
ACCIONA'S COMMITMENT

Real solutions to global challenges

ACCIONA bases its business model on the development of sustainable solutions in the fields of infrastructure, water and energy. Through its Sustainability Master Plan 2020, the company responds to the main challenges of sustainable development, especially as regards climate change mitigation, providing solutions to water stress and designing infrastructure adapted to new realities.

Challenges and opportunities in the near future

POPULATION GROWTH

According to data from the United Nations, by 2030, the planet will need 40 % more water and 50 % more energy as a result of population growth (estimated at 21 %), especially in emerging economies. This growth, together with the population trend of living in large cities, will be linked to an increase in emissions related to climate change, and will have a direct impact on resource shortages.

RESILIENT INFRASTRUCTURES

The agglomeration of the population in cities will not only directly impact water quality, but will also create a new world context of needs and redistribution of supplies. The implementation of resilient urban environments and the creation of inclusive cities, as specified in the Sustainable Development Goals adopted by the United Nations are two of the main needs that urban populations need to see met.

WATER SHORTAGES

In addition to causing further shortages, particularly in areas with water stress, the increase in water consumption will also have a direct impact on water quality. According to the *United Nations World Water Development Report 2016*, there will be an increasing decline in the quality of water supplied in coming years as a result of the increase in unsustainable urban planning and urban development. Inadequate water supply and pollution will be some of the risks with the greatest social and economic impact in 2025.

CLIMATE CHANGE MITIGATION

The energy sector is the greatest contributor to climate change, as it is responsible for 68 % of all emissions. Therefore, investing in renewable energy, energy efficiency and other low-carbon technologies will be essential in meeting the population's new needs and minimising the negative impact on the environment and on future generations.

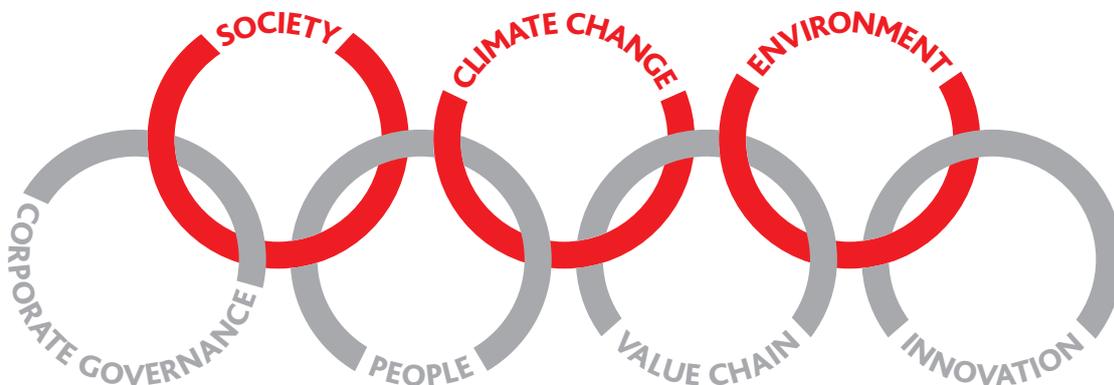
The commitment to decarbonisation of the economy, from both the public and private perspectives, will be essential to reaching the goal set at the Paris climate conference (COP21) and the subsequent COP22, held in Marrakesh, in relation to limiting global warming to 2 °C below pre-industrial temperatures.

ACCIONA's response: Sustainability Master Plan 2020

ACCIONA's sustainability strategy is developed through the Sustainability Master Plan (SMP). By taking stock of the achievements and challenges experienced over the five years of the previous SMP, spanning 2010-2015, the company has defined a new sustainability strategy with a time horizon reaching to 2020.

The new Sustainability Master Plan 2020 (smp2020.acciona.com) is structured around strategic and operational objectives applicable to the entire organisation with specifications for the different lines of business, within the following areas:

- In **Society**, the aim is to collaborate in improving people's lives. To this end, work is being carried out in the areas of social impact management, dialogue and leadership, social action and volunteering.
- In relation to **Climate Change**, ACCIONA accepts that mitigation is one of its main strategic objectives. It is worth mentioning the company's commitment to become carbon neutral starting in 2016, reducing and offsetting its CO₂ emissions.
- Within the **Environment** area, the company sets goals to offer environmentally sustainable solutions through its business, thus ensuring answers are found to challenges such as water stress.
- In **Corporate Governance**, goals are set in relation to human rights, ethics, corporate governance, risk management and transparency.
- In the area of **People**, goals have been set related to health and safety at work, development and incentives, diversity and inclusion and training.
- In **Value Chain**, the company has objectives in place 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 its commitment to maintaining an innovation over sales figure that is higher than average in Europe, ACCIONA has set targets in the fields of collaborative and operational innovation.



The Sustainability Master Plan 2020 (SMP 2020) established **targets and commitments** for 2020. These targets are designed to be accomplished through ongoing work throughout the 2016-2020 period. The progress, initiatives and rate of fulfilment throughout 2016 is shown below.

| SMP Area | 2020 Targets and commitments | Progress in 2016 |
|---|---|---|
|  SOCIETY | Enhance the Social Impact Management (SIM) of the company's business activity | <ul style="list-style-type: none"> ■ SIM procedure updated ■ SIM implemented in 82 projects ■ Specific training for the businesses ■ Socioeconomic impact: coal and natural gas comparison in Mexico and South Africa and measurement of the energy impact at El Romero Solar (Chile); two selected projects for Infrastructure to apply the measurement methodology |
| | Enhance the company's Social Action Plan | <ul style="list-style-type: none"> ■ 2016 social contribution: 9 million euros ■ Implementation of EduPack in Mexico and Colombia ■ ACCIONA Microenergía: has installed 3,900 third generation solar home systems Oaxaca (Mexico); launch of the pilot project Luz en Casa Amazonia in Peru |
| | Continue playing a leading role in international initiatives and to keep on developing the company's relationship with its stakeholders | <ul style="list-style-type: none"> ■ Participation in forums and debates at international and national level: Corporate Leaders Group (CLG), United Nations Global Compact LEAD (Steering Committee), Caring for Climate (Steering Committee), World Business Council for Sustainable Development (WBCSD), Sustainable Energy for All (SE4All, member of the Advisory Board), World Bank, World Economic Forum, Spanish Green Growth Group (Grupo Español para el Crecimiento Verde), among others |
| | Volunteering: to foster employees' commitment to sustainable development | <ul style="list-style-type: none"> ■ Participation in diverse initiatives in 2016 by more than 1,000 ACCIONA volunteers (Volunteer Day, ACCIONA Microenergía Foundation, Princesa de Girona Foundation, Exit Foundation and Let's donate! Campaign) |
|  CLIMATE CHANGE | Carbon neutrality: to reduce and offset our emissions | ACCIONA has become carbon neutral (net balance of zero emissions) |
| | Design and prepare the climate change risk maps | The document containing the Analysis of Environmental Risks linked to climate change was drafted and distributed to affected areas of ACCIONA and its supply chain |
| | Prepare and implement climate change risk management and adaptation plans in the business strategy | The analysis of environmental risks linked to climate change was conducted for ACCIONA and its supply chain |
| | Provide training to the company on the risks of climate change and how to manage them | Training elements were created about climate change as part of the basic sustainability course for the entire company that is being developed |
|  ENVIRONMENT | Eco-efficiency in operations: progress with a circular economy programme | <ul style="list-style-type: none"> ■ Definition of the Waste Management Programme 2016-2020 ■ Creation of a portfolio of Life Cycle Analysis projects carried out at the company in recent years |
| | Improve water consumption efficiency | <ul style="list-style-type: none"> ■ Water consumption dropped by 7 % compared to 2015 ■ Measurement of water consumption related to the activity of 100 % of suppliers ■ Analysis of environmental risks linked to water resources for ACCIONA and its supply chain |
| | Neutral biodiversity footprint | <ul style="list-style-type: none"> ■ The results of the activities in the Biodiversity Compensation and Enhancement Programme were monitored and analysed ■ Technical advice in preparing the initial steps of the Neutral Biodiversity Footprint common assessment methodology |

| SMP Area | 2020 Targets and commitments | Progress in 2016 |
|--|---|--|
|  <p>CORPORATE GOVERNANCE</p> | <p>Ethics:</p> <ul style="list-style-type: none"> Adapt the Code of Conduct to the most advanced practices Provide an international Crime Prevention and Anti-Corruption Model for 100 % of business activities | <ul style="list-style-type: none"> Review and approval by the Board of Directors of the Code of Conduct Implementation of the Crime Prevention and Anti-Corruption Model in Mexico and validation underway in Chile and Brazil Training for group managers and directors on the Crime Prevention and Anti-Corruption Model Strengthening of the due diligence process with third parties |
| | Implement a programme of respect, protection and remediation of human rights in all activities and markets | Completion of the diagnostic study of human rights in accordance with the controls established under Global Compact Self-Assessment Tool and the Danish Institute for Human Rights standards |
| | Adopt the most advanced best corporate governance practices | <ul style="list-style-type: none"> The policy regarding communications and contact with shareholders, institutional investors and voting advisors was approved and published by the Board of Directors The operational reports by the Board Committees were published and placed at the shareholders' disposal for the General Shareholders Meeting |
| | Include management of non-financial risks (human rights, climate change, anti-corruption and environmental risks, among others) as part of business management | A method was designed to prepare sustainability risk maps that take country-specific risk indicators into account in relation to environmental, social and corporate governance issues; financial consequences, risk materiality for each business, reputational impact and the management methods being established for each risk |
| | <p>Transparency:</p> <ul style="list-style-type: none"> Progress in the company's non-financial reporting at global and local levels Adopt policies that enhance fiscal transparency | <ul style="list-style-type: none"> Internal review of the annual financial and non-financial reporting that the company discloses to the public. Improvement measures were identified, aimed at clearer, more efficient reporting Annual publication of tax information by country Reporting of relevant fiscal issues to the Board of Directors |
|  <p>PEOPLE</p> | <p>Safety: to bring the frequency rate down by 15 % to below the figure for 2015</p> | The frequency rate for own employees dropped by 4.7 % |
| | <p>Healthy ACCIONA: provide employees access to health programmes and healthy habits</p> | <ul style="list-style-type: none"> Dissemination of the Health and Well-being Plan through communication campaigns in Spanish, and also in Brazil and Portugal (total 16 countries) Winners of the Estrategia NAOS Award during its 9th edition for the promotion of sustainable and healthy work Participation in audio-visual media to disseminate information about safe, healthy, sustainable practices in the workplace |
| | <p>Development and incentives: Establish specific programmes to attract, recognise and retain talent in all countries with more than 300 own employees</p> | <ul style="list-style-type: none"> Design of a new talent identification process that will supplement the current one (Performance Status) Junior talent attraction programme, ACCIONA Hace Cantera launched for the main countries Launch of the Emerging Talent pilot programme for the Infrastructure Division, with excellent results Accomplishment of the goal to reach 94 % completion of the performance evaluation |
| | <p>Diversity and inclusion: Establish diversity plans in all countries with more than 300 own employees, with specific objectives depending on the country's circumstances</p> | <ul style="list-style-type: none"> Increase in female directors and managers, reaching 12.73 % and 19.73 %, respectively All the company's lines of business in Spain are covered by equality plans Ratio of equivalent employment of people with disabilities in Spain: 3.55 % of the workforce in this country |
| | <p>Training: provide employees with knowledge about and skills related to sustainability in order to perform their jobs in harmony with the company's strategy</p> | <ul style="list-style-type: none"> Three new courses launched at the Corporate University: <ul style="list-style-type: none"> People and Sustainable Values: 3,943 people registered Anti-Corruption Course: 1,738 people registered Criminal Compliance. Zero Tolerance towards Crime: 5,274 people registered Development of a sustainability training course for employees |

| SMP Area | 2020 Targets and commitments | Progress in 2016 |
|--|--|--|
|  <p>VALUE CHAIN</p> | Mitigate environmental, social and corporate governance risks in the supply chain and to create new sustainable solutions | <ul style="list-style-type: none"> ■ The risk map was created for 10,065 bidders in relation to 4,353 processes awarded in PROCUR-e (606 for more than EUR 100,000) ■ Certified external sources monitored the integrity variable of the main suppliers (3,995) ■ Design of the proposed No Go Policies in relation to supplier contracting ■ Measurement of the carbon footprint in 100 % of the supply chain for the third year in a row ■ Supplier training: five initiatives were launched for the five available courses |
| | Mitigate environmental, social and corporate governance risks in relationships with partners: consortia, joint ventures and temporary joint ventures | <ul style="list-style-type: none"> ■ The assessment work in relation to environmental, social and corporate governance performance of partners began. Meetings were held between the Sustainability Department, Compliance Department and Infrastructure and Energy divisions to progress with the assessment. ■ Strengthening of the due diligence process with third parties |
| | <p>Clients:</p> <ul style="list-style-type: none"> ■ Generate long-term loyalty and trust among clients based on ACCIONA's commitment to sustainability ■ Define No Go Policies with sustainability criteria (third party due diligence) | <ul style="list-style-type: none"> ■ Meetings with clients (city councils, regional governments, foundations, NGOs, companies and chambers of commerce) to discuss topics such as execution of projects, proposals for needs or presentation of the Social Impact Management methodology ■ Progress is expected in the next few years |
|  <p>INNOVATION</p> | Maintain an innovation over sales figure that exceeds the European average, to preserve ACCIONA's innovative leadership | Verification of an innovation figure of EUR 193.9 million, which represents an innovation intensity (to sales) ratio of 3.2, higher than the European average |
| | Collaborative innovation: collaborate with third parties to develop innovative technologies that guarantee the company's business sustainability | <ul style="list-style-type: none"> ■ Creation and start-up of I'MNOVATION, the new communications channel ■ Technical configuration of the new collaborative innovation platform and the hardware usability and functionality test. ■ Design and launch of e-learning, the new creativity and innovation course for employees |
| | Operational innovation: create and improve efficient processes that generate savings of at least EUR 75 million (EUR 15 million per year) | Savings of EUR 27.7 million thanks to enhancements in operational innovation processes through 87 initiatives |

Governance in matters of Sustainability

Since 2009, ACCIONA has had a Sustainability Committee in the Board of Directors, as the body responsible for leading sustainability-related actions.

FUNCTIONS OF THE SUSTAINABILITY COMMITTEE

- Identify and guide the group's policies, objectives, good practices, and programmes with regard to sustainability and corporate social responsibility.
- Evaluate, monitor and review the plans for executing these policies formulated by the group's executives.
- Periodically review the internal control and management systems and the degree of compliance with these policies.
- Draft the annual Sustainability Report, which is submitted for the approval of the Board.
- Submit the sustainability and corporate social responsibility policies, objectives, and programmes to the Board of Directors along with the corresponding expenditure budgets for the execution of such programmes.

The issues covered in the meetings held in 2016 were as follows:

- Monitoring, approval and analysis of the advances made in the Sustainability Master Plan 2015.
- Approval of the Sustainability Report 2015.
- Approval of the Sustainability Master Plan 2020.
- Presentation of the internal dissemination campaign on the launch of the Sustainability Master Plan 2020.
- Approval of the annual objectives for 2016 and monitoring the advances for the year.
- Presentation of the results of the Dow Jones Sustainability Index 2016.

Since 2012, the content of the Sustainability Report that is published annually by ACCIONA is submitted to the review and approval of the General Shareholders' Meeting. Thus, all topics relating to sustainability were brought to the attention of the General Shareholders' Meeting. Shareholders have the chance to make statements on the initiatives and the company's social, environmental and corporate governance performance, described in the Sustainability Report. This way they inform the Board of Directors of their opinion on the subject. In May 2016, the General Shareholders' Meeting approved ACCIONA's Sustainability Report 2015 with the favourable vote of 99.99 % of the shareholders' capital attending the Meeting.

The Sustainability Department reports directly to the Sustainability Committee of the Board of Directors and to one of the members of the Management Committee, who is the corporate responsible for sustainability.

In this regard, the Sustainability Department is the corporate unit within ACCIONA responsible for coordinating and putting into practice the initiatives and commitments of the SMP 2020, the implementation of which involves different company areas, both corporate and business.

With the aim of reaching the goals of the SMP 2020, the Sustainability Department and the different business divisions have continued to work together, agreeing on objectives and monitoring them through the business' Sustainability Committees. In 2016, meetings were held with the Energy, Construction, Water, Services and Industrial divisions, as well as with the Bestinver, ACCIONA Inmobiliaria, Grupo Bodegas Palacio 1894 and Trasmediterranea businesses.

In these Committees, the issues covered have been the balance of achievement of the 2015 goals, the setting of 2016 goals and their monitoring, variable remuneration linked to sustainability, emissions offsetting model or the presence in international bodies that strengthen ACCIONA's commitment to the fight against climate change, among other things.

In addition to the Sustainability Committees at the businesses, there are sustainability liaison officers in Australia, Brazil, Chile and Mexico. This allows direct knowledge of the social and environmental context in different international markets.

ACCIONA and the Sustainable Development Goals

ACCIONA's commitment to sustainability can be defined as strong support for social progress, environmental balance and economic growth, and it is reflected in its contribution toward meeting the Sustainable Development Goals (SDGs). These common goals defined by the United Nations requires active involvement by companies, as well as many other agents.

This section outlines the company's contribution to the Sustainable Development Goals through its operations and activities in 2016. These include diverse voluntary activities that have an immediate positive impact on society and help in the progress toward each of the 17 goals.

Many of the impacts described help accomplish more than one goal, but to make the table easier to understand, they have been placed in the goal that is most impacted.

ACCIONA group's contributions to achieve the SDGs

| SDG | ACTIONS AND OUTCOMES IN 2016 |
|---|--|
|  | <ul style="list-style-type: none"> 2.2 % of the company's social contribution was invested in accomplishing SDG 1. Luz en Casa, ACCIONA Microenergía Foundation: using solar home systems, according to the impact measurement of the pilot projects (600 households in Cajamaraca and 180 in Oaxaca), consumers saved a total of EUR 730,00 in alternative energy sources. |
|  | <ul style="list-style-type: none"> 5th year in a row of the donation campaign for the Food Bank: 4,000 kg of food collected in 2016. Support for the State Food Programme in South Africa, benefiting approximately 6,000 primary school children in the vicinity of the Gouda wind farm and the Sishen photovoltaic plant. |
|  | <ul style="list-style-type: none"> 3.3 % of the company's social contribution was invested in accomplishing SDG 3. Dissemination of the Health and Well-being Plan in a total of 16 countries, as well as involvement in audio-visual media to promote safe and healthy habits. 50 Social Impact Management projects in implementation phase and monitoring of measures that contribute to the well-being of communities. Luz en Casa, ACCIONA Microenergía Foundation: 15,800,000 hours of electric lighting that minimised the use of alternative polluting methods (kerosene, candles, wood). |
|  | <ul style="list-style-type: none"> 17.2 % of the company's social contribution was invested in accomplishing SDG 4. Luz en Casa in Peru and Mexico, ACCIONA Microenergía Foundation: 500,000 additional hours for doing homework. Volunteer Day: dissemination about sustainable development with more than 600 volunteers and 13,000 students. Training given to a total of 14,081 students through the Corporate University in 2016. |
|  | <ul style="list-style-type: none"> Approval of the Policy on the Selection of Directors aimed at ensuring that at least 30 % of the total members of the Board are female by 2020 (this figure is currently 27.27 %). Increase in female directors and managers, reaching 12.73 % and 19.73 %, respectively. All the company's lines of business in Spain are covered by equality plans. Luz en Casa in Peru, ACCIONA Microenergía Foundation: at least 600 women are members of Photovoltaic Electrification Committees, and one Luz en Casa Centre micro-franchisee. |
|  | <ul style="list-style-type: none"> 6.7 % of the company's social contribution was invested in accomplishing SDG 6. Water footprint: positive impact of 510 hm³ on the planet. Measurement, for the second year in a row, of total water consumption related to the activity of 100 % of its suppliers. In 2016, ACCIONA desalinated, made drinkable and purified 772 hm³ of water. |
|  | <ul style="list-style-type: none"> 8.4 % of the company's social contribution was invested in accomplishing SDG 7. Production of clean, emissions-free energy for some six million households around the world. Luz en Casa, ACCIONA Microenergía Foundation: access to affordable electricity with solar home systems for 11,400 low-income households (46,000 people), in rural isolated communities. |

| SDG | ACTIONS AND OUTCOMES IN 2016 |
|---|---|
|  | <ul style="list-style-type: none"> ■ 3.55 % of the workforce in Spain are employees with disabilities. ■ Analysis of human rights risks in the countries in which the company operates. ■ 99 % of the workforce in the different countries are covered by collective bargaining agreements. ■ The frequency rate for own employees dropped by 4.7 %. ■ Luz en Casa Centres, ACCIONA Microenergía Foundation: trained local technicians and electricity provided to users with small businesses contributed to employment and economic growth. ■ 86 % of all suppliers are local suppliers. |
|  | <ul style="list-style-type: none"> ■ 1.9 % of the company's social contribution was invested in accomplishing SDG 9. ■ Innovation figure of EUR 193.9 M in 2016. |
|  | <ul style="list-style-type: none"> ■ Internal initiatives to raise awareness regarding disabilities, equality, gender and age diversity, among others. ■ Participation and collaboration in a number of projects related to social and occupational integration of diverse groups: <ul style="list-style-type: none"> ● Coach Project by the Exit Foundation ● Sponsoring Talent Project, led by the Princesa de Girona Foundation ● Norte Joven ● Carmen Pardo-Valcarce Foundation ● Cooperation with victims of gender violence ■ Luz en Casa, ACCIONA Microenergía Foundation: continued to mitigate the imbalance between rural and urban areas by reducing the number of people in rural communities who did not have access to electricity. |
|  | <ul style="list-style-type: none"> ■ Development of dwellings designed under strict BREEAM building standards for sustainability. ■ Diverse sustainable construction projects bearing LEED certification. |
|  | <ul style="list-style-type: none"> ■ Enhancement of the supplier risk map in PROCUR-e (improved integrity, OHS, environment, CR and sustainability, among others) and design of No Go Policies. ■ Drafting of the Waste Management Programme 2016-2020 to foster the circular economy. ■ Approval of the 2015 Sustainability Report by the General Shareholders' Meeting with 99.99 % of votes. ■ ACCIONA is present in diverse sustainability indexes, including: DJSI World, DJSI Europe, CDP Climate A List 2016, Water A List 2016 and Supplier Climate A List. |
|  | <ul style="list-style-type: none"> ■ 21.1 % of the company's social contribution was invested in accomplishing SDG 13. ■ ACCIONA has been a carbon neutral company since 2016. ■ Eight Clean Development Mechanism (CDM) projects associated with the fight against climate change. ■ 14.8 million tonnes of CO₂ in the atmosphere avoided ■ Calculation, for the third year in a row, of greenhouse gas emissions by suppliers and encouraging a reduction in their emissions. ■ Luz en Casa, ACCIONA Microenergía Foundation: managed to avoid issuing 2,400 tonnes of CO₂. |
|  | <ul style="list-style-type: none"> ■ Participation by Trasmediterranea in the Great Seabed Cleaning initiative on the coasts of Ceuta and Melilla. ■ Optimisation of a wetland eco-system in Toledo (Spain) using renewable technology in collaboration with the Foundation for Ethology and Biodiversity Research (FIEB). |
|  | <ul style="list-style-type: none"> ■ 9.5 % of the company's social contribution was invested in accomplishing SDG 15. ■ Control and monitoring of facilities located adjacent to or within 428 facilities in protected areas and unprotected areas of high biodiversity value. ■ Protection and restoration of 168 hectares in the vicinity of its projects in 2016. ■ Promotion of planting trees in especially affected zones of seven countries. |
|  | <ul style="list-style-type: none"> ■ Approval by the Board of Directors of ACCIONA's Anti-Corruption Action Regulations. ■ Approval by the Board of Directors of a revised version of the Code of Conduct. |
|  | <ul style="list-style-type: none"> ■ Participation in different international organisations and initiatives in the promotion of sustainable development, including: Corporate Leaders Group (CLG), United Nations Global Compact, Sustainable Energy for All, World Business Council for Sustainable Development, World Economic Forum, World Bank Group, Spanish Green Growth Group (Grupo Español para el Crecimiento Verde). ■ Collaboration with Spanish technology centres such as Consejo Superior de Investigaciones Científicas (CSIC) and Centro de Investigaciones Energéticas, Medioambientales y Tecnológicas (CIEMAT), among others. ■ Luz en Casa, ACCIONA Microenergía Foundation: collaboration with the Spanish Cooperation agency and local and regional governments in Peru and Mexico and other organisations. |