

5.11. EUROPEAN UNION TAXONOMY

CONTEXT AND INTRODUCTION

The European Green Pact is a new growth strategy aimed at transforming the EU into an equitable and prosperous society, with a modern, resource-efficient and competitive economy, with no net greenhouse gas emissions by 2050.

To achieve these environmental and social objectives, the EU has developed a regulatory framework that contains different regulations and plans, specifically the Sustainable Finance Action Plan. Its three main objectives are:

1. Redirecting capital flows to sustainable investments to achieve sustainable and inclusive growth.
2. Managing the financial risks arising from climate change, resource depletion, environmental degradation and social problems.
3. Promoting transparency and long-term thinking in financial and economic activities.

In relation to the first objective, the need to develop a common framework defining what is sustainable and what is not arose. As a result, Regulation (EU) 2020/852 of the European Parliament and of the Council (the EU Taxonomy Regulation) was passed. This is a classification of economic activities that contribute to the EU's environmental objectives.

The Taxonomy is structured based on six environmental objectives that are: 1) climate change mitigation, 2) adaptation to climate change, 3) pollution prevention and control, 4) transition to a circular economy, 5) sustainability and protection of water and marine resources and 6) protection and restoration of biodiversity and ecosystems.

The Taxonomy sets out a list of activities that substantially contribute to one or more of the objectives are found in the documents called Delegated Acts in which the technical criteria that an activity must meet are included. Currently, they have only published the activities that contribute to the

objectives of climate change mitigation and adaptation. The activities of the other four environmental targets are expected to be published in the first half of 2022.

It is important to note that taxonomy distinguishes two scopes in terms of disclosure requirements:

- **Taxonomically Eligible Activities:** An economic activity eligible for the Taxonomy is an economic activity described in the Delegated Act, regardless of whether this economic activity meets any or all technical selection criteria.
- **Taxonomically Aligned Activities:** An economic activity aligned with the Taxonomy is an economic activity that meets all the requirements established in the Taxonomy Regulation:
 - a. **Contributing substantially to one of the environmental objectives:** This criterion refers to the positive impact that an activity has on one of the six environmental objectives.
 - b. **The analysis of "not causing significant harm":** The purpose of the assessment is to ensure that Taxonomy itself does not include economic activities that undermine any of the other five environmental objectives.
 - c. **Compliance with minimum social safeguards:** At the corporate level, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights must be complied with.

The ACS Group is obliged to identify and report taxonomically eligible activities within its business based on information from the 2021 financial year on climate change mitigation and adaptation targets. From the 2022 financial year onwards, the Regulation requires that the ratio of taxonomically aligned activities be published.

5.11.1 ASSESSMENT OF ELIGIBILITY

Following the analysis of the ACS Group carried out by cross-sectional teams from each of the subsidiaries coordinated from the financial and sustainability area of ACS, the following Taxonomically eligible activities under the Regulation (EU) 2020/852 were identified.

The most significant eligible activities due to their weight in the ACS Group business would be as follows:

- Infrastructure for rail transport
- Infrastructure that allows low-carbon transport by road and public transport
- Construction of new buildings

The results of the analysis also show other activities carried out by the ACS Group that are classified within the following Taxonomic macro-sectors.

Taxonomical Macro-sectors and activities that contribute to climate change mitigation: forestry, energy, water supplies, sanitation, waste treatment and decontamination, transport, building construction activities and real estate development, professional, scientific and technical activities

Taxonomic Macro-sectors and activities that contribute to adaptation to climate change: education, health and social services activities and creation, artistic and entertainment activities.

5.11.2 SCOPE OF THE REPORT

All groups of companies that are part of the consolidation scope of the ACS Group were considered in the assessment carried out to identify the activities eligible under EU Taxonomy.

The procedure for performing the classification was based on the individual analysis of the activity portfolio of each of the companies based on the common guidelines established by the ACS sustainability team.

5.11.3 CALCULATION OF INDICATORS

The indicators were calculated based on the Delegated Act stipulated in Article 8 of Regulation (EU) 2020/852.

Turnover

The proportion of turnover referred to in Article 8 (2) (a) of Regulation (EU) 2020/852 was calculated as part of the net turnover arising from products or services, including intangible ones, associated with economic activities that are eligible in the taxonomy (numerator), divided by the total net turnover (denominator).

Turnover includes revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82, point a), adopted by Commission Regulation (EC) No 1126/2008.

The numerator includes the sum of the turnover of the taxonomically eligible activities that have been identified in the ACS Group portfolio and the denominator contains the total balance of the ACS Group turnover figure.

In the Taxonomic context, the business volume indicator aims to present a current picture of the contribution of the activities carried out by the company in relation to the targets set by the EU, in terms of eligibility.

In 2021 in terms of eligibility, the indicator reflected the potential contribution to the European environmental objectives of the ACS Group, i.e. the role and relevance that the company will have in decarbonisation.

In total, they have been identified 22 eligible economic activities within the framework of the ACS Group of which 19 are classified under activities contributing to climate change mitigation and 3 to contribution to adaptation to climate change.

In those cases where the activity appears under the two environmental objectives, the criterion of classifying the activities under the objective of contributing to the mitigation of climate change has been established.

To calculate the financial indicators, the Delegated Act of section 8 of the Taxonomy Regulation was followed in addition to the accounting policies of the ACS Group in which the consolidation criteria at Group level are included.

The collection and monitoring of financial data was supported on the SAP BPC platform tool used by the Group when consolidating the financial statements, thus avoiding double counting and ensuring that eliminations and adjustments are adequately considered.

CAPEX

The proportion of CapEx (investments in fixed assets) referred to in Regulation (EU) 2020/852 was calculated taking into account additions to property, plant and equipment, intangible assets and investment property, excluding depreciation and impairment, and also includes operating leases arising from right-of-use assets as included in Note 04.02. Other intangible assets 05 Tangible assets - Property, plant and equipment and 07 Real estate investments in the ACS Group's consolidated financial statements.

In this way, the total sum at Group level of the additions mentioned above was taken into account when calculating the denominator. The numerator is those investments (CapEx) that are related to assets or processes associated with Taxonomically eligible economic activities.

OpEx

The share of OpEx referred to in Regulation (EU) 2020/852 was established as follows.

The ACS Group includes the most material items for its activity and common items within its accounting processes, such as short-term lease, repair and maintenance expenses.

The concept of OpEx in the ACS Group's accounting is currently limited compared to the Taxonomic definition of this indicator, which is why materiality criteria have been taken when selecting the items included in the calculation.

This indicator in reference to Taxonomy reflects the associated costs of the ACS Group to ensure the proper functioning of a Taxonomic activity.