

LETTER FROM THE CHAIRMAN



José Manuel Entrecanales
Chairman of ACCIONA

Dear Friends,

I would like to start this Sustainability Report by returning to the messages of last year's declaration. The planet is in a worrying state. The consequences of climate change are coming true: rising global temperatures and sea levels, acidification of oceans, the intensity of extreme climatic events, climate refugees... all of these effects are a reflection of the global scale of the problem. We need to act decisively.

Last year, the Marrakech climate summit (COP22) adopted a work programme that is set out to press ahead with the Paris Agreement. This agreement lays out a socioeconomic and political context that includes not only greater commitment, but also the need for both the public and private sectors to act against climate change.

Trends like overpopulation, concentration in large cities and a burgeoning middle class will put an added strain on the global demand for products and services like water and energy. The latter is currently responsible for 68 % of all CO₂ emissions caused by human activity.

The solution to the problems posed by global warming involves decoupling economic growth from increased greenhouse gas (GHG) emissions, in other words, decarbonising the global economy.

Notwithstanding the value of some individual contributions, decarbonising the economy will require the replacement of a large part of the most GHG-intensive industries – energy, manufacturing, transport – with other, more efficient ones that have a lower environmental impact, which in turn will require huge investment over the coming decades.

For sufficient economic resources to flow towards these industries, it is necessary for them to attract investment on one hand, and penalise the most polluting intensive technologies, on the other. Setting a price for CO₂ emissions would serve simultaneously to bring about both goals, and is therefore, the most effective cross-cutting measure.

However, setting up markets or levying taxes on emissions will only be possible once there is widespread social belief in the need for such measures, and once we as citizens become aware of our role as ambassadors for this change. Therefore, it is essential to create an atmosphere of favourable social opinion, which demands action from both governments and private enterprise alike to put a price on polluting emissions.

ACCIONA wishes to play a key role in this transformation process. Investing in clean technologies and energy efficiency, as well as designing new sustainable infrastructures, are vital for tackling the challenges of climate change. This is the contribution ACCIONA wishes to make, as part of its commitment to society.

To meet this commitment, last year ACCIONA started the Sustainability Master Plan for 2016-2020 (SMP 2020). The Plan contains a number of targets which apply to the entire organisation and have specifications for the businesses that seek to lock in the sustainability of day-to-day operations. The Plan sets out actions in areas such as: Society, Climate Change, Environment, Corporate Governance, People, Value Chain and Innovation.

In this document you will find a breakdown of our performance in these areas over 2016, but I would like to give you a brief general overview here.

In its relationship with **Society**, ACCIONA assumes the need to work together to improve people's quality of life through dialogue and support to the communities with which we interact. Progress was made in 2016 in updating the Social Impact Management procedure, reaching 82 projects in which it has been implemented to varying phases. In addition, ACCIONA has continued working on the methodology for measuring the socioeconomic and environmental impact of its projects on the geographical areas in which it operates. In this regard, there has been notable progress in calculating the socioeconomic footprint for the entire life cycle of the El Romero Solar photovoltaic plant in Chile.

We are proud to say that in 2016 we succeeded in our goal of becoming a **carbon neutral** company

In 2016, ACCIONA's water footprint generated a **positive impact** on the planet amounting to 510 hm³, equal to the annual consumption of more than 10 million people

As I mentioned at the start, mitigating **Climate Change** is ACCIONA's top strategic objective. To achieve this, we will take action in two directions: investing in renewable energies (2.5 billion dollars through to 2020) and carbon neutrality. This neutrality, effective as of 2016, is based on reducing emissions, energy efficiency and production of renewable electric power (which has avoided the emission of 14.8 million tons of CO₂ this year alone), and is complemented by the offsetting of carbon emissions through the purchase of certified credits. We are proud to say that in 2016 we succeeded in our goal of becoming a carbon neutral company.

ACCIONA also responds to challenges to the **Environment** through its businesses, tackling challenges such as water stress and the protection of biodiversity. In 2016, ACCIONA's water footprint generated a positive impact on the planet of 510 hm³, roughly the equivalent of a year's water consumption by a population of more than 10 million inhabitants. The 2016-2020 Waste Management Plan was designed to foster circular economy, and a portfolio of projects was created for Life Cycle Analysis application. Finally, in keeping with our commitment to being biodiversity neutral by 2020, we have also made progress in methodological developments for calculating our biodiversity footprint.

Regarding **Corporate Governance**, in 2016 the Board of Directors reviewed the company's Code of Conduct, which has been set up as the starting point for the ethics and compliance model. Additionally, we disclosed our policy for communication and contact with shareholders, institutional investors and voting advisers, and published the operational reports issued by the Audit and the 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 in the decision-making process.

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

ACCIONA's commitment to its **Value Chain** has been translated into efforts to mitigate environmental, social and corporate governance risks to our suppliers, partners and customers, and to create new sustainable solutions. I would like to point out the consolidation of PROCUR-e in 2016 as ACCIONA's procurement platform, and the implementation of a new management system involving the integrity variable for the analysis of suppliers and the design of No Go Policies for suppliers. These minimum standards prevent contracting in case of non-compliance, and establish the controls needed to monitor non-compliance events. Similarly, for the third year running, ACCIONA has kept to its commitment to lowering greenhouse gas emissions in its supply chain through emissions calculation.

In our commitment to **Innovation**, we remain firm in our efforts to maintain a cutting-edge position in the development of sustainable solutions to major global challenges. Our goal of maintaining our innovation over sales at a higher rate than the European average has been achieved, with an innovative intensity ratio of 3.2. Savings of EUR 27.7 million have been achieved through improving processes in operational innovation. I would also like to highlight the creation of the first structural element using additive manufacturing, and the creation of a new technological reality scanning service using digitalisation of the surroundings techniques.

In summary, in 2016 our business management was responsible, committed and sustainable. As a result, the company is listed in the main indexes worldwide, including DJSI World and DJSI Europe, FTSE4Good, MSCI Global Climate Index, CDP Climate A List 2016, CDP Water A List 2016 and CDP Supplier Climate A List, and the STOXX Global Climate Change Leaders Index. We are also a part of various international initiatives, most notably the Corporate Leaders Group (CLG), the United Nations' Global Compact, the Spanish Group for Green Growth, the World Business Council for Sustainable Development (WBCSD), Sustainable Energy for All (SE4All) and the World Bank and World Economic Forum, among others.

The next four years will pose new challenges, for which ACCIONA must stay firm on the course of sustainable development. We have worked hard in 2016 to lay the groundwork for the SMP 2020, so I encourage you to learn more about our efforts over the last financial year.

I would like to conclude by thanking you for your trust. Please join us as we take this sustainable path. Together, we can make a better planet for all.

We are committed
to maintaining
our cutting-
edge position
in developing
sustainable
solutions for the
major global
challenges