



BUSINESS AS UNUSUAL

EXECUTIVE SUMMARY

2017

SUSTAINABILITY
REPORT



LETTER FROM THE CHAIRMAN

José Manuel Entrecanales

Chairman of ACCIONA

Dear Friends,

I would like to begin this *Sustainability Report* by briefly reviewing the main challenges for sustainable development at this time. We find ourselves at a time of uncertainty in a world of complex and interconnected systems, in which the major risks, primarily environmental, social, economic and geopolitical, remain very present.

Facing these challenges requires multilateral responses involving the private sector, Public Administrations, society and other stakeholders, who must work together with a common agenda. This reference framework (adopted in 2015 by 193 United Nations member states) are the Sustainable Development Goals.

With 2030 as time frame, the Sustainable Development Goals (SDGs) tackle major challenges facing humanity from a global and cross-cutting perspective, where the solution of certain problems will help to resolve others. Following this framework is mandatory for all and we companies can and must contribute towards its success through our activities.

At ACCIONA, via our projects in water, renewable energies and infrastructure, we contribute towards key objectives, among other reasons for being a *sine qua non* for achieving the rest. In particular, these objectives would be SDGs related to water access (no. 6), energy (no. 7), infrastructure (no. 9) and mitigating climate change (no. 13). Without these basic needs, it will be very difficult for them to achieve the development and prosperity necessary to attain the majority of the remaining SDGs.

To respond to and monitor our progress in these challenges, in ACCIONA we have designed our second Sustainability Master Plan 2016-2020, which contains cross-cutting goals for the entire organisation and specific for the businesses. Completed the second year of this Plan, next I would like to give you a brief overview of our performance in 2017, in its different areas:

In our relationship with **Society**, we assume the need to work together to improve people's quality of life through dialogue and support to the communities with which we interact. In 2017, via our own consolidated methodology, we managed our social impact in 100 projects, 22 % more than the previous year. Furthermore, we measured the socioeconomic and environmental impact of the projects on those areas in which we operate.

Mitigating **Climate Change** is a strategic objective. At the Paris climate summit in 2015, we got engaged to be neutral in our carbon emissions and since 2016 we have been meeting our objective of zero net emissions. In addition, we have avoided 14.4 million tonnes of CO₂ emissions into the atmosphere, thanks to the 9,022 MW of installed capacity, exclusively renewable.

At ACCIONA we also respond to the challenges of the **Environment**, such as water stress, circular economy and the protection of biodiversity, among others. In 2017, via our water purification and desalination activities, we have created a positive water footprint on the planet of 374 hm³, the

equivalent to the annual water consumption by a population of 7 million in inhabitants.

In the area **Corporate Governance**, we have launched a Code of Conduct training course that was completed by 6,213 people during the year. Concerning risk management, the new sustainability risk identification and assessment methodology was approved and launched. Additionally, we continued our progress in human rights due diligence following the "United Nations Guiding Principles for Business and Human Rights".

With regard to **People**, our commitment is to create an attractive, inspiring and successful working environment. In 2017, we launched a course specific to Sustainability available to 10,584 employees in 41 countries. In relation to occupational health and safety, global programmes have been consolidated to improve the preventive culture, such as the LIDER Program in Infrastructure or THINK SAFE in Energy, among others. As a result, the global accident frequency rate dropped from 3 to 2.7 in 2017.

ACCIONA's commitment to its **Value Chain** results in preventing, mitigating and managing the risks of its supply chain. In 2017, we implemented the "No Go Policies", which prevents the hiring of suppliers in the event of breaching some ethical and integrity-based principles, among other factors. In addition, we have achieved a greater index of satisfied customers, reaching 99.8 %.

In our commitment to **Innovation**, we strive to maintain our position at the cutting edge. In 2017, our innovation figure reached a historic maximum of EUR 209.4 million. In this way, we have complied with our goal of maintaining an innovation over sales figure (2.9 %) of over double that of the European average (1.4 %). Equally notable is the launch of l'MNOVATION #Startups, the first corporate startup accelerator for infrastructure and renewable energy in Spain.

Ultimately, these advancements in the seven areas of the Sustainability Master Plan constitute significant progress across all of the sustainability dimensions that we have set as a company. This endeavour has been recognised by the our various stakeholders. As a result, we are present in the main sustainability indexes and rankings, such as CDP Climate, Water and Supply Chain A List, FTSE4Good, STOXX Global Climate Change Leaders Index or on the 2018 Global 100 Most Sustainable Corporations in the World index.

In the coming years, we want to continue responding to the major challenges of the Sustainable Development Goals. Our commitment is strong and we are gaining ground through the Sustainability Master Plan to contribute to economic growth, social development and environmental protection.

Finally, I would like to thank you for your continued trust and invite you to learn our efforts in the chapters of this Sustainability Report. (annualreport2017.acciona.com/Sustainability)

ACCIONA'S COMMITMENT

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.

SUSTAINABILITY MASTER PLAN 2020

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

- In **Society**, the aim is to contribute to 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 terms of **Climate Change**, ACCIONA, a carbon neutral company since 2016, takes mitigation of climate change as one of its key strategic objectives.
- As regards the **Environment**, the company establishes goals by which to offer environmental solutions to challenges like water stress, as well as promoting the efficient use of natural resources in its operations.
- In **Corporate Governance**, objectives are established in relation to human rights, ethics, corporate governance, risk management and transparency.
- In the area of **People**, goals have been set related to health and occupational safety, development and incentives, diversity and inclusion, and training.
- As regards the **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 partners and customers.
- In the area of **Innovation**, besides its commitment to maintaining an innovation over sales figure that is higher than the European average, ACCIONA has set targets in the fields of collaborative and operational innovation.



ACCIONA AND ITS CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations defined 17 Sustainable Development Goals (SDGs) broken down into 169 targets to be achieved by 2030. This common framework addresses the major challenges faced by humanity in global and transversal terms, which requires the active involvement by companies as well as many other agents.

Via its projects in water, renewable energies and infrastructure, ACCIONA contributes towards key objectives, among other reasons for being *sine qua non* for achieving the rest. In particular, these objectives would be SDGs related to water access (no. 6), energy (no. 7), infrastructure (no. 9) and mitigating climate change (no. 13). To a different extent, it also contributes to the rest of the goals through the initiatives included in the Sustainability Master Plan.

MAIN CONTRIBUTION MADE BY THE BUSINESSES TO THE KEY SDGS

<p>6 CLEAN WATER AND SANITATION</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>13 CLIMATE ACTION</p>
<p>ENSURE ACCESS TO WATER</p>	<p>ENSURE ACCESS TO AFFORDABLE ENERGY</p>	<p>BUILD RESILIENT INFRASTRUCTURE</p>	<p>ADOPT URGENT MEASURES TO FIGHT CLIMATE CHANGE</p>

CONTRIBUTION THROUGH THE SUSTAINABILITY MASTER PLAN

<p>5 GENDER EQUALITY</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>
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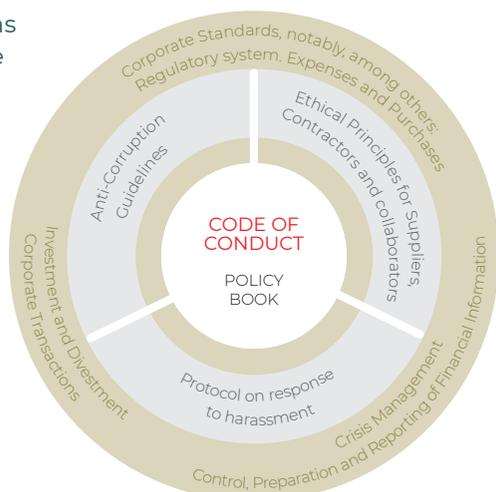
C O R P O R A T E G O V E R N A N C E

ETHICS, INTEGRITY, HUMAN RIGHTS AND TRANSPARENCY

<p>5 GENDER EQUALITY</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>
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The Code of Conduct and the ACCIONA Policy Book constitute a framework of integrity and corporate governance that ensure responsible management.

Ethics and integrity as the basis of influence



HIGHLIGHTS IN 2017

- Approval of the new Board director remuneration policy for 2018, 2019 and 2020. Contracting of a new statutory auditor, KPMG Auditores, S.L., as a result of the rotation process established in the applicable regulations for public interest entities.
- Approval and launch of ACCIONA's new sustainability risk identification and assessment methodology.
- Social cash flow of €8,168M, which represents the economic value and distributed by the company.

SOCIETY

SOCIAL IMPACT MANAGEMENT, COMMITMENT AND DIALOGUE



ACCIONA accepts the need to collaborate in order to improve people's quality of life, particularly contributing to society via social management and dialogue in its projects.

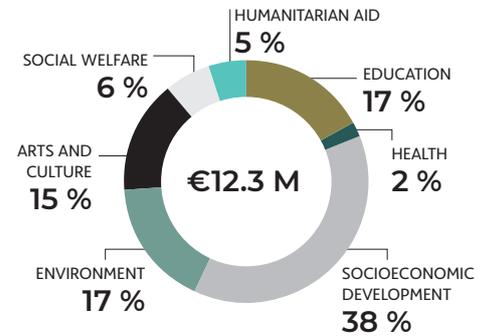
PHASES OF THE SOCIAL IMPACT MANAGEMENT METHODOLOGY (in 2017, 100 projects in 33 countries)

- ↓ Social risk characterisation
- ↓ Social evaluation of the project
- ↓ Communication and dialogue with communities
- ↓ Implementation and monitoring of measures

PRESENCE IN INTERNATIONAL ORGANIZATIONS



SOCIAL ACTION PLAN 2017



HIGHLIGHTS IN 2017

- Measurement of the socioeconomic impact in 2 Infrastructure projects and 2 Energy projects.
- Various volunteer initiatives carried out in 19 countries with a total of 1,746 volunteers.

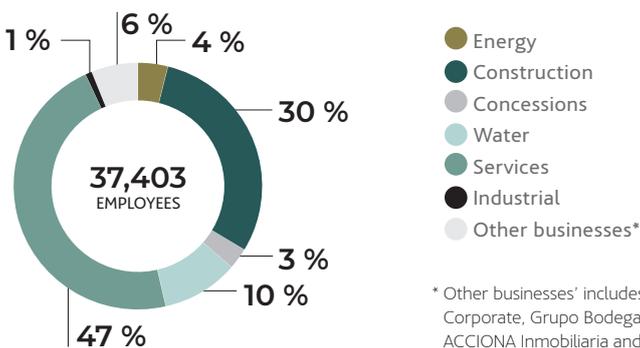
PEOPLE

HUMAN CAPITAL, HEALTH AND SAFETY



Human capital is a priority for ACCIONA. The company shares the values of respect, transparency, equal opportunities, meritocracy, continuous communication and diversity with all its employees. Likewise it also promotes health and safety amongst employees and collaborators.

Breakdown of total workforce by business line (%)



HIGHLIGHTS IN 2017

- Development of the New Performance Management Model, having launched its first two phases: Objective Setting and the first pilot of Performance Status.
- Launch of the "ACCIONA Sustainability Course", available to 10,584 company employees in 41 different countries.
- Consolidation of global programs like the VPP, BBS4U or LIDER in Infrastructure, and the start-up of THINK SAFE in Energy.
- Reduction of the accident frequency rate from 3 to 2.7 in 2017 of employees and contractors.

CLIMATE CHANGE

CARBON NEUTRAL



ACCIONA has taken climate change mitigation as a strategic objective. To this end, it commits its investment capacity and strives to achieve carbon neutrality in its operations through energy efficiency and by offsetting its emissions through the purchase of CO₂ emission allowances for renewable facilities in developing countries.

The company prioritises leading the transition towards low-carbon business models that are resilient to climate change. To do so:

- Produces and sells renewable energy only, helping with the displacement of fossil fuels in national electricity mixes.
- Implements solutions in the energy efficiency field at its own centres and for its customers, optimising consumption and reducing the related GHG emissions.
- Constructs, operates and maintains new purification plants, wastewater treatment and desalination plants, helping manage the risks relating to the scarcity of and access to water, which will be increased with climate change.
- Strives to ensure research and development in the areas of mitigation and adaptation.
- Integrates risk mitigation actions into its business plans.

HIGHLIGHTS IN 2017

- Achievement of carbon neutrality by offsetting 100 % of emissions that could not be reduced.
- 14.4 million tonnes of CO₂ avoided, along with 9,979 tonnes of NO_x, 48,119 tonnes of SO_x and 318 tonnes of PM₁₀, thanks to the 100 % renewable generation.
- Top-down analysis of risks associated with climate change and updating of the risk maps of the company's businesses.

VALUE CHAIN

RESPONSIBLE AND QUALITY MANAGEMENT



ACCIONA aims to prevent, mitigate and manage risks in its supply chain, and guarantees the quality and safety of its products and services.

Local suppliers by division in 2017

Business line	% total
Energy	94
Infrastructure	
Construction	94
Concessions	95
Infrastructure maintenance	100
Water	92
Services	98
Industrial	85
Other businesses*	91
Total	94

* Includes Grupo Bodegas Palacio 1894, Corporate, ACCIONA Inmobiliaria and Trasmediterranea

HIGHLIGHTS IN 2017

- Implementation and consolidation of No Go Policies, minimums that in the case of breach prevent contracting.
- 91 % of the Group's sales are certified ISO 9001 and 88 % ISO 14001 certified.
- The global index of satisfied customers is 99.8 %, 3 % higher than in 2016.
- Consolidation of the Risk Map with 66 % total growth in the number of evaluated suppliers.

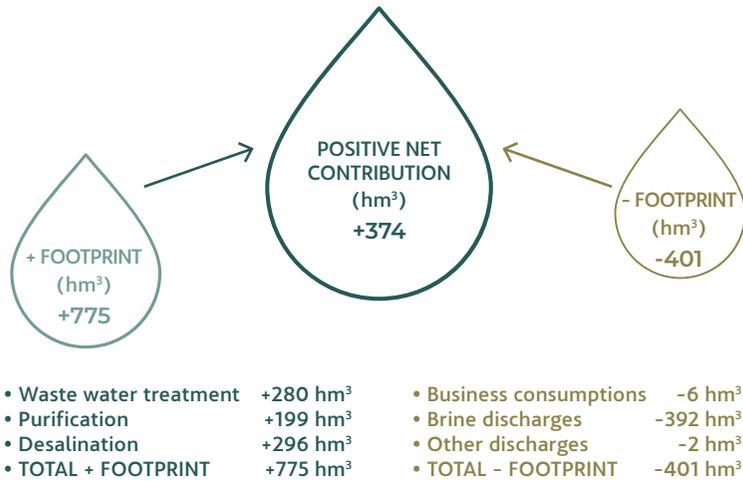
ENVIRONMENT

TOWARDS A CIRCULAR ECONOMY



From a prevention-based approach and with the overall goal of decreasing the environmental impact of its activities, in 2017 ACCIONA focused its actions on the integrated management of environmental risks, attention to water stress, the promotion of the circular economy and the conservation of biodiversity.

Balance of ACCIONA's water footprint



HIGHLIGHTS IN 2017

- Over 98 % of the water treated was in 8 countries with regions under water stress.
- Establishment of objectives for businesses in the Waste Management Plan for the promotion of the Circular Economy.
- Development of a total of 12 action plans on biodiversity in the business lines.

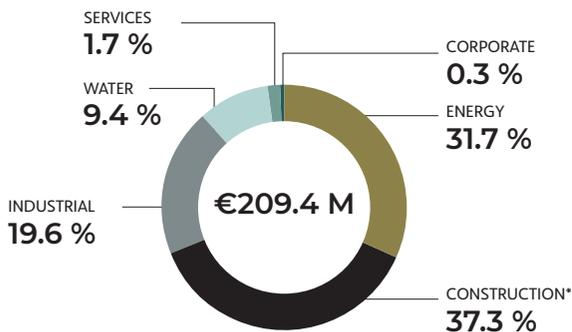
INNOVATION

A TOOL FOR VALUE CREATION



Innovation as a key element for gaining competitive advantages, focused on guaranteeing sustainability and creating added value for current and future business.

Distribution of innovation figure by business line



* Includes Engineering

HIGHLIGHTS IN 2017

- Innovation figure of EUR 209.4 million, maximum record for the company, translated into an innovation intensity ratio (2.9 %) higher than the European average (1.4 %).
- Savings of EUR 32 million for improvements in operational innovation processes.
- Launch of I'MNOVATION #Startups, the first corporate startup accelerator for infrastructure and renewable energies to foster the technical capacity of the company and its R&D centres through collaboration programmes with startups and partners.

ACCIONA INTEGRATES SUSTAINABILITY AS A DRIVER OF CHANGE AND PROGRESS

ACCIONA is one of the top Spanish IBEX 35 companies, working in more than 40 countries worldwide in renewable energies, infrastructure, water and services. In its persistent efforts to generate progress in the geographic areas in which it operates, it offers solutions to the main needs of society and generates value beyond shareholders' earnings.

In this sense, in 2017 it has continued implementing its Sustainability Master Plan 2020, wagering on sustainable development and taking a leading role in the social, economic and environmental transformations of its surroundings.

IN 2017, 34% OF ACCIONA'S OVERALL SALES AND 67% OF ITS EBITDA WERE BASED ON BUSINESSES INCLUDED IN THE GREEN ECONOMY (AS DEFINED BY THE UNEP)

TRIPLE BOTTOM LINE

	2015	2016	2017
ECONOMIC PERFORMANCE			
Revenues (EUR million)	6,544	5,977	7,254
EBITDA (EUR million)	1,174	1,192	1,275
Total innovation figure (EUR million)	180.0	193.9	209.4
Local suppliers over the total (%)	90	86	94
ENVIRONMENTAL PERFORMANCE			
Renewable installed capacity (MW)	8,557	8,913	9,022
Emissions generated (millions of tonnes of CO ₂)	0.60	0.82	1.2
Emissions avoided (millions of tonnes of CO ₂)	17.2	14.8	14.4
Water consumption (hm ³)	6.46	6.01	7.05
Water footprint: net positive contribution (hm ³)	495	525	374
SOCIAL PERFORMANCE			
Average headcount at year end	32,147	32,835	37,403
Female managers (% of total managers)	11.89	12.73	12.8
Average training hours per year/employee	15.13	15.24	15.96
Number of fatal accidents (company, temporary JVs and outsourced employees)	0	3.95	5
Projects with Social Impact Management (no.)	47	82	100
Social contribution (EUR million)	7	9	12.3

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