

Sustainability Report

2016

EXECUTIVE SUMMARY

LETTER FROM THE CHAIRMAN



José Manuel Entrecanales
ACCIONA Chairman

Dear friends,

We in ACCIONA began 2016 with the launch of our new Sustainability Master Plan 2020 (SMP 2020). Through this document, we continue, day by day, to get closer to sustainability in the operations of our businesses.

Faced with climate change and the increase in demand for energy, water and infrastructure, at ACCIONA we want to play a key role by investing in renewable technologies, water resource solutions and the design of sustainable infrastructure.

This is the contribution we want to make and the commitment we have pledged to our stakeholders. To respond to this commitment, we have defined annual targets and progressed in the seven areas of the Sustainability Master Plan.

In its relationship with **Society**, ACCIONA assumes the need to work together to improve people's quality of life through dialogue and support for the communities with which we interact. In 2016, we progressed with the updating of our Social Impact Management procedure, reaching 82 projects in which it has been implemented to varying phases. ACCIONA also has continued working on methodology for measuring the socioeconomic and environmental impact of its projects in those regions in which it operates.

ACCIONA has as its top strategic objective the mitigation of **Climate Change**. To achieve this, we will act in two directions: investing in renewable energies – 2.5 billion dollars by 2020 – and carbon neutrality. This neutrality, effective since 2016, is based on reducing emissions, energy efficiency, the production of renewable electricity (which this year avoided the emission of 14.8 million tonnes of CO₂), and is complemented by the offsetting of carbon emissions through the purchase of certified credits. We are proud to have fulfilled, in 2016, our commitment to become a carbon neutral company.

ACCIONA is also responding to the challenges of the **Environment** in its businesses, tackling challenges such as water stress and biodiversity protection. In 2016, ACCIONA's water footprint generated a positive impact equivalent to the annual consumption of a population of over 10 million inhabitants. We also defined our 2016-2020 Waste Management Plan for the development of the circular economy.

In the area of **Corporate Governance**, in 2016 the Board of Directors revised the company's Code of Conduct, configuring it as the starting point for its ethics and compliance model. Additionally, it published its policy for communications and contacts with shareholders, institutional investors and voting advisers, as well as the operational reports of the Audit and Appointments and Remuneration Committees. In the area of human rights, we analysed risks in the countries where the company is carrying out its activities and we are integrating these and other sustainability risks into decision-making.

As far as **People** are concerned, our commitment is to the creation of an inspirational environment for the workforce, based on the strength of the ACCIONA brand and the values that sustain it: honesty, leadership, innovation, care for people, concern for the environment, and excellence, among others. Within our specific goals, in 2016 we designed a new process for identifying talent and achieved 94% implementation of the performance evaluation scheme. In relation to health and safety, the accident frequency rate for our employees has fallen by 4.7%.

The commitment of ACCIONA to its **Value Chain** translates into our contributing to the mitigation of the environmental, social and corporate governance risks of our suppliers, partners and customers. For 2016, I would like to mention the introduction of a new integrity management system for the analysis of suppliers and the

design of No Go Policies for them. These minimums prevent contracting in case of non-compliance and a monitoring system has been established. Similarly, and for the third year running, ACCIONA has kept up its commitment to promote the reduction of greenhouse gas emissions from its supply chain by calculating them.

In our commitment to **Innovation**, we strive to continue to lead the development of sustainable solutions for the great challenges the planet faces. We achieved our objective to maintain our rate of innovation over sales above the European average, with an innovation intensity ratio of 3.2. We also generated savings of 27.7 million euros by improving operational innovation processes.

To summarize, in 2016 our management of the business was responsible, committed and sustainable. The consequence of this is the prominence of the company in the main indexes, such as DJSI World and DJSI Europe; FTSE4Good; the MSCI Global Climate Index; the 2016 CDP Climate A, Water A and Supplier Climate A Lists; and the STOXX Global Climate Change Leaders Index. Likewise, we are a part of different initiatives such as the Corporate Leaders Group (CLG), the United Nations Global Compact, the Spanish Green Growth Group, World Business Council for Sustainable Development (WBCSD), Sustainable Energy for All (SE4All), the World Bank, World Economic Forum and others.

The next four years will see new challenges arise for which ACCIONA must maintain its firm support for sustainable development. In 2016, we worked hard to establish the basis for the Sustainability Master Plan 2020 and, for this, I ask you to read on about the details of our efforts over the past year.

ACCIONA'S COMMITMENT

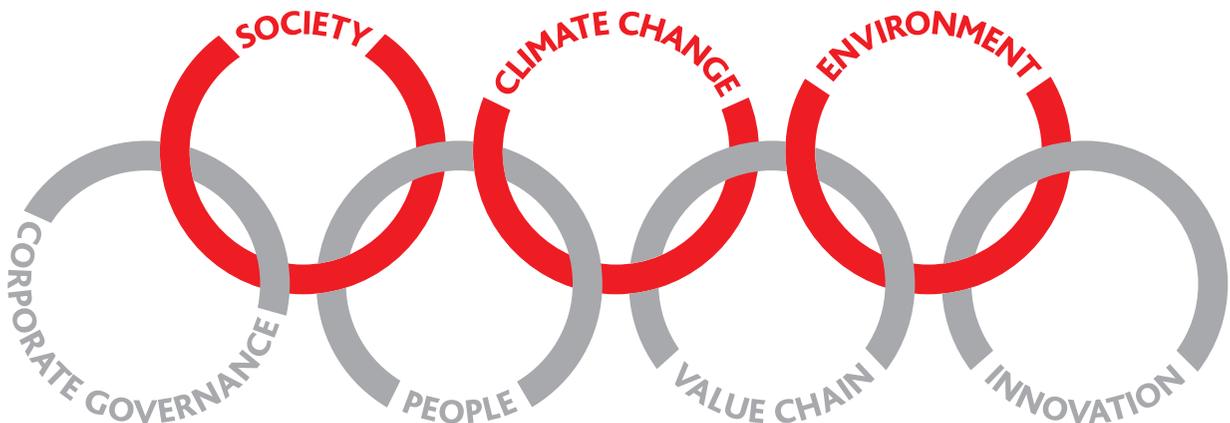
Real solutions for global challenges

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 for sustainable development, especially concerning the mitigation of climate change, provision of solutions to water stress and in the design of infrastructure adapted to new realities.

Sustainability Master Plan 2020

The new Plan is structured into strategic and operational objectives, applicable across the organization, with specifications for the different business lines, in 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.
- As for the area of **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.
- In the **Environment** field, the company sets goals to offer sustainable environmental solutions in its businesses, thus ensuring answers are found to challenges such as water stress.
- In **Corporate Governance**, it has established objectives in the areas of human rights, ethics, corporate governance, risk management and transparency.
- In the area of **People**, it has fixed objectives related to health and safety at work, development and incentives, diversity and inclusion, and training.
- For the **Value Chain**, the company has objectives for strengthening the mitigation of environmental, social and corporate governance risks in its supply chain, and among its partners and customers.
- In **Innovation**, as well as maintaining innovation over sales figure above the European average, ACCIONA has fixed objectives in the fields of collaborative and operational innovation.

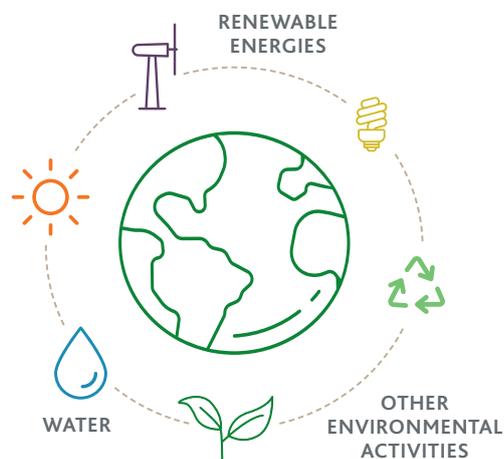


ACCIONA integrates sustainability as a driver of change and progress

Our support for sustainable development, the heart of our businesses, positions ACCIONA as an organization capable of giving solutions to society's main needs and generating value beyond that received by its shareholders. The company bases its strategy on three main pillars of sustainability: environmental protection, social progress and economic growth.

ACCIONA is one of the main Spanish companies in the IBEX 35 with the most experience in the field of renewable energies, infrastructure, water and services. Thanks to this experience, it is present in over 40 countries.

ACCIONA, leader in the Green Economy



In 2016, 42% of ACCIONA's global sales and 72% of its EBITDA amounted to business as defined by UNEP's **Green Economy**.

Triple Bottom Line

	2014	2015	2016
ECONOMIC PERFORMANCE			
Revenues (millions of euros)	6,499	6,544	5,977
EBITDA (millions of euros)	1,087	1,174	1,192
Total innovation figure (millions of euros)	174.9	180.0	193.9
Innovation intensity (total R&D&I/revenues)	2.69	2.76	3.20
ENVIRONMENTAL PERFORMANCE			
Emissions generated (millions of tonnes of CO ₂)	0.58	0.60	0.82
Emissions avoided (millions of tonnes of CO ₂)	16.30	17.2	14.8
Water volume managed by ACCIONA (hm ³)	648	633	772
Water consumption (hm ³)	6.88	6.46	6.01
Water footprint: net positive contribution (hm ³)	532	495	510
SOCIAL PERFORMANCE			
Average headcount at year end	33,559	32,147	32,835
Average training hours per year per employee	11.81	15.13	15.24
Number of fatal accidents (own employees and contractors)	5	0	5
Local suppliers/total (%)	93	90	86
Global customer satisfaction index (%)	86	98	97
Social contribution (millions of euros)	11	7	9

[Twitter: @ACCIONA_EN](https://twitter.com/ACCIONA_EN)
facebook.com/acciona_en
linkedin.com/company/acciona
www.acciona.com

© ACCIONA S.A.
All rights reserved.



Avda. de Europa, 18
Parque Empresarial La Moraleja
28108 Alcobendas
(Madrid). Spain

ACCIONA and its contribution to the Sustainable Development Goals

ACCIONA's commitment to sustainability represents a belief in social progress, environmental equilibrium and economic growth, and is reflected in its contribution to the realization of the Sustainable Development Goals (SDGs) defined by the United Nations.



CORPORATE GOVERNANCE

Ethics, integrity and transparency



ACCIONA has a highly professional Board of Directors as far as the supervision of sustainability risks is concerned, as well as for the long-term management and planning of those aspects linked to ethics, human rights and climate change.

ACCIONA Governance Structure



HIGHLIGHTS IN 2016

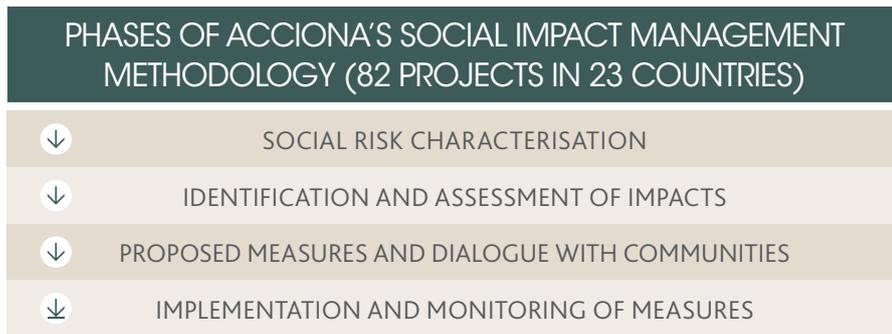
- » Board of Directors approved a new Code of Conduct
- » ACCIONA renewed its presence in the indexes: DJSI World and DJSI Europe; FTSE4Good; the MSCI Global Climate Index; the 2016 CDP Climate A, Water A and Supplier Climate A Lists; and the STOXX Global Climate Change Leaders Index

SOCIETY

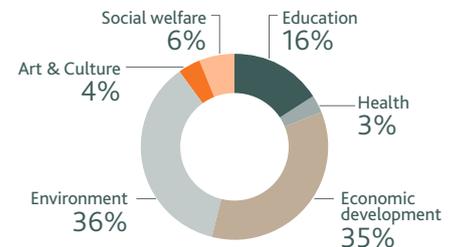
Commitment and dialogue with stakeholders



ACCIONA undertakes the need to collaborate in improving the people's quality of life through dialogue and support for communities with the company we interact.



2016 Social Action Plan



HIGHLIGHTS IN 2016

- » Over 1,000 volunteers in 14 countries and €9M social contribution
- » 3,900 solar home systems installed by ACCIONA Microenergía Foundation in Oaxaca (Mexico).

Presence in international organizations



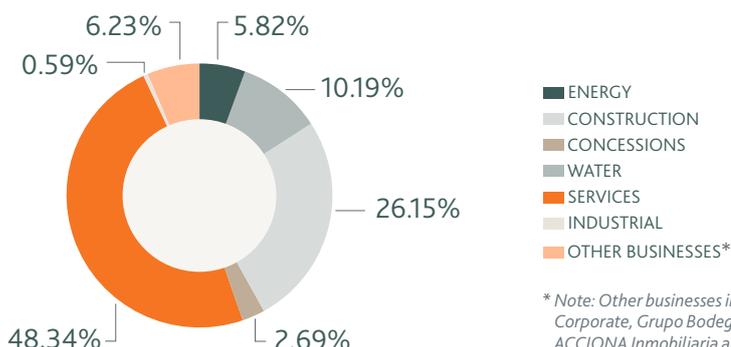
PEOPLE

Human capital is a priority for ACCIONA



The company shares with its employees the values of respect, transparency, equality of opportunities, meritocracy, continuous communication and diversity.

Breakdown of the total 2016 workforce by business line



* Note: Other businesses include BestInver, Corporate, Grupo Bodegas Palacio 1894, ACCIONA Inmobiliaria and Trasmediterranea.

HIGHLIGHTS IN 2016

- » Reduction of accident frequency rate among ACCIONA group employees by 4.7%
- » ACCIONA reached 3.55% equivalent employment of people with disabilities in Spain
- » Design of a new performance management system based on three pillars: identify, develop, and recognize, the talent of ACCIONA professionals
- » NAOS Strategy Award recognizing the development of sustainable and healthy work

CLIMATE CHANGE

Carbon neutral



The Company has become neutral in carbon by advancing its energy efficiency, increasing its consumption of electricity of renewable origin and offsetting emissions by buying CO₂ trading rights.

MEETING THE SMP 2020'S CARBON NEUTRALITY OBJETIVE

Since ACCIONA committed to carbon neutrality at the Paris climate conference, the company has taken the necessary steps to address this milestone through its new SMP 2020, developing a **Carbon Offset Model** in which 100% of the emissions that is unable to reduce will be offset voluntarily.

Through this, the 817,204 t CO₂e generated in 2016 have been offset through the purchase of certified carbon credits.

Offsetting consists of accounting the generated emissions as a direct cost in each company's businesses through an external verification of the emissions. For ACCIONA, this means that the consideration of an internal carbon price, not only includes a probable risk in the valuation of future investments but also constitutes a real cost to be considered in any business operation.

HIGHLIGHTS IN 2016

- » 14.8 million tonnes of CO₂ avoided
- » Third consecutive year measuring greenhouse gas emissions in 100% of the supply chain

VALUE CHAIN

Responsible, quality management



ACCIONA works to extend sustainability to its supply chain, partners and customers, mitigating its environmental, social and good governance risks. Likewise, it supports the quality of its products and services with the objective of satisfying the customer.

Local suppliers by business line, 2016

Business line	Total	Local	% Total
Energy	3,105	1,710	55%
Infrastructure	12,686	11,842	93.3%
Corporate	442	392	89%
Trasmediterranea	431	389	90%
Other businesses*	1,173	1,085	92%
TOTAL	17,837	15,418	86%

*Includes BestInver, Grupo Bodegas Palacio 1894 and ACCIONA Inmobiliaria.

HIGHLIGHTS IN 2016

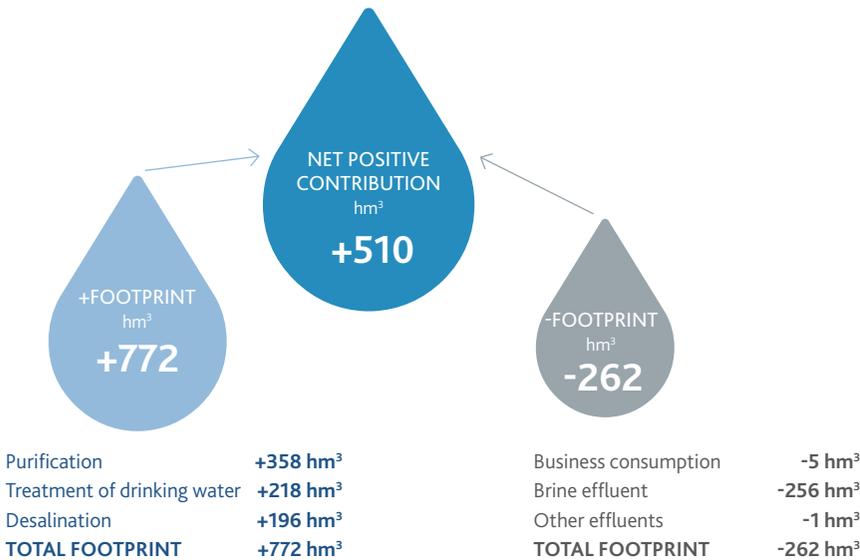
- » Design of No Go Policies, minimums which, in the case of non-compliance, prevent contracting and establish controls for compliance
- » Variables such as Integrity, OHS Activity Risk, Country Risk and Environment/CO₂ Risk are given more importance in the Risk Map
- » 90% of ACCIONA's revenue is IOS 9001 certified, 87% ISO 14001
- » 94% of satisfied customers for Energy, 95% for Services, 99% for Construction and 100% for other businesses

ENVIRONMENT

Protection of natural resources



ACCIONA focused its activity in 2016 on the integrated management of environmental risks, attention to water scarcity and hydric stress, operational eco-efficiency, the promotion of the circular economy and biodiversity conservation.



HIGHLIGHTS IN 2016

- » Treatment plants managed by ACCIONA desalinated, purified and cleaned up 772 hm³ of water
- » Preparation of the 2016-2020 Waste Management Plan for the development of ACCIONA's circular economy
- » Drafting of the first report on the development of methodology for the calculation of the biodiversity footprint

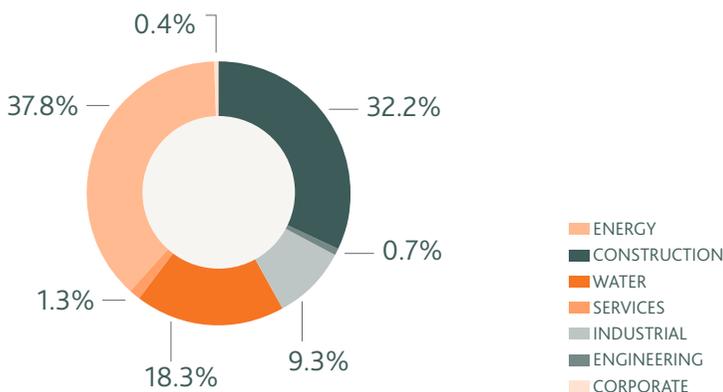
INNOVATION

Collaboration and improvement of processes



Innovation plays a key role in developing competitive advantages that generate a multiplying effect in the creation of new businesses and improving existing ones.

Distribution of innovation figure by business line



HIGHLIGHTS IN 2016

- » Certified innovation figure of €193.9M
- » Innovation intensity ratio of 3.2 (above European average)
- » 87 innovation initiatives resulting in a savings of €27.7 million for process operational improvements