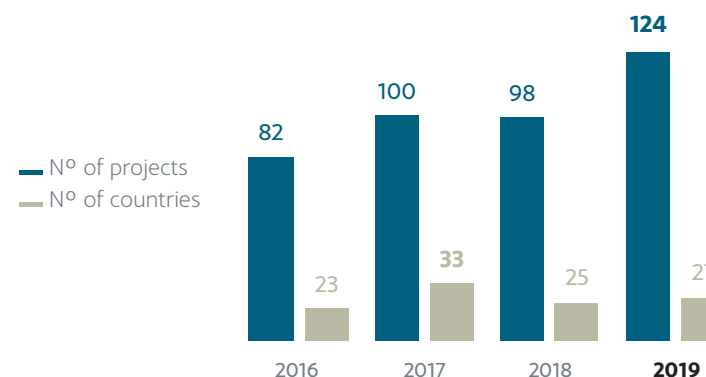
KEY MILESTONES 2019

- › The scope of the company's Social Impact Management methodology encompasses **124 projects in 27 countries**.
- › **Over €12.5 million of social contributions to the community**, 45.1% linked to Sustainable Development Goals.
- › **Reformulation of the corporate volunteer model** for the entire company, with greater emphasis on strategic market. In 2019, 1,245 employees from 18 countries participated in volunteering actions.

ACCIONA believes that managing the social impact of its projects and services is a strategic issue within its sustainable business model. For this reason, for over nine years it has been working to manage the positive and negative impacts caused by its operations, beyond legal and contractual requirements.

Evolution of the implementation of the Social Impact Management (SIM) methodology by ACCIONA

(number)



PRESENCE IN ORGANIZATIONS AND INITIATIVES



Climate Change

ACCIONA is one of the few companies leading the transition of the economy towards a low-carbon model that limits the increase in average global temperatures to below 1.5°C

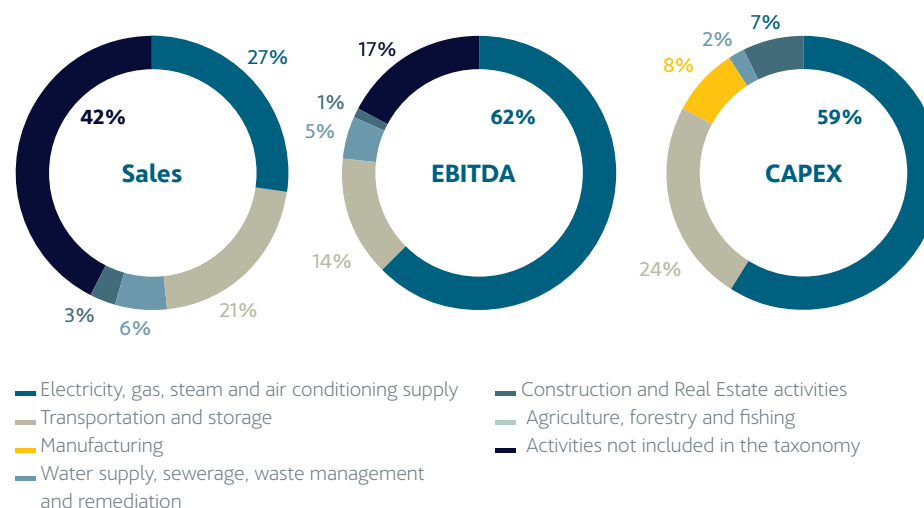


KEY MILESTONES 2019

- › **Reduced GHG emissions compared to base year 2017** by 22% (Scopes 1 and 2) and 27% (Scope 3 categories in SBT), in line with the science-based target and the carbon neutral target.
- › **Approval of new target by the Science Based Targets initiative (SBTi)**, in line with the 1.5°C scenario, to reduce Scope 1 and 2 emissions by 60% and Scope 3 emissions by 47% in the period 2017-2030.
- › **73% of renewable energy consumption.** From 2020, ACCIONA will have a 80% electricity consumption objective from renewable energies by 2023.
- › **13.1 million tonnes of CO₂e avoided** thanks to generating power using renewable sources only.

EUROPEAN TAXONOMY OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

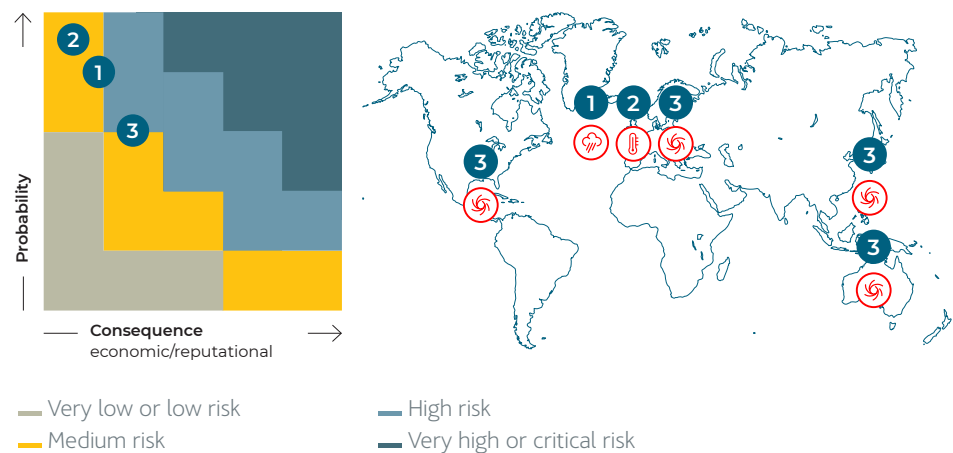
In 2019, ACCIONA carried out a classification exercise of its activities using the criteria of the European taxonomy. This enriching work has reinforced the company's leadership position in sustainability, confirming that 93% of CAPEX, 83% of EBITDA and 58% of the company's sales meet the established requirements. The activities contributing to these figures include:



Climate Change

ACCIONA analyses and disseminates the risks and climate opportunities in accordance to the Task Force on Climate-Related Financial Disclosures (TCFD).

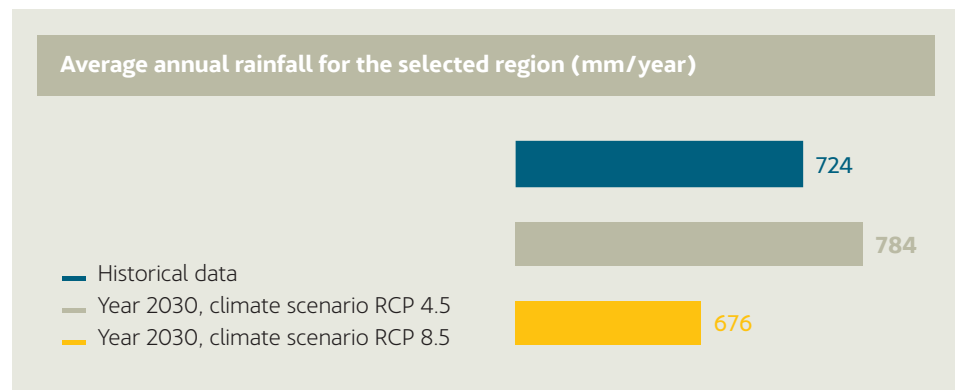
Key climate risks



- 1 Reduction of hydraulic generation in Spain due to reduced run-off.
- 2 Loss of efficiency in the electrical conversion of wind turbines in Spain due to increased working temperatures.
- 3 Failure to meet construction deadlines due to extreme weather events in Mexico, Spain, the Philippines and Australia.

RISK ANALYSIS 1: LOWER HYDRAULIC GENERATION IN SPAIN

Hazard analysis: the projected RCP 4.5 and RCP 8.5 climate scenarios through 2030 for each of the locations where ACCIONA's hydraulic plants are located show an average variation in annual rainfall in the range of +2.4% to -6.3% with respect to historical values (1850-2005).



It can be affirmed that ACCIONA's business strategy is resilient to climate change, with a moderately low impact in terms of risk and a high impact in terms of opportunities.

Environment

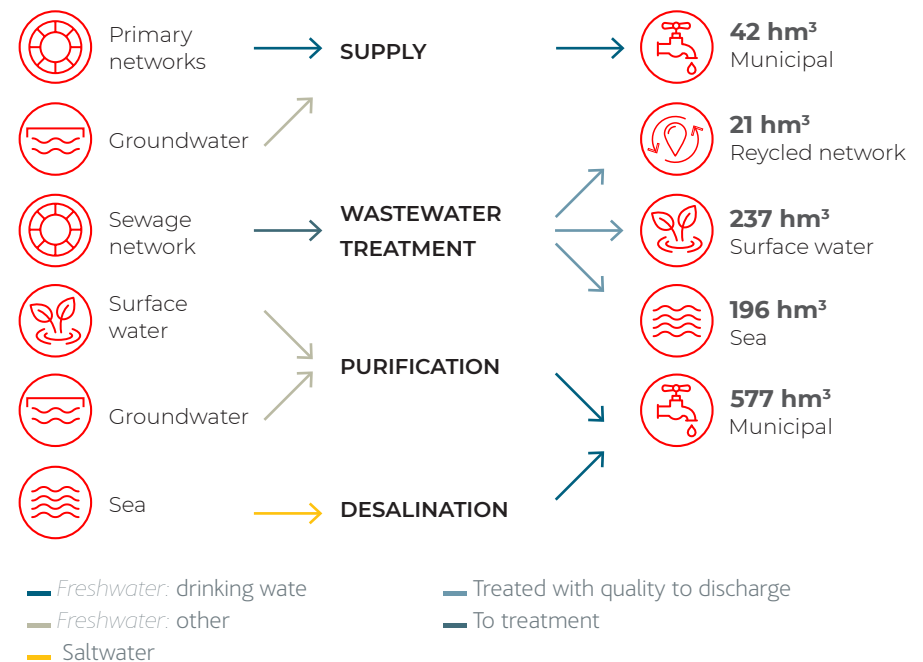
The company's operations are carried out following the precautionary principle with a view to minimising the impact of any industrial operation, particularly with regards to the comprehensive management of environmental, climate and water risks, the promotion of the circular economy and conservation of biodiversity.



KEY MILESTONES 2019

- › **519 hm³ of water treated in water stressed areas**; 32% of water consumed from recycled, tertiary or rainwater sources and consumption of municipal, groundwater and surface water reduced by 61% compared to 2017.
- › **75% of non-hazardous waste recovered and generation of non-hazardous waste reduced by 61%** compared to 2015.
- › **Neutral biodiversity footprint: Net improvement.** Creation of biodiversity scorecard, mapping and evaluation of operations centres.
- › **€65 million allocated to the management** (prevention, reduction or correction) **of the environmental impacts** generated by its activity.

Water treatment and distribution for customers



Corporate governance

ACCIONA guarantees the transparent management of all its business and operations. ACCIONA's ethical principles are enshrined in a Code of Conduct that unequivocally rejects illicit business practices of any kind or inappropriate behaviour in the workplace.



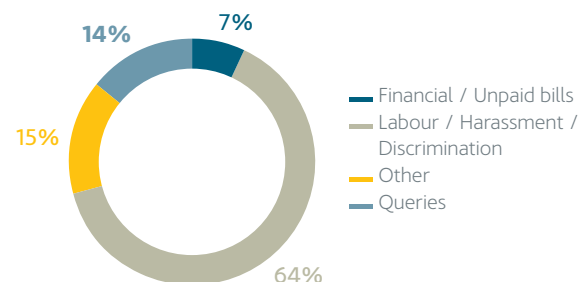
KEY MILESTONES 2019

- › **170 directors and managers completed the Anti-Corruption Course and 1,505 employees completed the Code of Conduct course.**
- › **A total of 454 partners, consultants and agents have already been assessed by PROCUR-e 3P**, the tool that facilitates the process of identifying and learning about the third parties with which it interacts ACCIONA.
- › **Updating the risk and control matrices** of the Corporation, Infrastructure and Energy.
- › **Implementation of a Compliance Department** for Infrastructure.

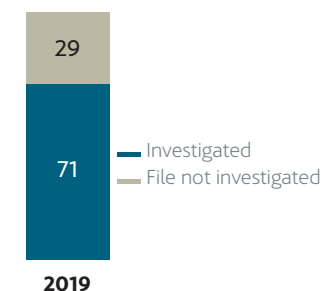
CODE OF CONDUCT

The Code of Conduct sets out the values that should guide the behaviour of all ACCIONA companies. Its aim is to reinforce the type of business conduct that is accepted and respected by all employees and managers. The acceptance of the Code has been completed by 20,853 employees.

Types of reports



Processing of reports



FIGHT AGAINST CORRUPTION, BRIBERY AND MONEY LAUNDERING

ACCIONA has specific policies that must be applied to all companies that are part of the company, to all its employees and third parties that relate to the group too.

People

As experts in designing a better planet, human capital is a priority for ACCIONA. The company embraces and shares the values of respect, equal opportunities, diversity, gender equality, merit and continuous communication. It also promotes the health and safety of its employees and partners.

39,699

Employees

31.3%

Female

15.2%

Female executives

21.1%

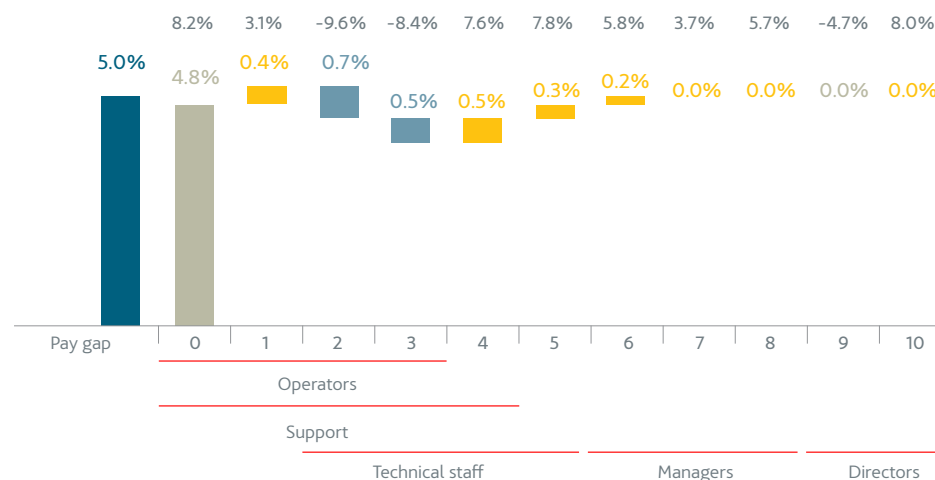
Female managers



KEY MILESTONES 2019

- › By 2020, the company has set a **target to increase the percentage of women in executive and pre-executive (managerial) positions to 23%.**
- › **Appointment of a Diversity and Inclusion Manager and design of a Global Diversity and Inclusion Plan.**
- › **4% reduction in the Frequency Index and 2.3% in the Severity Index of employee (accidents) compared to 2018. In addition, in 2019 there have been no fatal accidents of employees or contractors at the facilities.**
- › **Achieve OHSAS 18001 certification for 97% of ACCIONA companies and ISO 45001:2018 for 24%.**

Analysis of wage equality by gender



ACKNOWLEDGEMENTS

In 2019, the Refinitiv Diversity & Inclusion Index positioned the company among the top twenty-five globally in terms of diversity and social inclusion.

Value Chain

At ACCIONA, the trust the customers place is forged by listening to them and constantly seeking excellence and innovation in every project undertaken together.



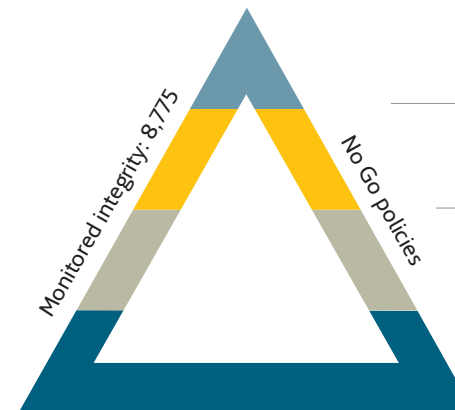
KEY MILESTONES 2019

- › **91% of the active suppliers were local.**
- › **94% of suppliers** in 2019 had a **medium-low risk level.**
- › **144 suppliers were categorized as No Go** (44 had an audit and/or improvement action plans; the rest stayed as No Go). Cero contracts awarded to No Go suppliers.
- › **100% of the company's most important activities were certified according to ISO 9001 and ISO 14001.**
- › Energy has developed a **quality assessment methodology** for the entire value chain.

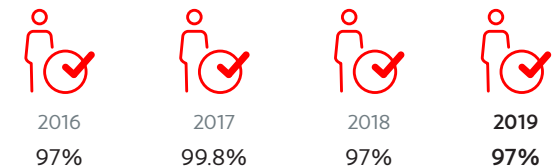
Supply chain controls



Level of criticality



Evolution of satisfied customers



Innovation

Innovation is the key differentiating factor for a company that practices business as unusual. In an environment of non-linear evolution, getting ahead of the curve to improve response times and scaling up solutions is a continuous challenge.



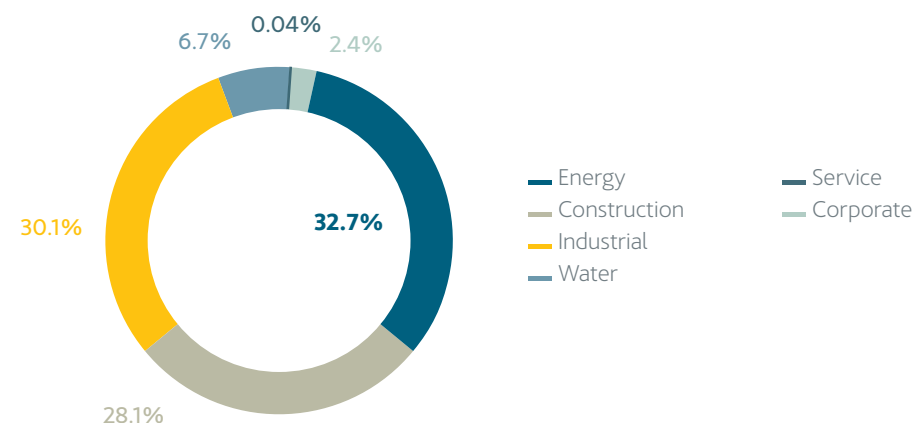
KEY MILESTONES 2019

- › **Innovation figure of €230.4 million**, which represents an innovation intensity ratio (3.2%) higher than the European average (1.5%).
- › **Generate €25 million in savings** by introducing improvements to processes.
- › **Proposal for a new combustion process** that recovers the energy from a mixture of herbaceous and ligneous biomass, combining the benefits of both.

ACCIONA's R&D&I figures

	2016	2017	2018	2019
R&D&I figures (millions of euros)	209.4	225.4	225.4	230.4

Breakdown by business line



ECONOMIC, ENVIRONMENTAL AND SOCIAL TRIPLE BOTTOM LINE

In its efforts to measure the impacts of its activity, ACCIONA puts together a triple bottom line which contains the main economic, environmental and social indicators.

	2017	2018	2019
Economic performance			
Sales (million €)	7,254	7,510	7,191
EBITDA (million €)	1,275	1,245	1,356
CAPEX (million €)	920	643	1,270
Total innovation (million €)	209.4	225.4	230.4
Innovative intensity (% of total R&D&I / sales)	2.89	3.0	3.2
% local suppliers	94	87	91
Revenue certified with ISO 9001	91	91	87
Global customer satisfaction index (%)	99.8	97	97
Environmental performance			
Renewable installed capacity (MW)	9,022	9,627	10,117
Emissions generated (millions of tonnes of CO ₂)	0.21	0.18	0.17
Emissions avoided (millions of tonnes of CO ₂)	14.4	14.7	13.1
Emissions ratio (tonnes of CO ₂ /sales in € millions)	29	24	23
Water consumed by ACCIONA (hm ³)	7.05	4.29	3.66
Treated water (hm ³)	772	790	1,030
Recycled/reused water compared to water consumed (%)	11	17	32
Revenue certified with ISO 14001 (%)	88	90	87
Social performance			
Headcount at year end	37,403	38,544	39,699
Female managers (% of total)	12.80	13.99	15.25
Average training hours per year per employee	15.96	18.47	14.52
People with disabilities in Spanish headcount (%)	3.60	3.86	3.96
Number of fatal accidents (staff and contractors)	5	3	0
Accidents: global frequency rate (own employees and subcontractors)	2.5	2.4	2.5
Projects with social impact management (No.)	100	98	124
Social contribution (million €)	12.3	13.7	12.5



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