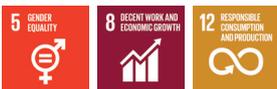


CORPORATE GOVERNANCE

Ethics, integrity and transparency



ACCIONA has a highly professional Board of Directors that monitors sustainability risks and carries out a long-term planning in aspects related to ethics, human rights and climate change.

CHALLENGES 2016	PROGRESS IN 2016
Implement the Crime Prevention and Anti-Corruption Model in three ACCIONA key markets.	Definition of the risk matrix and controls for the implementation of Crime Prevention and Anti-Corruption Model in Mexico.
Launch the training programme on crime prevention and anti-corruption for key employees (Spain and three key markets).	Training for managers and directors on the Crime Prevention and Anti-Corruption Model.
Validate and update the gaps and controls in human rights.	Completion of the human rights diagnosis following the controls established by the UN Global Compact Self-Assessment Tool and the Danish Institute for Human Rights.
Comply with recommendations 4 and 6 of the Spanish Good Governance Code of the listed companies by publishing on the website: <ul style="list-style-type: none"> ■ the policy regarding communications and contact with shareholders, institutional investors and voting advisors; and ■ the operational reports of the Audit and Appointments and Remuneration Committees, the report on related operations and the report on the auditor's independence. 	Approval and publication by the Board of Directors of the policy regarding communication and contacts with shareholders, institutional investors and voting advisors. When calling the General Meeting of Shareholders, the publication and provision to shareholders of operational reports of the Board Committees.
Develop a governance story to provide all of the members of the Board of Directors and Senior Management with training on supervision of sustainability risks management.	Inception of the preliminary study of the governance story published by other companies.

CHALLENGES 2016

PROGRESS IN 2016

Design a methodology for risk maps creation.



Design of a methodology for mapping sustainability risks which takes into account ESG country risk indicators, economic and financial consequences, materiality of risks for each business, reputational impact and the management process for each risk.

Create the first corporate map for 2016: consolidating and updating the environmental, social and corporate government risks maps.



The development of the first map of environmental, social and governance risks is postponed to 2017 following the company's timetable for general risk maps.

Design a training on risks for different levels in the organisation.



Launch of an anti-corruption training for managers and directors.

Reviewing the reporting model and propose a new model.



Internal revision on financial and non-financial information and its reporting.

Develop the strategic fiscal goals within the framework of the group's fiscal strategy approved by the Board of Directors on 26 November 2015, in order to create value for shareholders and provide reassurance to stakeholders and full alignment with the business strategy.



Reporting of relevant fiscal aspects to the Board of Directors.

With regard to fiscal governance, make progress in providing information regarding policies and risk management control, as well as in fiscal transparency providing information on the group's tax contributions by geographical regions (country by country reporting), to add value to the contribution to society by paying taxes.



The group has published annual tax information by country since 2014.

CHALLENGES 2017



Implement a plan to improve the coverage of partial controls identified in the diagnosis of human rights risks.



Obtain sustainability risk maps for ACCIONA's core businesses.



Progress in implementing a Governance Risk & Compliance tool for managing the controls established by the internal regulations.

HIGHLIGHTS IN 2016

» The Sustainability Report 2015 was approved by the General Shareholders' Meeting with the favourable vote of 99.99 % of the capital attending the Meeting

» ACCIONA confirms its presence in the stock indices: DJSI World, DJSI Europe; CDP Climate A List 2016, Water A List 2016 and Supplier Climate A List

THE COMPANY WORKS TO ADOPT THE MOST ADVANCED CORPORATE GOVERNANCE PRACTICES

THROUGH:

The approval by the Board of Directors of the revised Code of Conduct and the action procedures on anti-corruption

An international Crime Prevention and Anti-Corruption Model in 100 % of its activities

Expansion of the scope of human rights diagnosis, intensifying the analysis of procedures and business policies

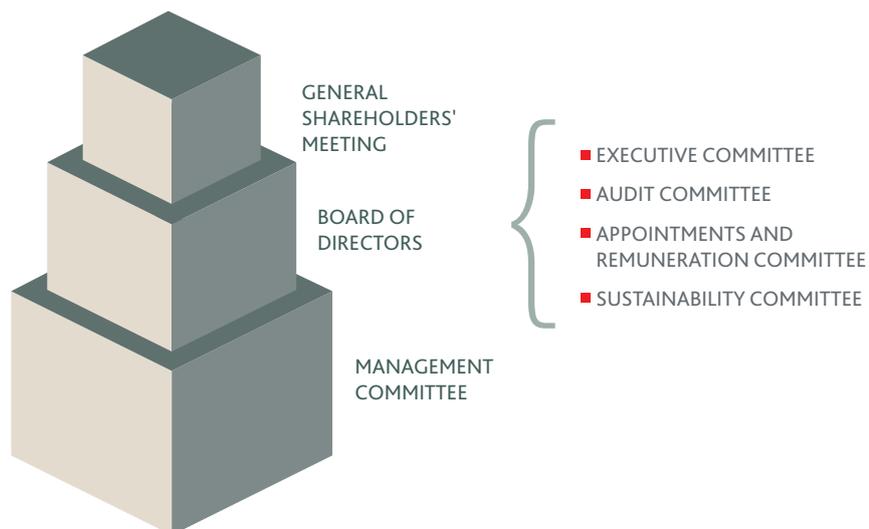
Transparency in the company's non-financial information

Corporate Governance

One of ACCIONA's commitments in the area of corporate governance is related to continuous improvement, seeking greater transparency, efficiency and correctness in its corporate governance. This is a key factor for building trust and long-term commitment between ACCIONA and its stakeholders.

The organisation is governed by the good governance recommendations established for listed companies by the Spanish National Securities Market Commission (CNMV), that are published in the Code of Good Governance of listed companies, as well as by the best national and international practices regarding this field.

ACCIONA Governance Structure



Find out more about the governing bodies:

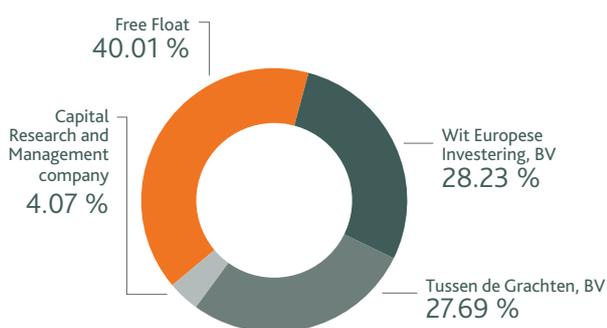
<http://www.acciona.com/shareholders-investors/corporate-governance/>

SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

At the date of writing this report, the parent company's share capital was made up of 57,259,550 fully subscribed and paid-up ordinary shares, represented by accounting entries, with a par value of one euro each.

Significant shareholdings

(as at the date of preparation of this Report)



The company's Articles of Association do not place any restrictions on the exercise of voting rights by shareholders, nor do they impose a maximum limit on the exercise of voting rights. There are also no legal or statutory restrictions on the acquisition or transfer of holdings in the share capital.

In order to guarantee and facilitate the exercise of the rights of all shareholders, including minority shareholders, in accordance with the Corporations Law, since 2011 and on the occasion of the notice for the General Shareholders' Meeting, ACCIONA has in place an Electronic Shareholders' Forum, where users may post the proposals that they intend to submit as an addendum to the agenda announced in the notice of the General Shareholders' Meeting; requests for support for such proposals, initiatives on reaching the percentage required to exercise minority rights as set forth in the Corporations Law; as well as voluntary proxy offers or solicitations. ACCIONA also establishes contact with permanent communication channels with its stakeholders through its stakeholder engagement department.

Furthermore, prior to the General Meeting of Shareholders and through its website, ACCIONA provides shareholders with an online remote voting system or a postal vote in order to facilitate the exercise of their right to vote.

At the General Meeting of Shareholders held in May 2016, different issues were addressed; such as the application of the income of financial year 2015, the re-election of auditors, the renewal of the Board of Directors, the approval of the Sustainability Report 2015, the delegation to the Board (within five years) of the power to increase share capital and to issue debentures, bonds and other securities under the limits set by the General Meeting and, in both cases, with the ability to exclude, in whole or in part, the preferential subscription right to the limit of 20 % of the share capital. All of these were approved by an ample majority of at least 91.94 % of the capital present or represented in the Shareholders Meeting.

ACCIONA has approved a Board Director Selection Policy

BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body, with the exception of certain issues that are reserved for the General Shareholders' Meeting. It is made up of a group of professionals, with diversity in terms of knowledge, experience and gender, whose aim is to provide real value to the company, working every day to manage their issues with integrity and transparency, trying to do so as efficiently and effectively as possible.

The mission of the ACCIONA's Board of Directors is to promote social interest, representing the company and its shareholders in the management of equity, business and the company organisation.

In May 2016, the Board of Directors proceeded to amend the Board of Directors Regulations in order to adapt its contents to EU Regulation 596/2014 of 16 April on market abuse, and some aspects of the Audit Act.

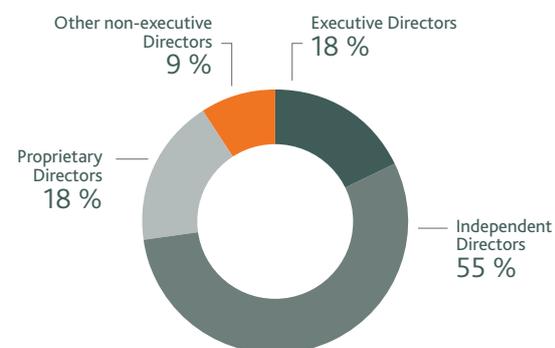
In 2017, ACCIONA approved a Policy on the Selection of Board Directors which ensures that the proposals for appointment or reappointment of directors are based on a preliminary analysis of the needs of the Board, and that its composition favours the diversity of knowledge, experience and gender.

The members of the Board will remain in office for a term of three years and may be re-elected once or several times.

ACCIONA's Board of Directors comprises eleven members:

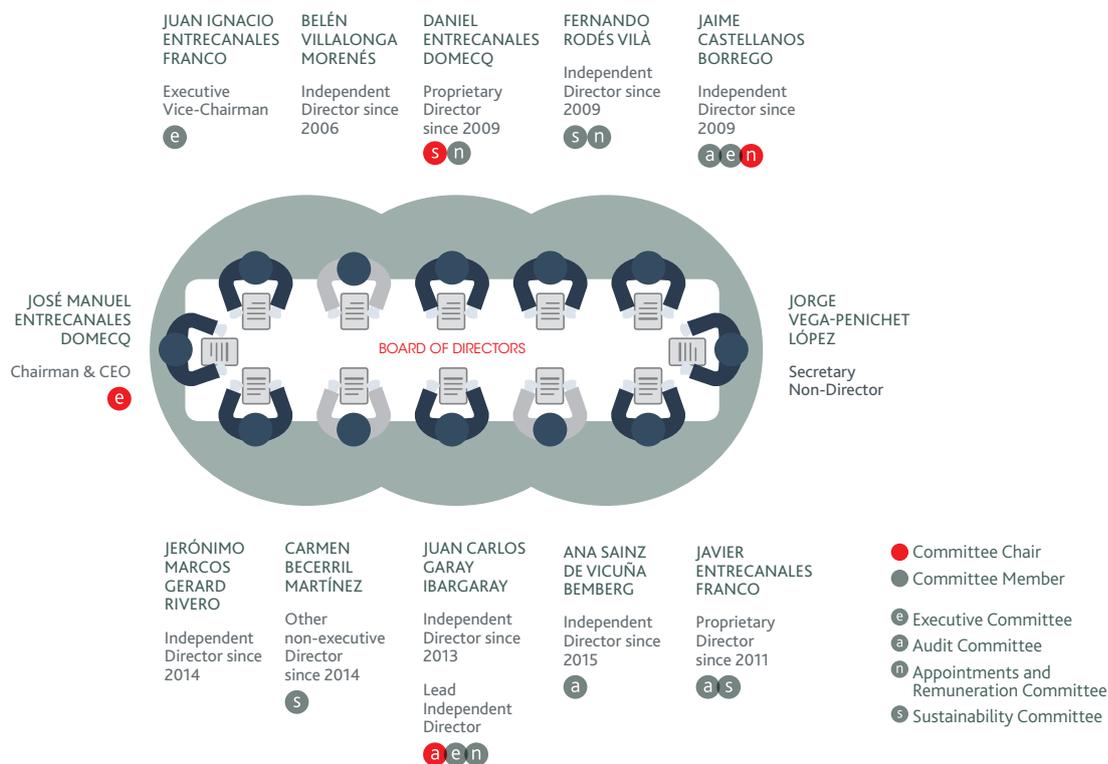
- Nine of whom are non-executive directors, of these: six are independent directors; one belongs to the category of other non-executive directors and the remaining two are proprietary directors.
- Two of the eleven members are executive directors.

Composition of the Board of Directors according to the nature of the position (2016)



Out of the eleven members of the Board of Directors, three are women, making up 27.27 % of the total number of members of the Board, keeping the same percentage as the previous year.

ACCIONA aims, under the terms of Recommendation 14 of the Spanish Good Governance Code of listed companies, that in 2020 the number of female directors representing the company in the Board of Directors will be at least 30 % of the Board members. The Appointments and Remuneration Committee has been promoting the incorporation of female directors for some time and ACCIONA aims to meet the target, being already close to reaching that percentage. The company already met this percentage during 2012 and 2013.



Quorum and meetings of the Board of Directors and Committees (2016)

	Board of Directors	Executive Committee*	Auditing Committee	Appointments and Remuneration Committee	Sustainability Committee
Quorum (%)	100 %	-	100 %	100 %	100 %
Number of meetings	9	0	7	4	3

*The Executive Committee did not meet in 2016.

In order to ensure the quality and efficiency of the Board of Directors, each year it assesses its own operation; the performance and contribution of each director and the diversity in the composition and competences. The assessment includes the performance of the chairman and vice-chairman of the Board, based on the report submitted by the Appointments and Remuneration Committee, the operation of the Executive Committee (should it holds meetings), and the functioning of its Committees, from the report that each Committee raises to that effect.

The assessment is carried out by means of individual forms which are completed anonymously by each director. Once completed, the Audit and Appointments and Remuneration Committees analyse

the results and provide the Board of Directors with the subsequent reports. In 2016, the self-assessment led to no significant changes in the internal organisation of the Board or its Committees.

At the proposal of the Appointments and Remuneration Committee, ACCIONA's Board of Directors has a Lead Independent Director. The regulations of the Board of Directors, in compliance with best practices of good corporate governance established by the new Spanish Good Governance Code of listed companies, assigns the following duties to the Lead Independent Director:

ACCIONA's Board of Directors has a Lead Independent Director

- a) Chair the Board of Directors in the absence of the Chairman and Deputy Chairmen, should there be any.
- b) Give voice the concerns of the non-executive directors, should there be any.
- c) Maintain contact with investors and shareholders to find out their points of view in order to form an opinion regarding their concerns, specifically with regard to the company's corporate governance.
- d) Direct the the Board of Directors' assessment of the chairman.
- e) Coordinate the chairman's succession plan.

MANAGEMENT COMMITTEE

The Management Committee is formed by eleven professionals with extensive multidisciplinary international experience. This Committee is the link between the Board of Directors and the rest of the company. Through its bidirectional remit, the concerns of the employees and the Board of Directors are channelled and transmitted.

Remuneration Policy

According to Article 31 of the company's Articles of Association, the Board director remuneration policy must be approved by the General Shareholders Meeting, at least every three years, as a separate item on the agenda.

The approval of the *Annual Report on the Remuneration of Directors of Listed Companies* by the General Meeting of Shareholders held in 2015 led to the adoption of the remuneration policy of the company for the next three years (2015, 2016 and 2017) in accordance with the provision contained in Article 529(r) novodecies of the Capital Companies Act, so the next review is scheduled for 2017.

The company's remuneration policy, including that of the members of the Board of Directors that carry out executive roles, is governed by the following principles:

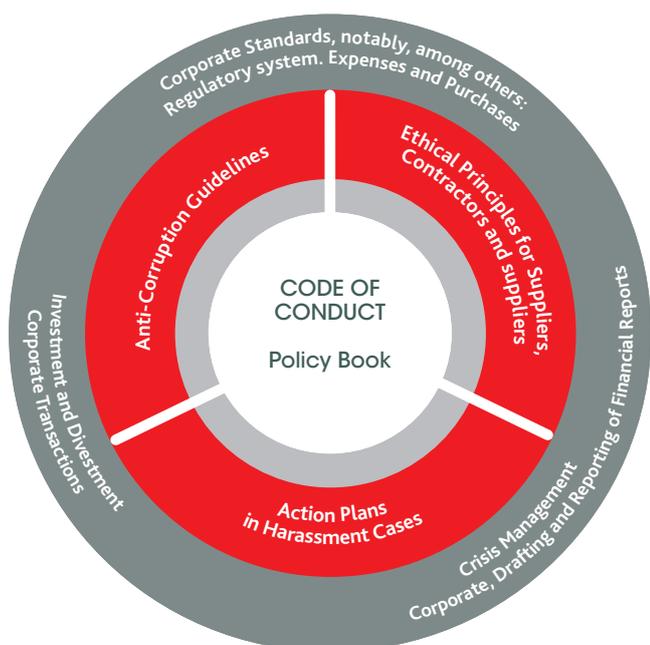
- Coherence with business strategy
- Corporate governance and transparency
- Balanced design
- Internal equity
- Alignment with market practices

The *Annual Report on the Remuneration of Directors 2016*, approved by the General Meeting of Shareholders, including the remuneration policy for Board directors, details the remuneration received by each of them (see *Annual Report on Remuneration of Directors 2016*¹. Section D.1).

¹. Available at <https://www.acciona.com/shareholders-investors/corporate-governance/annual-report-remuneration-directors-listed-companies>

Ethics and integrity as the basis of influence.

Acting in compliance with corporate standards as regards ethics and integrity is one of ACCIONA's priorities. These standards establish action guidelines applicable to the firms of the company and are based on the Code of Conduct and the Policy Book, the commitments assumed to fight corruption and bribery, and respect for the right to free competition.



CODE OF CONDUCT

The Code of Conduct includes the values that must guide the behaviour of all companies within ACCIONA, and its aim is to favour the consolidation of a corporate code of conduct that is accepted and respected by all employees and managers.

By complying with this, ACCIONA assumes the commitment to carry out its activities in accordance with the legislation in force in each of the places where it works and based on the highest international standards, such as the Universal Declaration of Human Rights of the United Nations, the International Labour Organisation's conventions (ILO), the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact.

In 2016, the Board of Directors approved a new revision of the Code of Conduct. The revision involved:

- analysing best international practices regarding the Codes of Conduct and suggesting the issues that could not be included in the current version of ACCIONA's Code of Conduct.
- strengthening those aspects of the Code of Conduct deemed necessary to ensure that the contents are aligned with best practices.
- adapting the contents of the Code of Conduct to include relevant aspects of the new Spanish Good Governance Code of listed companies, as well as the regulations developed by the company on the prevention of crime and corruption.

In 2016, the Board of Directors approved a new revision of the Code of Conduct

As a result of this revision, new sections are introduced regarding the following aspects, among others:

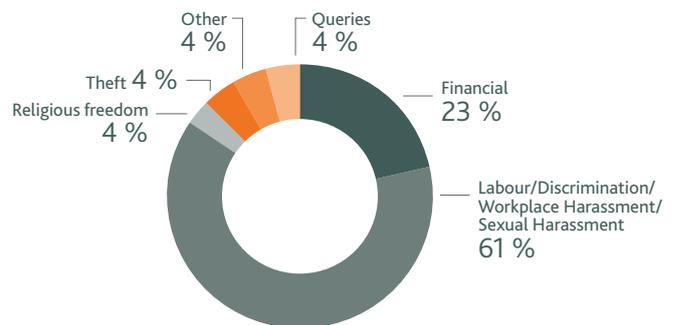
- The model of ethics and compliance, which aims to detect and prevent risks in these matters – including those related to criminal proceedings – and minimise any potential impacts. It has been defined according to national and international standards and is backed by policies, processes and controls.
- The basic principles of ethics and compliance, including: knowing and following the rules, collaborating in compliance, preserving the traceability of decisions, consulting on doubts and report irregularities, having an exemplary conduct and also being diligent regarding third parties.
- Behavioural patterns concerning the commitment to human rights and the prevention of money laundering, introduced in two new specific sections.

With the revision of the Code of Conduct, the Board of Directors confirms the commitment of ACCIONA to conduct business with integrity conforming to international best practice, while it requires all employees and collaborators that the conduct principles and guidelines set forth are observed.

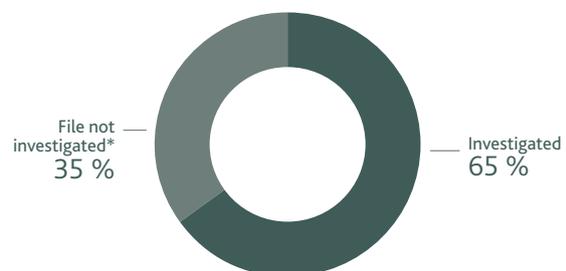
Additionally, during this year, ACCIONA has continued with the training of its employees in relation to the Code of Conduct, focused mainly on new staff, with a total of 179 employees having received and passed this training course. In the third quarter, following the revision of the Code in July 2016, a globally revised training plan for the Code is being developed.

26 communications received in 2016 (through the Ethical Channel/Code of Conduct Committee)

■ Type of communications



■ Processing of communications received



* File not investigated: due to not being covered by the Code (anonymous reports -non financial- only related to employment, organisation or duties).

CODE OF CONDUCT CONTROL AND COMPLIANCE

Code of Conduct Committee	<ul style="list-style-type: none"> ■ Body that studies and analyses the reports regarding breaches of the Code of Conduct. Also available for the communication of cases that affect third parties.
Ethical Channel	<ul style="list-style-type: none"> ■ This mean enables the confidential reporting, via email or post, of any irregular conduct related to accounting, control, auditing or any alleged breach or infringement of the Code of Conduct. ■ The Ethical Channel is available to employees, suppliers and contractors of the company.
Protocol on Response to Harassment	<ul style="list-style-type: none"> ■ Through the Ethical Channel, the Committee assesses each case and establishes any necessary measures. Through this protocol, ACCIONA clarifies that its intention is to adopt any necessary measures to foster a work environment free from harassment, that does not permit or allow any conduct of this kind.

ACCIONA POLICY BOOK

The ACCIONA Policy Book reflects the commitments and the principles of action applicable to the company firms regarding economic, social and environmental issues. The ACCIONA Policy Book was approved by the Sustainability Committee in April 2013.

The policies are grouped into four blocks based on the following topics:

- Sustainability and Innovation
- Economics and Corporate Governance
- Social
- Environmental

The Policy Book has been distributed internally and is also available on the company website in Spanish, English, Polish and Brazilian Portuguese (<https://www.accionacom.com/shareholders-investors/corporate-governance/corporate-policies-book/>).

COMMITMENT TO FIGHT CORRUPTION

The company's commitment to fight corruption and bribery can be seen in both the establishment of anti-bribery and anti-corruption measures in the Code of Conduct and in its Anti-corruption Policy.

At the operational level, there is the Crime Prevention and Anti-Corruption Model. This model establishes the general control environment of the group, following the best international practices; it carries out an inventory of the possible crimes which ACCIONA faces in its different activities that may entail criminal responsibility for the group. It also contains a comprehensive list of all criminal risks susceptible to affecting each Department and Managerial group, as well as the existing controls that enable the prevention or detection of these crimes.

The Compliance department oversees the fulfilment and effectiveness of the procedures, controls and internal commitments. These measures are established to ensure compliance with the regulatory or voluntary obligations of an ethical, organisational, environmental or social nature, as well as the identification, prevention and mitigation of related risks.

In 2016, the Compliance department (created in 2015) reported to the Executive Chairman and the Audit Committee of the Board of Directors on four occasions.

Anti-corruption Guidelines of ACCIONA

The following conduct is strictly forbidden:

1. Offering or accepting bribes to either civil servants or private individuals.
2. Offering or accepting payments to aid the start of or speed up administrative processes or procedures.
3. Offering or accepting gifts or attention to or from either civil servants or any other third party that go against the content of these regulations.
4. Making contributions on behalf of the group with political aims.
5. Obtaining favourable treatment using sponsorship or donations as a means of obtaining it.
6. Using commercial relations and company contacts for one's own benefit or that of a third party.
7. Establishing business relations with third parties without complying with minimal due diligence duties as regards third-party knowledge.

Likewise, within the framework of the actions being carried out by the new Compliance department, in January 2016, the Board of Directors approved ACCIONA group's Anti-Corruption guidelines. These rules reinforce ACCIONA's commitment contained in the Code of Conduct and the Anti-Corruption Policy. They also provide compliance guidelines to prevent misconduct, being applicable and compulsory for all employees and any party associated with ACCIONA (including agents, brokers, advisers, consultants and suppliers).

On the other hand, having implemented the Crime Prevention Model in Spain, the group wished to obtain an external ratification of the model's adequacy. To this end, an expert report was obtained for ACCIONA group and, during 2016, a specific report for the main Energy, Infrastructure and Corporate divisions.

Once the analysis of the legislative situation was carried out in Mexico, Brazil and Chile regarding the criminal liability of legal persons in order to adapt the Crime Prevention Model, the risk and controls matrix was defined in 2016 in Mexico and Brazil, whereas its definition in Chile is planned for 2017.

Additionally, a training programme for managers and directors of the group was launched in 2016 and approximately 1,700 employees have been trained on anti-corruption matters, of whom nearly 55 % of employees in these categories passed.

THIRD-PARTY DUE DILIGENCE

ACCIONA group has implemented a tool to assist in the appropriate knowledge and identification of the third parties it deals with. In this case, the Corporate Compliance Management consider that the following third parties are to be included in this process:

■ Joint Venture or Limited company partner

This refers to a person or organisation that has signed a business agreement with ACCIONA (and possibly with other parties) to establish a new entity and manage its assets.

■ Consortium partners

A person or organisation that is pooling its resources with ACCIONA (and possibly elsewhere) to achieve a common goal.

■ Agents and Brokers

An individual or organisation authorised to act on behalf of ACCIONA in achieving their business interests.

For the rest of suppliers the current process described in the Value Chain section is applicable.

The main advantages of the implemented process are:

- » It allows a first analysis of the third party with which ACCIONA will/or intends to have a commercial or corporate relationship.
- » It improves risk management in projects thanks to greater knowledge of those third parties with whom ACCIONA interacts.
- » It meets the requirements of due diligence on third parties.

The results of the analysis through the tool will make it possible to know who the third party is, who manages and runs the company, the possible relationship of these people with public officials, potential disputes concerning corruption, money laundering, fraud or presence in tax havens, among other factors. After the process, the supplier will be rated according to the criteria described above.

Risk Management in ACCIONA

Risk management is a process driven by ACCIONA's Board of Directors, which consists in identifying, assessing and managing potential events that may affect the company and the achievement of its objectives. This process is detailed in the *Annual Corporate Governance Report*, which is published annually by the company.

Following the amendment of the Spanish Criminal Code, ACCIONA has set up a crime prevention model in which, based on existing rules and procedures, risks are assessed and the processes and controls in place to prevent or mitigate certain crimes are defined. The crime prevention model established for Spain will be implemented progressively, being adapted where appropriate to the requirements of local legislation, in the other countries where the group operates.

The group has adapted to the new requirements by incorporating new compliance risks in the risk map: corruption in international business transactions, altered prices in public tenders and auctions, bribery and corruption among individuals.

Among the events that may affect the company, sustainability risks are particularly relevant, among which the following stand out:

- Lack of transparency.
- Negative campaign of NGOs and/or boycott.
- Damages for not having high standards of corporate governance.
- Damage caused by not offering products and services that adapt to climate change.
- Environmental impact due to atmospheric emissions, effluent, waste or inefficient use of natural resources.
- Impact on local communities due to a project.
- Direct violation of human rights or through a third party.

The identification of sustainability related risks is a comprehensive process, in which directors of the departments of Human Resources, Sustainability and Business Development,

Corporate Resources, Environment, and other areas related directly or indirectly to sustainability are involved.

Each risk event (economic and financial, strategic, operational, incidental or related to compliance) is evaluated by ACCIONA's directors, based on probability criteria, economic and financial impact, impact on the image, impact on sustainability and development, the ability of the company to manage risk or risk management established by the company.

Specifically, the criteria related to the negative impact on sustainability and development is measured on a scale from 1 to 3, from the lowest to highest severity, according to different parameters: breach of expectations by more than one group of key stakeholders, evidence of the lack of ethics/corporate transparency, negative impact on the development of the communities and/or the environment where it operates.

RISK MANAGEMENT IN SUSTAINABILITY

Advances in the methodology for identification and assessment of sustainability risks

ACCIONA believes that responding to future risks related to the macro trends of sustainability:

- Improves informed decision-making.
- Reduces regulatory risks and costs.
- Increases resilience to new environments.
- Can be a source of competitive advantage for new business opportunities.

In order to better manage on these environmental, social and ethical risks in 2016, a new methodology for identifying and assessing these sustainability risks has been developed.

Risks studied by this methodology

Climate change risks
■ Climate change vulnerability (sensitivity, adaptation and exposure).
Environmental risks
■ Environmental regulatory framework.
■ Environmental pressure (stress and water quality, air quality, waste management, deforestation and biodiversity).
Social risks
■ Civil and political rights (legal security, freedom of thought and opinion, minority rights, indigenous rights and women's rights).
■ Security forces and human rights.
■ Community rights (ownership and access to basic services).
Labour risks
■ Occupational health and safety.
■ Child labour.
■ Forced labour.
■ Other occupational human rights (wages, hours, discrimination, trade union).
■ Rights of migrant workers.
Governance and corruption risks
■ Corporate Governance.
■ Corruption.

The **crime prevention** model established for the group's activities in Spain will be implemented progressively in the other countries where ACCIONA operates

The methodology is based on parameters such as the geographic component, economic and financial consequences, the importance of the issue for every business, and the potential impact of each risk on the reputation and management of the company.

During 2016, ACCIONA consolidated its environmental risk management initiatives. Thus, after identifying and assessing the company's main risks in this area, efforts have focused on identifying and implementing mitigation measures by using monitoring sheets for the most relevant risks. These sheets were later available for the director general of each area to be incorporated into the action plan of the division. Management of environmental risks shall be integrated into the sustainability risk management methodology once it is implemented.

Sustainability risk maps will be obtained in 2017 in those countries where the main core businesses of ACCIONA operate, including the environmental risks of the company.

Risk Management in Human Rights

ACCIONA keeps working to fulfil its responsibility to respect human rights. In this area, it has established a series of commitments reflected in its Code of Conduct and its Human Rights Policy published in 2013. These commitments are based on the United Nations' Universal Declaration of Human Rights, the International Labour Organisation's conventions (ILO), the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact.

Based on the diagnosis of human rights risks in 2015 and following the United Nations' Guiding Principles on Business and Human Rights, in 2016 ACCIONA analysed the risks related to human rights in the countries where it operates. It was concluded that 46 % of countries² where ACCIONA operates have a high or very high risk of violation of any human right according to Maplecroft.

For this, a total of 21 control blocks were identified, classified in 4 categories:

- Labour risks
- Risks affecting communities
- Risks affecting vulnerable groups
- Risks derived from personal safety

The risks on human rights analysed include freedom of opinion, freedom of thought, women's rights, minority rights, indigenous rights, personal safety, rights of migrant workers, labour conditions (wages, working hours, discrimination, freedom of association, freedom of collective bargaining), forced labour, child labour, respect for property, access to education and health, access to infrastructure, water and energy.

Furthermore, the scope of human rights diagnosis was expanded in 2016, deepening the analysis on procedures and business policies. Taking the reference, standards of the Danish Institute for Human Rights and the Global Compact of the United Nations as a reference, it was concluded that out of the 195 human rights control measures -grouped in 21 blocks and four categories as mentioned above- 43 % have full coverage³, 52 % have partial coverage, 3 % have insufficient coverage and 2 % do not apply.

Based on the diagnosis, a proposal for improving the partial controls detected has been developed and will begin to be implemented in 2017.

2. Saudi Arabia, Algeria, Brazil, Qatar, Colombia, Ecuador, Egypt, United Arab Emirates, United States, Philippines, India, Mexico, Morocco, Nicaragua, Oman, Peru, Dominican Republic, South Africa, Turkey and Venezuela.

3. Understanding coverage in terms of geographic reach and ACCIONA's business units.

Transparency

According to the most advanced international information reporting standards, ACCIONA provides detailed information about its actions, strategies and sustainability practices. ACCIONA's commitments to meet the challenges of sustainability, which are included in the Sustainability Master Plan (SMP), are measurable and verifiable. The periodical review of the progress made by the Master Plan makes it possible to make the necessary adjustments and guarantee that the set goals are reached, respond to the expectations of the stakeholders and to the company's commitment to improving its performance in sustainability.

SUSTAINABILITY REPORT

Every year, in its Sustainability Report, ACCIONA reflects the progress made in the compliance with its objectives within the framework of the SMP, as well as the challenges to overcome.

In the drafting of this document the company draws on the instructions of the international GRI standard (Global Reporting Initiative). The 2016 Report includes information and detailed data in line with the comprehensive option of the G4 guide.

Based on its commitment to transparency and rigour, ACCIONA requested an external independent company to review a set of relevant indicators of the Sustainability Master Plan, such as CO₂ emissions, the consumption of energy and workforce data protection, among others, with a greater level of assurance (reasonable level).

It should be pointed out that, since 2012, the content of the Sustainability Report that ACCIONA publishes annually is subject to the review and approval of the General Shareholders' Meeting. In May 2016, the Board approved the 2015 Sustainability Report with the favourable vote of 99.99 % of the capital attending the Meeting.

The commitments made by the company to tackle the challenges of sustainability are **measurable and verifiable**

INTEGRATED REPORT

In 2016, for the fourth consecutive year, ACCIONA drafted its *Integrated Report* under the framework of the International Integrated Reporting Council (IIRC). The aim was to look into the future of the company's business model and explain how the strategy helps to create value in the short, medium and long term.

Following the principle of integration, the report concisely presents the ability to forecast, adapt and generate value of each of the activities that the company carries out, focusing on both the performance and results as well as on the challenges and opportunities that may arise within the context in which ACCIONA operates.

QUARTERLY RESULTS REPORT

Since 2011, ACCIONA includes a specific appendix on sustainability in the quarterly results reports. In this appendix, information is provided regarding the presence of the company in sustainability indices, highlighting specific actions in this field for each period.

GLOBAL COMPACT COMMUNICATION ON PROGRESS

Through its annual *Communication on Progress*, the company is accountable of the progress made in the implementation and promotion of the UN Global Compact's principles and the goals set out in terms of human rights, labour, environment and anti-corruption. In this sense, in 2016, ACCIONA published its annual Communication on Progress, obtaining 'advanced level' for the sixth consecutive year.

DOW JONES SUSTAINABILITY INDEX

Every year, ACCIONA provides RobecoSAM's sustainable investment analysts with the necessary information to be assessed according to the economic, social and environmental criteria established for the selection of companies on the Dow Jones Sustainability Index.

CDP

Currently, ACCIONA provides detailed information regarding its strategy, practices, performance and goals in the fight against climate change. It also responds to the specific water questionnaire regarding making public its water footprint and providing information about the different aspects of the management of this resource.

ACCIONA REVALIDATES ITS PRESENCE AMONG THE WORLD'S MOST SUSTAINABLE COMPANIES



In 2016, ACCIONA was included within the Electric Utilities sector in the Dow Jones Sustainability Index Europe, an index that recognises the best sustainability practices among European companies. The company renewed for the tenth consecutive year its presence in the global index, Dow Jones Sustainability World Index (DJSI World).

The company improved its overall score, consolidating its improving trend since joining the index in this sector. The score obtained in certain aspects in which RobecoSAM has strengthened its analysis stands out, such as the materiality of sustainable practices for business. ACCIONA also excels in managing customer relations, innovation, risk management, strategy against climate change, environmental and social reporting, as well as the development and management of people.

Furthermore, ACCIONA was awarded the distinctive RobecoSAM Silver Class 2017 among companies in the Electric Utilities sector, according to the *Sustainability Yearbook 2017*, which includes 15 % of companies with the best social, environmental and corporate governance practices within each sector.

ACCIONA IS AWARDED THE TRIPLE A IN THREE OF THE MOST RECOGNISED ENVIRONMENTAL INDICES BY INVESTORS



For the sixth consecutive year, the CDP awarded the highest rating to ACCIONA in its performance against climate change, thus becoming part of the Climate A List 2016. Only 193 companies -out of more than 1,000 analysed worldwide- are recognised by their actions to reduce emissions and mitigate climate change.

The company also achieved the highest rating and has become part of the CDP Water A List 2016, in which 25 companies are present worldwide.

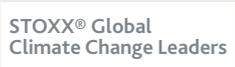
ACCIONA is listed as the only Spanish company and one of the only two utilities companies that succeeded in being included in this prestigious list. This highlights the company's best practices in the field of sustainable water management.

Finally, it should also be noted that the company achieved an A rating in the CDP Supply Chain index, which certifies ACCIONA's excellence as a supplier of products and services based on a low carbon emissions business models.

PRESENCE IN SUSTAINABILITY INDICES

The economic, environmental and social actions are subject to the study of a large number of specialised agencies. These actions are very often reflected in the publication of indices and specific reports on this issue. The presence of ACCIONA in these selective sustainability indices is proof of the trust it has gained with institutional investors who understand sustainability as a good indicator of the company's quality of management and its transparency.

In 2016, it is worth noting ACCIONA's presence in the following indices:

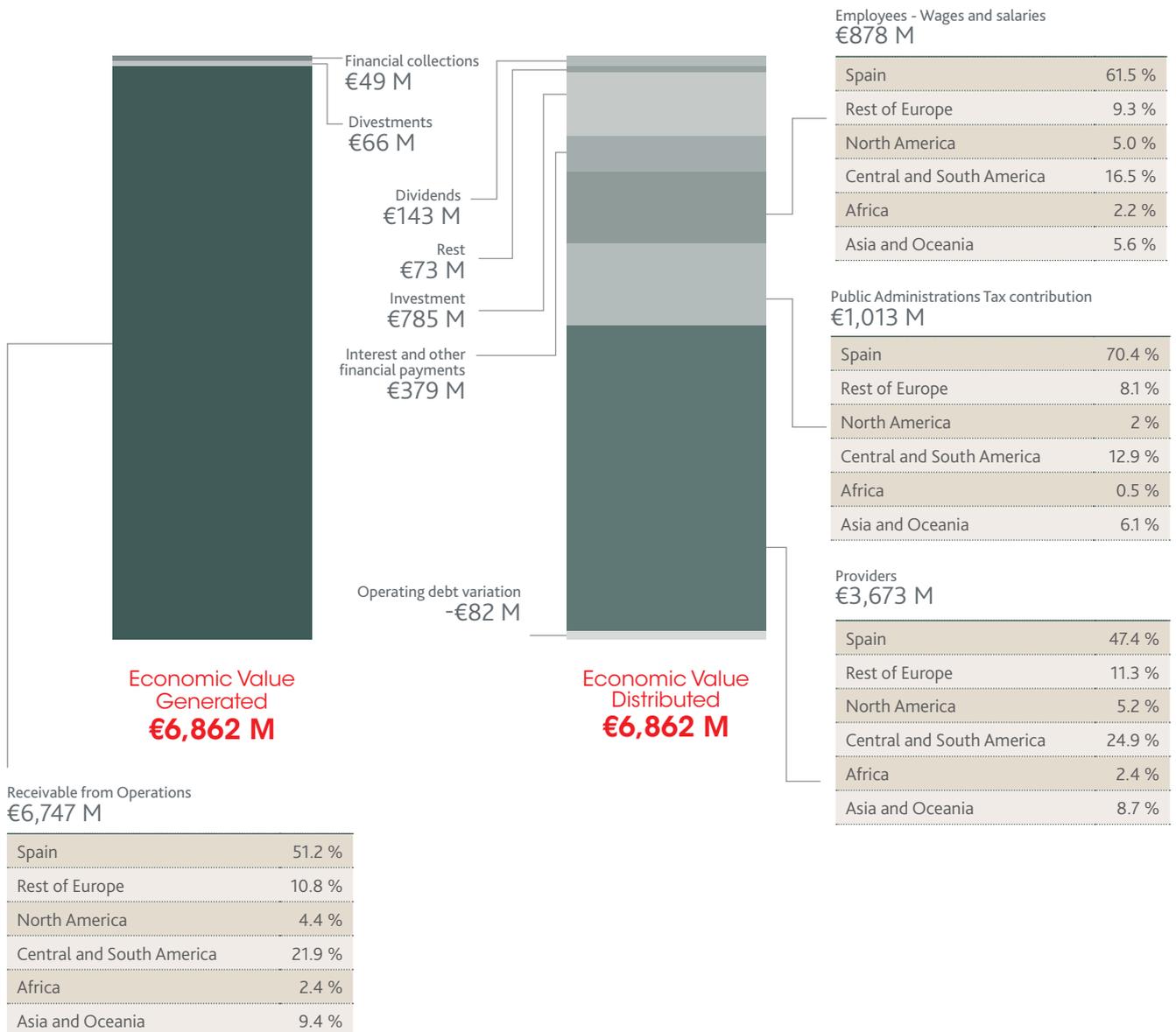
Organisation / index		Assessment Criteria
 <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>	<p>Dow Jones Sustainability World Index Dow Jones Sustainability Europe Index</p>	<p>Better social, environmental and corporate governance practices</p>
 <p>FTSE4Good</p>	<p>FTSE4Good</p>	<p>Compliance with strict social and environmental criteria and best practices in terms of sustainability</p>
 <p>MSCI Global Climate Index</p>	<p>MSCI Global Climate Index¹.</p>	<p>Climate change mitigation</p>
 <p>CDP A LIST 2016 CLIMATE</p>	<p>CDP Climate A List 2016</p>	<p>Emission reduction and climate change mitigation</p>
 <p>CDP A LIST 2016 WATER</p>	<p>CDP Water A List 2016</p>	<p>Best practices in the field of sustainable water management</p>
 <p>CDP DRIVING SUSTAINABLE ECONOMIES</p>	<p>CDP Supplier Climate A List 2016</p>	<p>Products and services based on low-carbon business models</p>
 <p>STOXX® Global Climate Change Leaders</p>	<p>STOXX® Global Climate Change Leaders</p>	<p>Best practices on low-carbon and public commitment to reduce its carbon footprint</p>

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ACCIONA'S SOCIAL CASH FLOW IN 2016

Social cash flow is a way of calculating a company's impact and contribution of real value to society through the cash flow generated by its activity. To do so, it takes into account the items that involve a real inflow and outflow of cash which have an effect on the different stakeholders.

This value creation is measured both in terms of the cash flow generated by the company (cash received by its clients, divestments, financial transactions, etc.) and in terms of the cash flow distributed by means of payments to suppliers, public administrations, shareholders and employees, among others. Therefore, social cash flow represents the economic value generated and distributed by the company.

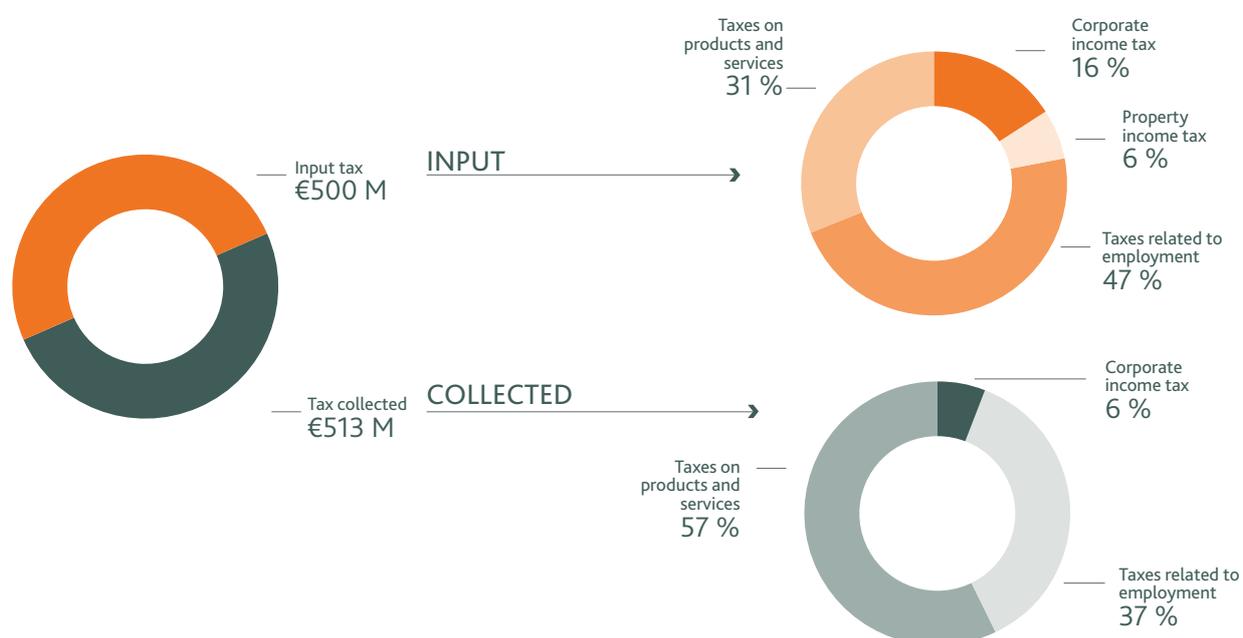


During 2016, ACCIONA's economic and social contribution to Public Administrations through tax payments totalled EUR 1,013 million, of which EUR 500 million correspond to taxes paid and EUR 513 million to taxes collected.

The group's Tax Contribution in 2016 represents 2.9 times the attributable Profit After Tax and 6.9 times the Ordinary Net Profit. This contribution implies that of every EUR 100 in revenues in 2015, EUR 17 were used to pay taxes, of which EUR 8 correspond

to taxes paid out and EUR 9 correspond to taxes collected –Spain, Mexico, Australia, Poland, Chile and Portugal being the main countries.

Tax Contribution increased by 5.8 % compared to 2015 and continues to emphasise the great significance of taxes associated with employment.



Total Tax Contributions 2016. Breakdown by country

Country	Taxes incurred (€M)	Taxes collected (€M)	Total (€M)	%
Spain	377.7	335.7	713.5	70.4 %
Mexico	17.4	45.9	63.3	6.2 %
Australia	18.9	36.7	55.5	5.5 %
Poland	11.6	21.7	33.4	3.3 %
Chile	5.3	20.7	26	2.6 %
Portugal	7.1	12	19.1	1.9 %
Brazil	14.1	2.7	16.8	1.7 %
Germany	7.3	3.8	11.1	1.1 %
Colombia	5.1	5.7	10.8	1.1 %
USA	6.6	3.3	9.9	1 %
Canada	2.9	7	9.9	1 %
Italy	7.2	2.7	9.8	1 %
Other countries	18.7	15.3	34	3.4 %
Total	499.9	513.2	1,013.2	

In 2016, EUR 17 out of every EUR 100 in turnover were allocated to taxes