

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.



HIGHLIGHTS IN 2017

- Consolidation of the Risk Map with 66 % total growth. There has been a 35 % increase in critical suppliers, which shows that PROCUR-e has established as a reliable mechanism by which to manage risk in the supply chain.
- Implementation and consolidation of No Go Policies, minimums that in the case of breach prevent contracting, accomplishing the objective of 0 % orders placed with No Go suppliers by the procurement department.
- As part of the supplier development, ACCIONA has designed and made available to suppliers, a new course entitled "Sustainability applied to your business", taking a more practical approach for suppliers that brings sustainability to small businesses.
- The global index of satisfied customers is 99.8 %, 3% higher than in 2016.
- 91 % of the Group's sales are certified ISO 9001 and 88 % ISO 14001 certified.
- Development of 56 improvement groups, 44 % more than in 2016, with the direct involvement of more than 400 employees.

MAIN CHALLENGES FOR 2018

- ▶ Increase the implementation of PROCUR-e, particularly internationally, and the development of sustainability courses by suppliers.
- ▶ Expand upon and investigate risk management and analysis, to reflect the new Supply Chain variable and strengthen the contract clauses with suppliers and direct subcontractors.
- ▶ Implement improvements to No Go Policies, in respect of economic solvency and the legal documents.
- ▶ Implement management models for processes developed in 2017 in Construction, ACCIONA Inmobiliaria and Services; and to update the Water Processes Map, according to the international PMI (Project Management Institute) standard.
- ▶ Create a system for assessing the excellence of projects and assets in use in ACCIONA Energy.
- ▶ Improve customer segmentation in ACCIONA Inmobiliaria through the CRM and creation of a customer area on the website.

THE ACCIONA SUPPLY CHAIN

In ACCIONA, the guidelines and management strategy adopted in the supply chain are established by the Procurement Coordination Committee, made up of the ACCIONA Infrastructure, ACCIONA Energy and ACCIONA Corporation Procurement Directors.

The Procurement Standard and related procedures, together with their implementation in the main ERPs, the planning applications, PROCUR-e (supplier portal and group bidding tool) and the various reporting tools are the main instruments by which to bring together, support and control the procurement function.

Throughout 2017, the company made purchases from more than 19,500 suppliers, thereby reaching a volume exceeding EUR 3,900 million, 26 % more than the previous year.

Table 1.

Supplier breakdown per division in 2017

Business line	Total no.	% total	No. Spain	No. rest
Energy	3,023	15	1,671	1,352
Infrastructure				
Construction	8,948	46	2,940	6,008
Concessions	1,042	5	165	877
Infrastructure maintenance	665	3	665	0
Water	644	3	567	77
Services	2,401	12	2,095	306
Industrial	833	4	260	573
Other businesses*	1,996	10	1,746	250
Total	19,552	100	10,109	9,443

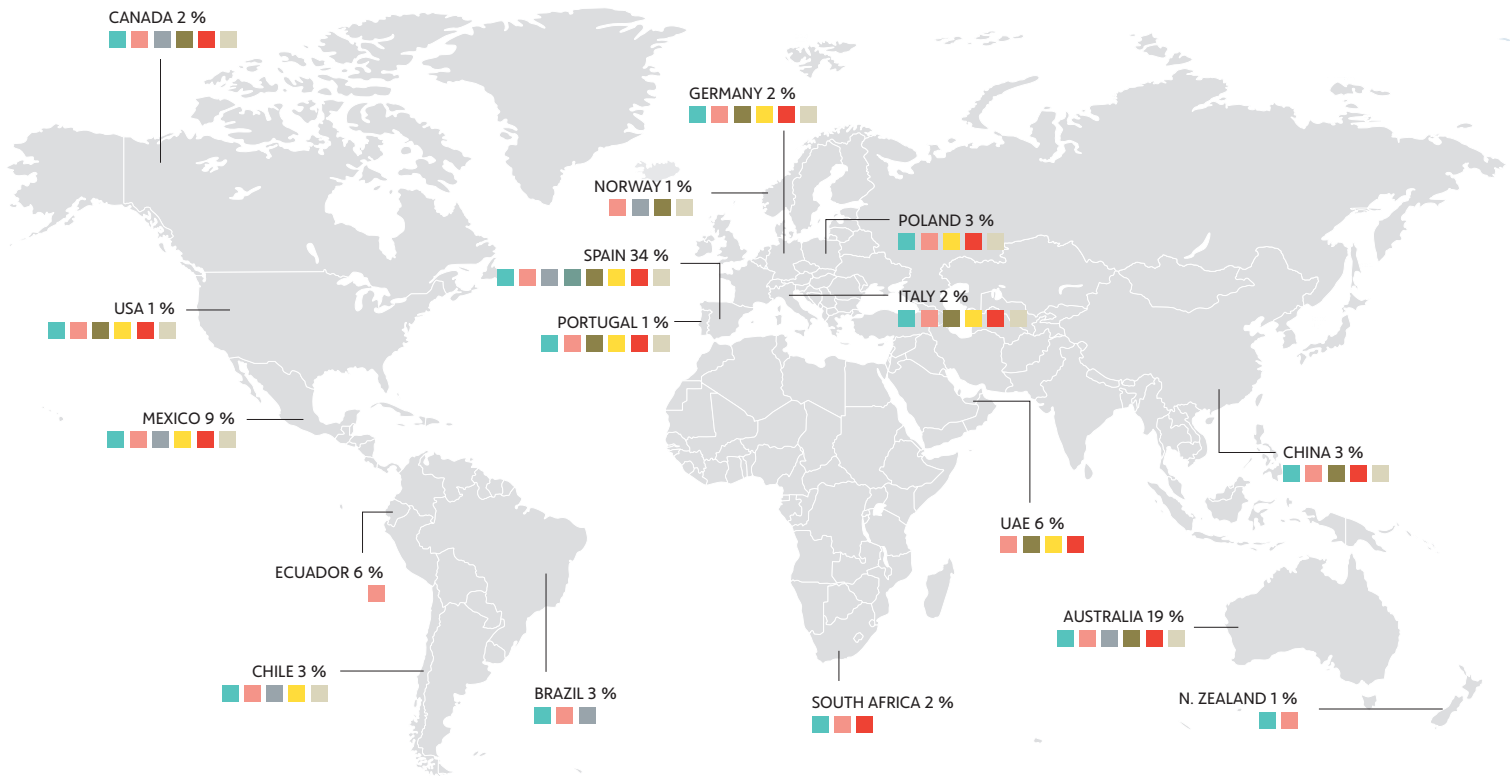
*Includes Bodegas, Corporate, ACCIONA Inmobiliaria and Trasmediterranea.

THE ASSOCIATION OF PROCUREMENT, CONTRACTING AND SUPPLY PROFESSIONALS GAVE RECOGNITION TO PROCUR-E, NAMING IT BEST PROJECT IN SPAIN IN THE AREA OF THE TRANSFORMATION OF THE PROCUREMENT FUNCTION

GEOGRAPHICAL DISTRIBUTION OF PROCUREMENT

Approximately 80 % of the volume of purchases for 2017 come from seven countries, including Spain, Australia, Mexico, the United Arab Emirates, Ecuador, Chile and China. There is a notable increase in Australian suppliers, due to the greater presence of ACCIONA in this country.

FIGURE 1.
Origin of ACCIONA group supplies



Percentages for the volume of purchases in 2017 through orders to suppliers including group companies according to their countries.

Energy Construction Concessions Maint. Water Services Industrial Other business

NB: the countries of origin are shown that exceed 1 % of total procurement.

CRITICAL SUPPLIERS

As in previous years, the level of criticality of ACCIONA's suppliers and contractors is established by their economic risk, in other words, any supplier with an annual business relationship representing more than 100,000 is considered critical. Additionally, any suppliers whose characteristics, origin or unique nature entail a risk for the company, are also considered critical.

In accordance with the foregoing criteria, as was the case in 2016, in 2017, 17 % of ACCIONA suppliers were considered critical suppliers.

Table 2.

Critical suppliers by division in 2017

Business line	Total no.	No. critical	% total
Energy	3,023	480	16
Infrastructure			
Construction	8,948	2,048	23
Concessions	1,042	67	6
Infrastructure maintenance	665	14	2
Water	644	101	16
Services	2,401	139	6
Industrial	833	213	26
Other businesses*	1,996	242	12
ACCIONA Total	19,552	3,304	17

* Includes Bodegas, Corporate, ACCIONA Inmobiliaria and Trasmediterranea

LOCAL SUPPLIERS

ACCIONA continues to strengthen its relations with suppliers based in the countries in which it operates, fostering the local development of these communities. In doing so, it also reduces the operative risk by securing shorter lead times for products and the provision of services.

In 2017, 94 % of active ACCIONA suppliers were local suppliers²⁵, totalled 18,387, 8 % more than the previous year. In 2018, a study was carried out on the possibility of improving local procurement through the “KM-0” analysis project.

Table 3.

Local suppliers by division in 2017

Business line	Total no.	No. local	% total
Energy	3,023	2,854	94
Infrastructure			
Construction	8,948	8,408	94
Concessions	1,042	992	95
Infrastructure maintenance	665	665	100
Water	644	590	92
Services	2,401	2,345	98
Industrial	833	710	85
Other businesses*	1,996	1,823	91
Total	19,552	18,387	94

* Includes Bodegas, Corporate, ACCIONA Inmobiliaria and Trasmediterranea.

(25) These are those in which the country where the supplier is located coincides with the country where the company or Temporary Joint Venture of ACCIONA has carried out its business.

RESPONSIBLE MANAGEMENT OF THE ACCIONA SUPPLY CHAIN

For another year, the company has continued to work on bringing sustainability closer to the whole of the supply chain, without losing sight of the global and technological transformation.

- The objectives and commitments to supply chain management are: to know risks, their scope and criticality; to know what the exposure to risk is (both operational and social); to launch initiatives that help mitigate the risk and, where appropriate, to draw up corrective plans and improvements to attenuate or even eliminate it.
- The supply chain Risk Map and the Supplier Certification and Evaluation Procedure are the two major levers that, together with the Self-declaration of Responsibility for company Suppliers, the Ethical Standards, the audits, evaluations and No Go Policies, respond to the ACCIONA responsible management of the supply chain model.
- The development and implementation of policies guaranteeing these commitments in ACCIONA are included in the No Go Policies. Breach of the minimums set out in these policies means that no contracts can be stipulated with ACCIONA until the relevant causes are remedied.

RISKS AND CONTROLS IN THE SUPPLY CHAIN

ACCIONA continues to optimise the process governing the company's Procurement Function. Together with the Internal Audit Department, new risks have been clarified, updated and identified that may impact the supply chain. ACCIONA has identified two types of risks associated with procurement processes:

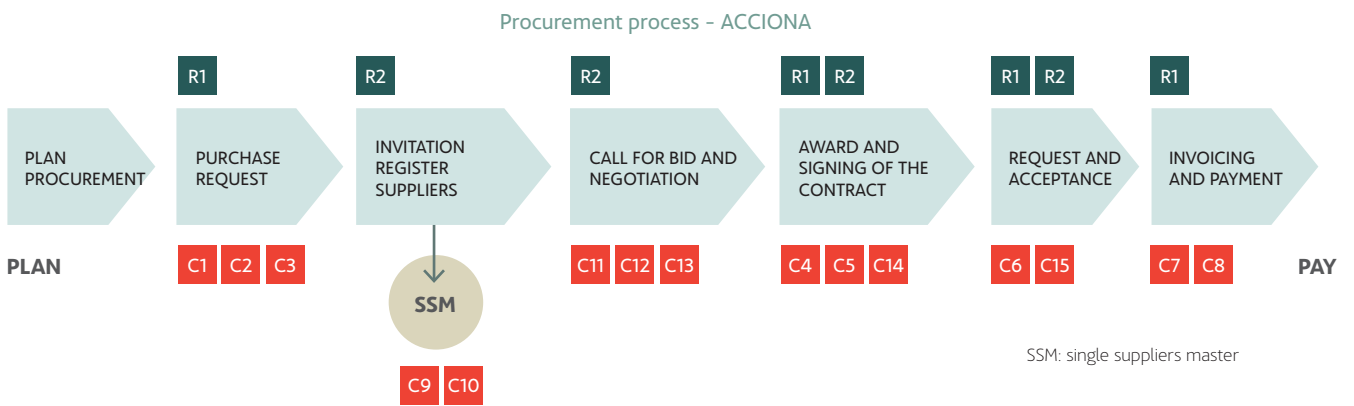
- Operational risks: linked to business earnings or that infringe the ACCIONA Procurement Standard. For example, the making of unauthorised purchases or those that had not been budgeted for, contracting of orders by persons outside the Procurement Department and non-compliance with the group procurement policy.
- Compliance, sustainability, environmental and social risks: linked to poor practices in matters of corporate responsibility and sustainability, such as the environmental impact, the violation of human rights or the lack of transparency and ethics in procurement processes.

For both risk types, ACCIONA has developed preventive control mechanisms that help mitigate problems in the future.

Figure 2.

Risks and controls throughout the procurement process

CORPORATE PROCUREMENT STANDARD



R1. Operational risks

- C1. Budget controls.
- C2. Request with maximum amount per type of procurement.
- C3. Choice of material with framework agreement.
- C4. Joint approval of the Proposed Award by Procurement and the requesting unit.
- C5. The compulsory contract clauses previously revised by the Legal Department.
- C6. Segregation of duties in the creation and acceptance of the request.
- C7. Invoice associated with the request with the compulsory acceptance number.
- C8. The information given on the invoice must coincide with that of the order and acceptance.

R2. Compliance, Sustainability, Environmental and Social Risks

- C9. Self-declaration of responsibility for suppliers.
- C10. Synchronisation of the supplier in the Single Master of the ACCIONA group.
- C11. General contracting conditions.
- C12. Complete ACCIONA registration for the sending of offers through PROCUR-e.
- C13. Calculation of the Risk Map v2.0.
- C14. Supplier certification, if applicable.
- C15. Assessment of the order/Contract by the requesting unit

SUPPLY CHAIN RISK MAP

The ACCIONA Risk Map, a tool for controlling the supply chain that allows for risk management, supports decision-making criteria for procurement and the identification of potential areas for improvement in suppliers. It is an essential mechanism by which to transmit the ACCIONA criteria and policies regarding corporate liability and sustainability to the whole of the supply chain.

Every day, PROCUR-e updates all the information of the risk map, combining information contributed by suppliers in their questionnaires with direct integration with external systems and ACCIONA's internal information. The risk map is known prior to contracting and helps ensure that ESG criteria are an important part of the supplier selection process. The 10 variables comprising the risk map are: Supplier Integrity, Supplier Country Risk, Corporate Responsibility and Sustainability, Economic Solvency, Economic Dependence, OHS Activity Risk, Environmental/CO₂ Risk, Legal Documentation Status, ISOs Status and Supplier Assessment.

MITIGATION CONTROLS

In 2017, progress continued in the development of mitigation controls for cases of variables for which a significant risk to the company has been detected, specifically:

- Integrity risk: carrying out due diligence on suppliers, in collaboration with the Compliance Management.
- Country risk: 56 % increase in the number of corporate audits on suppliers to verify, amongst other factors, compliance with the ten Global Compact principles.
- CR and Sustainability risk: new supplier training course hinged mainly on measures that can be adopted by a company of any size, to improve its performance.
- OHS risk: in liaison with the OHS departments of the businesses. Launch of Voluntary Improvement Plans for adherence by suppliers with an incidence rate that exceeds the risk level accepted by ACCIONA.
- Environmental risk: in collaboration with the Environmental Departments of the businesses, the businesses that have been charged with environmental sanctions are analysed.

PROCUR-e Risk Map v2.0

The PROCUR-e Risk Map v2.0 in 2017 numbers 16,712 suppliers, 66 % more than in 2016, resulting in analysis of 55 % of the risk of all contracts, thereby generating an increase in its scope. By the same token, 5,956 suppliers are international, 102 % more than in 2016, highlighting the globalisation strategy of the risk management model in the company's supply chain. Suppliers must have a risk map if they wish to submit a bid on PROCUR-e, meaning that the number grows significantly from year to year.

This is mainly due to the supplier development works (training, improvement plans, enhanced due diligence, audits, etc.), which cause them to gain a better positioning with respect to ACCIONA's standards. In 2017, 93 % of suppliers have a medium/low risk level.

Table 4.

Distribution of risk on the Risk Map in PROCUR-e v2.0

	2015	2016	2017
No. suppliers	2,457	10,056	16,712
Low risk	51 %	49 %	67 %
Medium risk	33 %	37 %	26 %
High risk	16 %	14 %	7 %

PROCUR-e Critical Supplier Risk Map v2.0

The PROCUR-e Risk Map v2.0 for critical suppliers numbers 1,778 suppliers in 2017, showing a 35 % increase compared to the previous year. The contracting of these suppliers accounts for:

- 51 % of total group contracts.
- 55 % of contracts with critical suppliers.
- 69 % of contracts with critical suppliers of own works (works that ACCIONA is responsible for managing).

91 % of critical suppliers are medium to low risk.

FIGURE 3
PROCUR-e Critical Supplier Risk Map v2.0

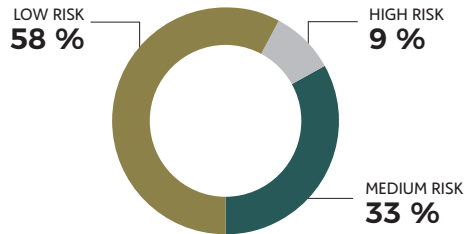
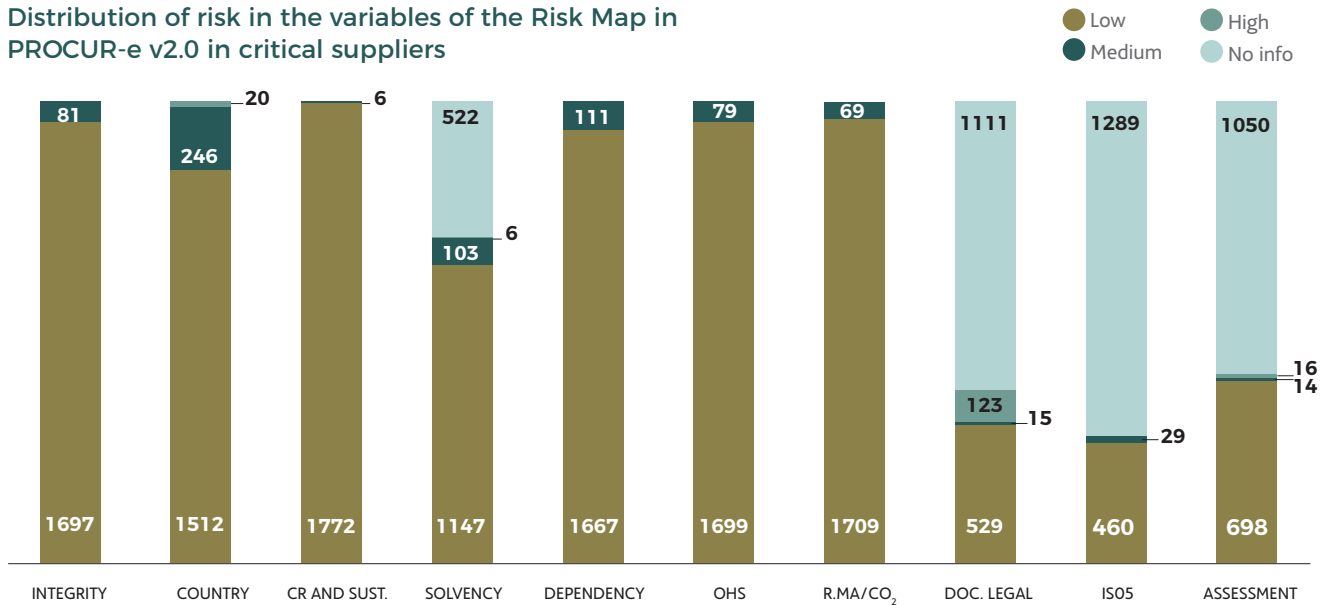


FIGURE 4.
Distribution of risk in the variables of the Risk Map in PROCUR-e v2.0 in critical suppliers



NB: the four variables that show suppliers without information contain data from external systems. The series of values shown in light green corresponds to information not reported by said systems

After analysing critical suppliers, the following conclusions are drawn:

- In 2017, no supplier was contracted for more than EUR 100,000 with the integrity variable classed as high risk, as this is included in the No Go Policies and there are only two options: not to contract the company in question or to carry out reinforced due diligence (RDD), which mitigates the risk level of this company.
- The country risk level has been reduced, thanks to the increase in international audits verifying compliance with international standards.
- Improvement in the CR and Sustainability variable, mainly due to training aimed at training suppliers with the worst performance in this area.

Risk Map v3.0

In 2017, ACCIONA worked on the study of the variables and nature of the risk, which may have a negative impact on the group interests and values. Therefore, at end 2017, the new version of the PROCUR-e Risk Map v3.0 was defined, to be implemented in 2018 with the main goal of aligning high risk with No Go Policies.

In doing so, it is easier to distinguish between the companies that do not comply with ACCIONA standards and that cannot, therefore, work with any group companies until they settle their deviations. This also ensures efforts are focussed on the development of suppliers towards higher risk business relations or directly preventing them from occurring.

NO GO POLICIES

No Go suppliers are suppliers that do not meet the minimum requirements laid down in the Policies. These suppliers cannot be contracted by the group until they solve the shortcomings that put them in this position.

The No Go Policies include the following:

- Supplier with significant risk of ethics and integrity, as it is sanctioned on international lists or shows serious indicators of corruption, fraud or money laundering.
- Critical suppliers in high-risk countries without audit or with audit but with one or more Serious Non-Compliances that have not been remedied.
- Proven non-compliance with the United Nations Global Compact.
- Economic solvency risk.
- Social security or revenue agency debts.
- Companies penalised by the performance assessment on previous works with ACCIONA or serious shortcomings detected in audit and not remedied.

FOCUS ON THE CR AND SUSTAINABILITY VARIABLE

The CR and Sustainability questionnaire helps prepare part of the Risk Map, analysing the supplier's commitment to transparency and ethics, human rights and social action, health and safety and quality and the environment.

In 2017, this variable underwent a change in criterion to bring it into line with the No Go Policies, identifying as high risk all companies revealing a demonstrated non-compliance with the United Nations Global Compact. Only two suppliers were identified whose work practices did not comply with International Standards: one solved its shortcomings in 2017 and the second has ceased working with ACCIONA, forming part of the group of No Go suppliers.

In 2017, 23,548 questionnaires were sent out to suppliers, accounting for 58 % of the year's contracts, obtaining the CR and Sustainability rating for 16,712 companies. The number of suppliers with this rating has increased by 66 %. Internationally, in 2015 there were 458 questionnaires, 2,937 in 2016, and this year, the figure of 5,956 was achieved, 102 % more than the previous year.

The average rating obtained by these companies is 50.47 (A-), distributed as follows:

Table 5.

Supplier scoring on the CR and Sustainability variable in 2017

Scoring on the variable CR and Sustainability	No. of suppliers in 2017
B-	329
B	5,349
A-	6,376
A	3,481
A+	1,177
TOTAL	16,712

Through this variable, the supplier is also assessed in terms of human rights. ACCIONA is aware that it needs to monitor and ensure respect of human rights across the supply chain, not only of direct suppliers, but also those on all other levels.

Within PROCUR-e, there are elements that help identify and manage due compliance in this respect:

- Maplecroft indexes. Through these indexes, countries are identified in which these rights are most vulnerable.
- CR and sustainability questionnaire. Suppliers answer questions on international standards.

- And, lastly, to manage the risk, there is also the audit process, in which correct compliance is verified and checked.

In the same way, the PROCUR-e questionnaire reflects the control of ACCIONA suppliers over their suppliers. Of the 16,712 suppliers with a Risk Map, 5,745 (34 %) confirm that they carry out audits on compliance with regulations and international standards, on their suppliers. It is again seen that this percentage grows in companies with the highest turnover.

FOCUS ON THE VARIABLE INTEGRITY

Maintaining relations with upstanding suppliers is one of ACCIONA's objectives. To achieve it, the Integrity variable is analysed, defined by the company as "the supplier's positioning in terms of money laundering, tax havens, corruption disputes, inclusion on international sanction lists, etc."

In 2017, through specific analysis tools, a due diligence process was carried out on 5,947 suppliers (a 50 % increase on 2016), which means that 49 % of total group contracts were analysed. Once analysed, suppliers continue to be monitored and followed-up on a daily basis.

Of the 24 suppliers identified as having significant risk in 2017 in the Integrity variable, 12 have remedied the situation through reinforced due diligence (RDD)²⁶, as set out in the ACCIONA Anti-Corruption Standards and the Guide to the Interpretation of Integrity. The data provided by the supplier in this respect is analysed and measured jointly with the Compliance Management.

The other 12 did not have any contracts after the failure and are currently in a No Go situation.

The integrity study was also carried out on shareholders or third parties, on the same basis as for suppliers. Through this process, at close of 2017, 177 shareholders, collaborators or agents had been analysed and continued to be monitored.

CORPORATE PROCEDURE FOR SUPPLIER CERTIFICATION AND EVALUATION

The ACCIONA certification process is a complete, objective process whereby a full analysis is performed of the supplier in a process seeking to continuously minimise risks.

In 2017, a new edition of the procedure was approved, to bring it into line with the No Go Policies and the supplier integrity study, amongst others. At the end of the year, 3,850 suppliers had been certified: 1,238 were for the first time, 2,120 had current certification, 372 were recertified and 129 lost certification due to expiry of validity and not having requested certification in 2017.

(26) More information on reinforced due diligence is available in the chapter on "Corporate Governance".

SUPPLIER MANAGEMENT CONTROLS

The supply chain controls are established by levels of criticality, where they become more in-depth as the risks increase: economic, country, business and CR and sustainability. These levels are:

1. Level one: the supplier must accept the ACCIONA group self-declaration document. This includes the Code of Conduct, the Ethical Principles for Suppliers and minimum levels as regards integrity, the environment and quality. This requirement is necessary and essential to access the Supplier Portal.
2. Level two: in order to submit bids in PROCUR-e, the following are necessary: fill in the self-assessment questionnaire on the platform, so that the company is included on the Risk Map and monitored daily.
3. Level three: suppliers that have been awarded a cumulative total of more than EUR 100,000 (considered as critical suppliers) require an additional control, which is reflected in the approval process.
4. Level four: focus on critical suppliers from risk countries or with specific or recurring contracts. For this group, corporate audits and regulatory compliance audits are carried out by an external agent, who performs an *in situ* assessment with the ACCIONA group Audit Protocol.

CERTIFICATION AND IMPROVEMENT PLANS

The improvement plans seek to make the most of the opportunity of pursuing the business development of the supplier, and reducing the supply chain risk. ACCIONA applies these plans as a result of the supplier certification process, mainly in occupational health and safety and environmental protection.

In 2017, 41 suppliers requesting certification were analysed as having high risk in OHS. The analyses resulted in the conclusion that there were no significant risks in 12 of them. The rest adhered to an Improvement Plan proposed by ACCIONA.

In 2017, no environmental risk was detected in suppliers requesting certification, hence no improvement plan was developed outside those established in audits.



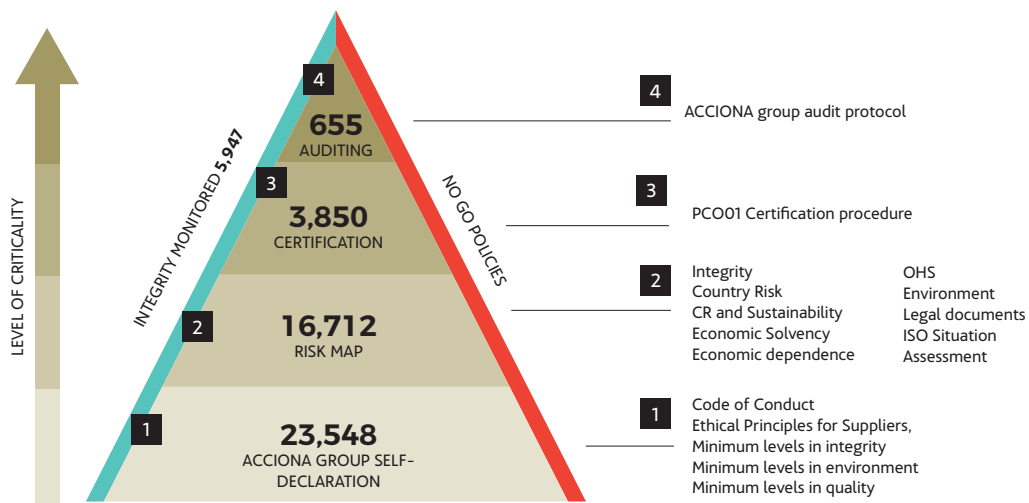
MORE INFORMATION

see example of health and safety improvement plan for suppliers in the chapter on "ACCIONA Infrastructure's Commitment"

SUPPLIER PERFORMANCE ASSESSMENT

ACCIONA assesses the supplier's performance to check that the requirements met initially continue throughout the business relationship. In 2017, supplier assessments continued in accordance with the criteria relating to time frames, occupational risk prevention, quality, the environment, compliance with administrative obligations and technical capacity. The result: more than 6,800 assessments of orders placed with more than 3,100 suppliers. 93 % of these assessments were type A or B (supplier highly recommended or recommended). This data and percentages are very similar to those of 2016.

Figure 6.
Level of criticality supply chain controls



ENVIRONMENTAL, LABOUR AND SOCIAL ASSESSMENT OF SUPPLIERS AND AUDITS

The PROCUR-e Risk Map involves the assessment of 16,712 companies for ESG matters: Environment, Social and Human Rights; Ethics, Integrity and Governance; and other matters supporting the buyer’s decision, such as performance assessment or economic solvency.

CERTIFICATIONS

ACCIONA positively values suppliers that are Quality, Environment and OHS-certified according to the main internationally recognised standards, ISO 9001, ISO 14001 and OHSAS 18001 respectively. Audits and verifications are also run on suppliers to verify the business practices and that certificates are up-to-date.

Of the 16,712 suppliers fully registered with PROCUR-e, the percentage of suppliers declaring that they have one of these key certificates are:

Table 6.

Suppliers with quality, environmental and OHS certificates, by division

	ISO 9001 (Quality)	ISO 14001 (Environment)	OHSAS 18001 (OHS)
Energy	42	24	31
Infrastructure	44	27	39
Construction	45	29	40
Concessions	39	39	22
Water	48	24	37
Services	38	24	39
Industrial	58	32	40
Trasmediterranea	53	37	47
Other businesses*	41	22	35
Corporate	36	21	36

Note: % obtained on fully registered suppliers in PROCUR-e (16,712), and their statements regarding their possession of different certifications.

* Includes Bodegas, ACCIONA Inmobiliaria and Trasmediterranea.

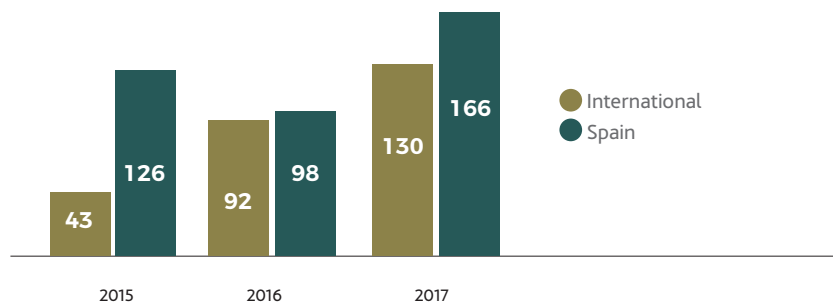
2017 AUDIT PLAN AND VERIFICATION OF QUESTIONNAIRES

Audits are one of the key tools by which to verify compliance with sustainability commitments in the supply chain, generating shared value and allowing measures to be implemented that can have a positive impact on society.

External Audits

During the last three years, the evolution of audits has been considerable, as a result of the application of the business procedures and the ACCIONA commitment in the knowledge and improvement of the supply chain, with 655 suppliers with audits (validity is for 3 years) at the end of the year.

FIGURE 7.

Evolution of supplier audits

Throughout 2017, 296 audits were carried out on suppliers, making for a 56 % increase compared to the previous year. They were carried out by auditing firms operating globally and with local auditors possessing the necessary country-specific know-how.

At ACCIONA, as seen in the certification procedure, there are two types of audits:

- 1. Certification audits:** carried out on critical suppliers. The level of criticality may stem from a risk country or risk detected in CR; it is essential to overcome this process in order to be certified. In 2017, 47 audits were organised on suppliers from risk countries. 88.46 % of critical suppliers of own works in the risk country, are audited.
- 2. Monitoring audits:** these are carried out on suppliers of interest to the group, either due to recurrence, levels of criticality, specialisation, etc. In 2017, 249 audits were carried out in countries not considered at risk.

Internal Audits

Additionally, in 2017, there were 74 *in situ* visits to suppliers for the Quality departments' own staff, mainly in the Energy and Construction businesses. The aim is to ensure that they meet the requirements established by ACCIONA, particularly with regard to product quality, the manufacturing process or the service provided. In the last 3 years, a total of 381 supplier visits were made.

Questionnaire verifications

The truthfulness of the supplier information registered in PROCUR-e is checked using third party document management tools that validate and monitor the information. Of the 16,712 suppliers with risk maps, these tools are used to check information on: 2,366 suppliers by Repro/Achilles and 3,205 suppliers by Obralia/Gestiona, platforms that are used by the group's different businesses.

MONITOR COMPLIANCE WITH THE GENERAL DISABILITY ACT

PROCUR-e monitors compliance with the General Disability Act (LGD as per its Spanish acronym) for Spanish suppliers. Of the 10,756 with complete registration, 97 % declared that they complied with the act or were in possession of a certificate of excellence.

RESOLUTION OF MAJOR OR SERIOUS NON-CONFORMITIES

Suppliers with Serious Non-Conformities detected in an audit are assigned time frames within which to remedy them. Once these time frames have come to an end, the supplier is assigned to No Go status.

80.6 % of suppliers audited in 2016 solved their Serious Non-Conformities, thereby showing a greater commitment on their part.

Of the suppliers audited in 2017:

- 46 % had no Serious Non-Conformities.
- the remaining 54 % implemented various action plans.
 - More than 55 % fully or partially solved their shortcomings.
 - 42 % of No Go suppliers (35/84) had been classified as such for failing to solve their Serious Non-Conformities within the time frames assigned. 23 % of these have now done so, after taking suitable steps.

Of the critical suppliers audited in risk countries:

- 25 % had no Serious Non-Conformities.
- the remaining 75 % implemented various action plans.
 - More than 50 % fully or partially solved their shortcomings.

74 % of the SNCs continue to arise in the Health and Safety, and Quality and Environment sections, hence the aim is to continue to work with the suppliers to improve development in these areas.

The company is aware that insisting on resolving these shortcomings is the right approach helping its suppliers with the continuous improvement of their processes and management and the mitigation of supply chain risks. Working with better suppliers improves the company's performance and generates shared value.

ETHICS FOR SUPPLIERS, CONTRACTORS AND PARTNERS

ACCIONA views the dissemination of the Company's ethical principles to its supply chain as a priority for alignment with its suppliers, ensuring the sustainability of its businesses in the different countries in which it operates and seeking to strike a balance between economic results, personal growth and development and respect for human rights and the environment.

The challenge of transferring sustainability is achieved through transparency and communication. In 2017, ACCIONA made more than 340,000 communications to suppliers, conveying the essence of these principles, by means of the acceptance of the Self-declaration of Responsibility for Suppliers document, orders, contracts, tender bases, bulletins and training courses.

The Self-declaration of Responsibility for Suppliers of the ACCIONA group continues to be one of the mechanisms used to prevent, mitigate and spread awareness of the ACCIONA sustainability policies and the gateway for becoming a supplier. This includes the Ten Global Compact Principles, the Ethical Principles for Suppliers, the Code of Conduct and ACCIONA's minimum levels as regards of Integrity, Quality and the Environment. Any supplier that does not accept it, may not work with ACCIONA.

The ethical principles and ACCIONA's commitment to the Global Compact also form part of the group's ethical clauses. The inclusion of these clauses pursues the termination of contracts with suppliers whose activity does not incorporate corporate responsibility and sustainability criteria in line with ACCIONA standards. In 2017, more than 159,000 requests and contracts included these clauses (93 % of orders placed with suppliers, the 7 point difference mainly relates to projects awarded in temporary JVs and international projects).

SUPPLIER TRAINING AND COMMUNICATION

The Suppliers Campus of ACCIONA's Corporate University is integrated into PROCUR-e, and is available free of charge to all suppliers. In 2017, four training campaigns were launched.

Additionally, a new course has been developed for suppliers called "Sustainability applied to your business"; this was designed by ACCIONA in collaboration with the Spanish Global Compact Network to bring sustainability to small and medium suppliers, with a focus that is mainly practical and in line with the ACCIONA CR and Sustainability questionnaire.

A new version of the "Code of Conduct" course has also been made available to all suppliers in PROCUR-e, conveying ACCIONA's ethical values and the behavioural challenges for all stakeholders.

The 1,492 companies contracted in 2017 and their 1,923 employees, were involved in the following courses:

Table 7.

Evolution of supplier training

Course delivered	2015		2016		2017	
	No. suppliers	No. people	No. suppliers	No. people	No. suppliers	No. people
Code of Conduct	131	379	120	181	393	476
CR and sustainability in the supply chain	139	408	134	209	299	394
Basic concepts, management and international OHS standards	134	402	149	227	380	480
Equality and the prevention of discrimination	114	326	142	213	222	302
Dissability awareness	110	307	136	202	198	271
Total	628	1,822	681	1,032	1,492	1,923



MORE INFORMATION
see the chapter on "People"

As an integral part of supplier training, ACCIONA has 20 questionnaire assistance sheets, available in both Spanish and English and this year, also in Portuguese.

In terms of communication on OHS matters, ACCIONA continues to distribute a quarterly Supplier Bulletin.

COMMUNICATIONS CHANNELS WITH SUPPLIERS

Throughout 2017, communications continued with suppliers through the already mature channels in ACCIONA: compraresponsable@acciona.com, boletinproveedores@acciona.com, proveedores@acciona.es and procure.help@acciona.com. Suppliers can also rely on the ethical channel to report any irregular practice, which ACCIONA will then review.

OTHER INITIATIVES WITH SUPPLIERS

SUPPLIER SATISFACTION SURVEY

This year, ACCIONA implemented the "Supplier satisfaction survey" in which 1,009 Spanish and international suppliers took part by providing their answers. One of the main goals was to understand the importance that the ACCIONA supply chain assigns to sustainability. In this sense, supplier self-assessment was very high, with integrity (working honestly to prevent corruption) and health and occupational safety standing out in particular.

As part of this initiative, ACCIONA contributed to a solidarity project to help to combat hunger in Africa, with a donation for every questionnaire completed. Additionally, the Spanish suppliers completing the questionnaire were also entered into a prize draw for 10 free memberships of the Global Compact. In 2018, ACCIONA will be working with them on a joint project with the Global Compact to bring sustainability to small businesses, making it credible and achievable.



MORE INFORMATION
*in the section on "Humanitarian aid"
of the "Society" chapter*

INTEGRATION OF ESG PRINCIPLES INTO THE PROCUREMENT PROCESS

In order to identify sustainable procurement, ACCIONA has developed the "Sustainable Procurement Guide". Since 2016, the indicators for its identification have been implemented, both in PROCUR-e and in the main management systems. In 2018, this guide will be revised in order to attempt to adapt it to the new sustainability requirements.

Find below some examples of how the sustainability criteria have been incorporated into procurement and contracting management, and the different actions carried out by the main divisions in this regard.

<p>Renewable energy</p>	<p>In 2017, 525 GWh of energy from renewable sources was consumed. Moreover, 1,208 supply points consumed 100 % renewable energy, as compared with 1,165 in 2016.</p> <p>This commitment to using renewable sources, in addition to the action taken in terms of adjustments made to power and improved contracting and management of electricity meters, resulted in total savings of EUR 1,139,000.</p>
<p>Eco-efficient vehicle fleet</p>	<p>The operative fleet in 2017 was made up of 473 vehicles, of which 141 are low emission vehicles, i.e., emitting less than 120 g CO₂/km, which implies lower fuel consumption.</p> <p>99.7 % of the fleet has EURO5 and EURO6 engines, 3.4 % are hybrid powered vehicles with EURO6 engines (a total of 15 vehicles) and 0.7 % are electric vehicles (a total of 3 vehicles), resulting in lower CO₂ emissions, and a reduction in NO_x and particulate emissions.</p>
<p>Sustainable mobility</p>	<p>Corporate car sharing pilot project: shared electric mobility for business travel. ACCIONA has pursued the implementation of a pilot project with electric vehicles using car sharing technology, thereby offering an efficient solution to timely needs for corporate mobility in work travel. Key figures from March to November: 800 hours of use, 7000 km travelled, 750 kg CO₂ avoided.</p>

Sustainable wood

In 2017, 307.01 tonnes of wood consumed by ACCIONA Construction was certified. ACCIONA S. A., ACCIONA Energy and ACCIONA Service include a clause applicable to all wood-derivative orders and contracts in their ERP: "The Customer shall ask the Supplier for the forest products chain of custody certificate (FSC, PEFC, or similar) for all wooden elements that are the subject of this request."

Hiring of Special Employment Centres

In 2017, contracts were stipulated with 23 Special Employment Centres. The aim of this practice is to promote the inclusion of people with disabilities into the workplace. Hiring throughout 2017 totalled EUR 3,038,106.50, a 25 % increase over the previous year. ACCIONA mainly uses these companies to supply work clothing, laundry services, safety materials, travel agencies, printing and vending machines, amongst others. Of the various group companies, Trasmediterranea stands out once again, increasing its contracts in the SEC on last year by 66 % and in EROM by 47 %.

LEED certified steel

In ACCIONA Construction, in the project in the region of Talca (Chile), priority was given to the procurement of steel bars with LEED certification, to certifiers associated with Gerdau: Gerdau is the local steelworks that fosters local employment and development and which manufactures steel using electric furnaces and scrap by way of raw material, with the LEED certificates that bear it out.

ACCIONA'S EXCELLENT MANAGEMENT

The company has chosen to focus its business activities on sustainability and technical excellence, which, coupled with the demands it must meet to remain competitive on a globalised market - with qualified, knowledgeable users and customers - means that the quality of its products and services and the efficiency of its operations, are key to the strategy. This strategy takes tangible form through: maximum commitment by Senior Management, including quality in the management of the processes and the existence of quality teams with a cross-cutting view, which play an active part in continuous improvement. This approach is primarily structured around the Sustainability Master Plan, which sets out goals for improvement, acknowledging the key part that employees play in the company's improvement.

ACCIONA has a Corporate Quality Policy for the whole group, approved by the Board of Directors' Sustainability Committee. Additionally, each business has its own Quality Policy - approved by the top business manager - as part of its quality management systems.

In all businesses, there is a quality manager with responsibility for, amongst other matters, maintaining the corresponding quality management system. By the same token, the corporate department plays a coordinating, supervisory and supportive role with the businesses and leads the development of the company's Regulatory System, which was revised in 2017, together with the General Area of Compliance, to adapt it to the company's current situation. The main aim is to ensure that it is homogeneous and effective, and that it is disseminated to employees to raise their awareness to it.

In this regard, ACCIONA has delivered 176,000 hours of training and awareness-raising in processes and quality, more than 10 times the number of hours delivered the previous year.

QUALITY IN ACCIONA'S OPERATIONS

Certified management systems

All divisions of ACCIONA in Spain and internationally have certified management systems compliant with some of the most important international references on quality, the environment and safety of customers and users: ISO 9001, ISO 14001, ISO 50001, ISO 22000, SA 8000, ISO 27001, ISO 39001, FSCC, EMAS, IFS etc. ACCIONA aims to ensure organisational commitment to continuous improvement of processes and activities, guaranteeing the competence of its staff to conduct the work assigned and the economic and technical organisational capacity to carry them out in each of the countries it operates.

In 2017, 91 % of group sales were ISO 9001-certified and 88 % of sales were ISO 14001-certified. Moreover, the company's activities which are certified ISO 9001 and ISO 14001 include 100 % of the certifiable installed MW, 100 % of the marketing and sale of renewable energy with guaranteed origin accredited by CNMV and 100 % of the construction business in various countries - Spain, Chile, Mexico, Canada, Poland, Australia, etc..

Improvement tools

The audits, both of customers and certification entities in relation to ACCIONA management systems, constitute one of the main tools that the company relies on in order to identify opportunities for improvement.

In 2017, 585 internal audits were carried out in ACCIONA, 6 % more than in 2016 and 259 external audits were received, for the main standards implemented and certified. All businesses have managed to certify or renew, after passing the external audit, the certifications of the different management systems implemented.

ACCIONA received 186 client audits, 14 % more than in 2016. ACCIONA Services accounts for 54 % of all audits received from customers in 2017.

Improvement groups and lessons learned

In 2017, 56 improvement groups operated in ACCIONA, 44 % more than the previous year, with the direct involvement of more than 400 employees grouped into multidisciplinary teams, to identify and implement innovative solutions, as well as to establish mechanisms that allow for the management of the risks associated with the various businesses. These groups worked in very different areas, from wind production to Quality, Environment and Safety Improvement Programme of Engineering and Construction, both of ACCIONA Energy; the improvement in the Trasmediterranea customer experience, the stakeholder satisfaction surveys run by ACCIONA Services or the improvement of processes in ACCIONA Agua.



MORE INFORMATION
in the chapters "ACCIONA Energy's commitment" "ACCIONA Infrastructure's commitment" and "Other business' commitment"



MORE INFORMATION
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Lessons learned and best practices are tools that ACCIONA uses to document and share the knowledge gained with experience, and to make it available for the benefit of the entire company. Once approved, they are disseminated to employees in various ways and used as incoming elements to improve the processes with which they are related. In 2017, a total of 221 lessons learned and best practices were identified.



MORE INFORMATION
in the section for customers, products and services of the "Company profile" chapter

ACCIONA'S COMMITMENT TO ITS CUSTOMERS

Meeting the needs and expectations of its customers and users is ACCIONA's main objective. The company's different businesses mean that it has various different types of customers, primarily consisting of large customers from the public sector and private sector, such as private companies (business to business - B2B) and financial investors, amongst others. Notwithstanding this, in several of its companies, such as ACCIONA Agua, ACCIONA Services, Grupo Bodegas Palacio 1894, Trasmediterranea and ACCIONA Inmobiliaria, the company has business-to-customer consumers or clients.

Customer relationship and communication

Given the diversity of customers that ACCIONA has, the communication channels are very diverse, pursuing greater accessibility and agility in its dialogue with the customers and other company stakeholders. The following stand out:

- Personal managers: all ACCIONA companies that execute projects, designate contract managers who are available to the customer throughout their relations with the company.
- Meetings with customers: identify their needs and expectations in connection with the product or service provided and the degree of satisfaction.
- Websites: ACCIONA Green Energy, Trasmediterranea, Grupo Bodegas Palacio 1894, ACCIONA Concessions, ACCIONA Agua and ACCIONA Services, amongst others, have specific sections for consulting information and providing services online.
- IT applications: improve the customer experience, by allowing customers to submit complaints and claims or as a means by which to inform them of the measurement of results of certain services.
- Physical customer service points and dealing directly with customers: all companies that manage large construction projects, operations or concessions, hold regular meetings with their customers since the contract is signed through to its completion. Customer service offices are also set up for the ACCIONA Agua services, property developments, handling services in airports, winery stores or shipping stations in Trasmediterranea.
- Call centres and telephone lines: attend to customer needs 24 hours a day in various company businesses, such as ACCIONA Green Energy or ACCIONA Airport Services.
- Online services offered to customers: various companies offer their customers



MORE INFORMATION
in the "Stakeholder relations" section of the "Society" chapter

online services: virtual office or management services, information exchange platforms, online consumption and invoice consultations or forecast prices in ACCIONA Green Energy, sales channels, like the Grupo Bodegas Palacio 1894 online store, or on-line chat and a “click to call” button on the Trasmediterranea website to request immediate contact by telephone.

- Publications and signs: like the Trasmediterranea digital signs system, which launches real time promotions in any ship. It is also an interactive platform where passengers can find the information they need.

Customer satisfaction

Customer satisfaction is one of the most important aspects by which to measure ACCIONA's performance and facilitate the planning of specific actions aimed at improving customer experience with the company. This is why the measurement of customer satisfaction is one of the main aspects included in the Corporate Quality Policy and each year, concrete targets are set in the planning of each business, to improve the worst-rated aspects. In 2017 the following methods were used:

- Satisfaction surveys: is the method most used. Most of these are in digital format, in some cases accessible by tablet or smartphone by means of a QR code. In 2017, ACCIONA received 59,164 surveys, 665 % more than the previous years.
- Interviews: over the telephone or in person.
- “Happy or not” devices: Trasmediterranea passengers were able to assess the service using these electronic devices (755,881 responses received in six months).

Considering the diversity of the products and services offered by ACCIONA, the aspects contemplated in the measurement of customer satisfaction are very diverse: from the evaluation of time frames and human resources in ACCIONA Energy or ACCIONA Construction projects, through to commercial management, meter readings or billing in Green Energy, or Services where aspects like availability or incident resolution are assessed. In Bodegas, customers assess the product characteristics, customer service, logistics management and brand.



MORE INFORMATION

on communications channels in the chapters “ACCIONA Energy's commitment” ACCIONA Infrastructure's commitment” and “Other business' commitment”

Customer participation in satisfaction surveys:

Using these tools, each year the ACCIONA divisions measure the satisfaction of their customers. In 2017, a total of 59,164 surveys were received and the result was 99.8 % satisfied customers. The increase is mainly due to the improvement in the results obtained by Energy and Services.

Table 8.

Evolution of satisfied customers

	2015	2016	2017
Satisfied customers	98 %	97 %	99.8 %

Customer complaints and claims service

ACCIONA acts with due diligence when it receives complaints or claims from its customers:

1. It has specific procedures in all divisions for managing complaints, claims and suggestions received from customers and users.
2. It enables a wide variety of accessible channels, such as: ACCIONA Agua or Green Energy customer website sections, computer software applications or specific channels in Trasmediterranea (customer voice service, teller, through the DG of Merchant Shipping or Consumption Delegations).
3. It assigns parties responsible for solving issues, who evaluate the causes. The areas or figures responsible for managing claims, complaints and suggestions vary from business to business. The Quality areas coordinate the opening of non-conformities ensuing and their monitoring, although each claim is managed by the relevant area responsible. Trasmediterranea associates complaints with the account of each passenger in the CRM and the Quality and Customer Experience areas handle them.
4. Feedback to customers and users on the handling and resolution of complaints and their closure when conformity has been obtained in respect of the claim.
5. Registers and measures, each year, the number of claims received.
6. Obtains the degree of resolution of claims closed/pending to define action plans where necessary.

With respect to the total number of business to business claims, a drop of 14 % is noted compared to the previous year, which shows the success of the efforts made by ACCIONA as regards customer satisfaction.

Table 9.

Evolution of business to business claims

	2015	2016	2017
No. of claims	349	1,219	1,043

The average of B2B claims closed in a satisfactory manner came to 95 %, 8 % more than in 2016. The time taken to solve them is not comparable for the different ACCIONA businesses. This is due to the fact that the claims differ in terms of the nature of each business, technical complexity, the type of cause and influence of external factors, amongst others.

Table 10.

Evolution of business to customer claims

	2015	2016	2017
No. of claims per 1,000 customers	6	17.3	13.7

B2C claims dropped by 21 % with regard to 2016.

The company has no history of fines or sanctions for breach of laws or regulations on social and economic matters. Nor are the products, projects and services provided by ACCIONA prohibited on any of the markets on which it operates.

Loyalty, recommendation and comparison with competitors

The majority of ACCIONA's businesses also measure customer satisfaction through three additional evaluations:

1. The degree of recommendation or specifications obtained from the assessment that customers make when asked "Would you recommend ACCIONA to other companies?" based on the NPS (Net Promoter Score²⁷) indicator, which measures the difference between the percentage of detractor customers and the percentage of promoters.
2. The degree of loyalty in establishing lasting relations over time, by asking customers a direct question: "Likelihood of working with ACCIONA again".
3. The comparison of the company with respect to its competitors, measured through a comparative scale based on type: better, same, worse.

CUSTOMER HEALTH AND SAFETY

One of the principles of the ACCIONA Quality Policy is to monitor the health and safety of its customers and users. Additionally, each of the safety management systems implemented in the company has a policy setting out the principles and commitments applicable, having been approved by the senior management and made available to the parties concerned.

100 % of the products and significant activities of ACCIONA undergo assessments of their impact on the health and safety of customers and users, identifying, where necessary, any need for improvements.



MORE INFORMATION
in the chapters "ACCIONA Energy's commitment" "ACCIONA Infrastructure's commitment" and "Other business' commitment"

(27) The NPS index can range between -100 (all customers are detractors) and 100 (all promoters). An NPS higher than 0 is perceived as good and an NPS of 50 is excellent.

ACCIONA carries out various actions to guarantee the safety of its products and services:

- Information to customers for safe use of its products and services.
- Product quality controls and analysis of critical points.
- Continuous monitoring of facilities.
- Regulatory inspections and compliance with applicable law.
- Safety Management Systems: the development of the activities according to international benchmark standards established for each sector. 14 % of ACCIONA's turnover comes under the umbrella of one of these certified systems:
 - Road safety: implemented and certified in accordance with ISO 39001 on two motorways managed by ACCIONA Concessions.
 - Railroad transport safety: of ACCIONA Rail Services, audited by the Spanish Railway Safety Agency. Adjustments have been made to the new railway traffic regulation, including improvements to the communication and transfer processes.
 - Airport security: At its Palma de Mallorca and Frankfurt branch, ACCIONA Airport Services has the ISAGO (Safety Audit of Ground Operations) certificate, in accordance with the International Air Transport Association regulations.
 - Food safety: ACCIONA Facility Services and Bodegas are ISO 22000 certified for food safety management. Bodegas also has FSCC 22000 for the management of food safety risks in the supply chain. In 2017, ACCIONA Logistics obtained IFS Logística certification in two centres.
 - Safety in the trade and carriage of dangerous goods: ACCIONA Forwarding is certified by the Spanish National Safety Plan as a Known Dispatcher for air cargo, issued by the Spanish National Aviation Safety Agency (Agencia Estatal de Seguridad Aérea).
 - Safety in maritime transport: Trasmediterranea Safety Management System whose procedures are approved by the Directorate General of Merchant Shipping.
 - Information security: new certification of the ISO 27001 information security system, obtained by the concession company Hospital Can Misses.

Additionally, some ACCIONA products have specific product certificates, giving a further guarantee of safety. Such as, for example, the certificate CSA W47.1 (Canadian Welding Bureau) for metal structures, obtained in 2017 for Constructions in Chile, Peru and Ecuador.

In 2017, the company received penalties in 0.2 % of the menus served by the catering service of Hospital Can Misses (ACCIONA Concessions), for breach of voluntary codes and standards relating to safety in products and services. These breaches were caused by a change in the supplier providing this service, and the established corrective measures were the assessment of the supplier and the weekly monitoring of the service provided.

This year, the company formulated its Personal Data Protection Policy, recognising privacy as a right of customers. Through this, it assumes responsibility for making every effort to safeguard the integrity of the customer data obtained during their commercial relations with the company.

In 2017, the company had no evidence that there had been claims for breach of legal regulations or voluntary codes regarding privacy and loss of customer data.

Labelling of products and services

The company carries out the appropriate communication actions aimed at informing its customers for the safe use of its products and services by means of labelling products, providing user manuals, equipment and project documents, contractual requirements, etc.

The only product supplied by ACCIONA that requires specific information on the label, according to current applicable legislation, is the wines of Grupo Bodegas Palacio 1894. To this end, 100 % of bottles include information on the origin of the components (varieties, harvests, origin), safe use (allergens, sulphites) and form of disposal (information is given on the bottles about the possibility of recycling the packaging). Moreover, the data sheets for each product, providing detailed information, are available for download from the company website.

Although electricity and water are products that cannot be labelled, all energy marketed by ACCIONA Green Energy has a certificate issued by the National Markets and Competition Commission (CNMC, as per its Spanish acronym), which certifies the 100 % renewable source of said energy. For its part, the water treated by ACCIONA Agua complies with the standards laid down by applicable legislation: quality of drinking, desalinated water, parameters for purified water, etc.

All projects developed by ACCIONA have all the information necessary in the as-built report delivered to customers. These projects are fulfilled in accordance with current legislation in each country and internationally-recognised standards for the sector in question (ASTME, British Standards, etc.).

During 2017, ACCIONA did not supply banned products or services, and is not aware, through information collection systems set up by the company, that there have been incidents, nor has it received fines or penalties related to the information and labelling of products or services, nor indeed to any technical market communications (advertising, promotion and sponsorship). ACCIONA Energy North America, which produces electricity for the wholesale electrical system in the USA and Canada, has realised that some communities are opposed to the generation of energy from renewable sources. When opposition is significant, the company will consider choosing an alternative site.

THE COMPANY
HAS FORMULATED
ITS PERSONAL
DATA
PROTECTION
POLICY