

7.2 IDENTIFICATION OF RELEVANT ISSUES

[102-46] , [102-47]

Following the principles established by the GRI Standards to define the content of the 2020 Integrated Report, the ACS Group carried out a materiality analysis that identifies the relevant issues.

In this regard, a process was carried out in 2019 to update the materiality analysis. Although a comprehensive review of the materiality analysis was not carried out in 2020, ACS did carry out a consistency analysis on the results of the analysis to ensure that they are aligned with the current needs and expectations of the stakeholders and the Group, taking into account the change of context in the last year caused by the COVID-19 health crisis.

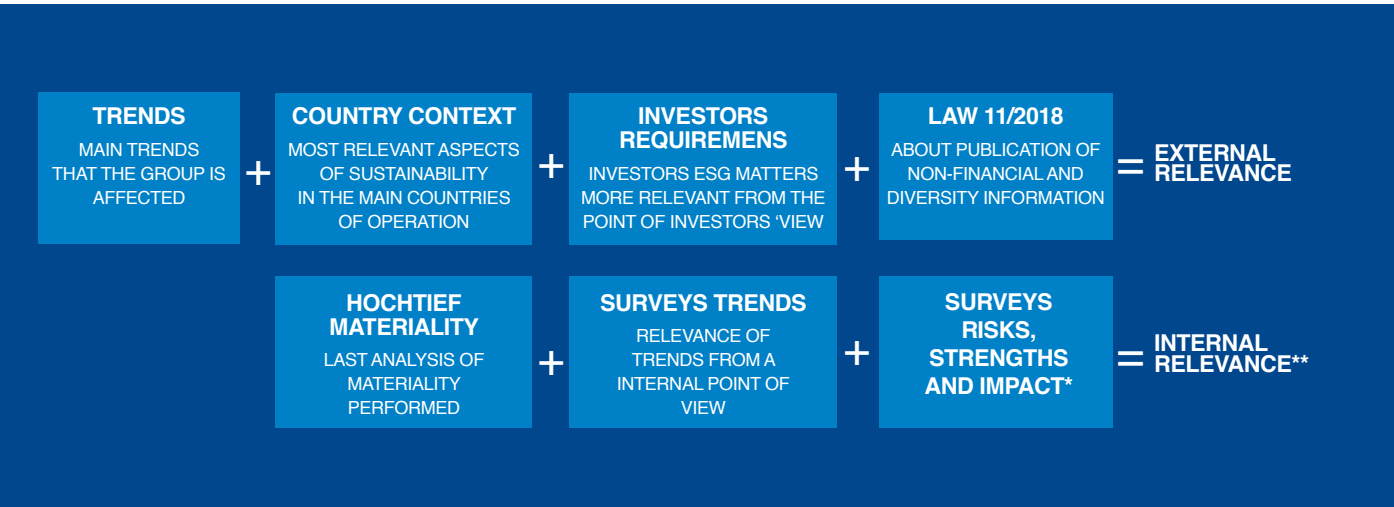
The updating of the materiality process in 2019 consisted of a review of the list of relevant issues, originally identified in 2015, using it as the basis and updating it through an external desk study.

The **external valuation analysis** consisted of a review of public sources and international reference bodies to identify the main trends and challenges affecting the sector. Furthermore,

from the external perspective, the main aspects assessed by investors in financial and non-financial issues were considered. In regard to the analysis of the risks and opportunities present in the different markets, the analysis carried out in 2015 was considered still valid and was updated only briefly. It also emphasised the regulatory changes introduced in the reporting of non-financial information and diversity (Law 11/2018).

[102-44]

For the **internal valuation analysis**, the materiality study carried out by HOCHTIEF was taken into account. Likewise, the results of surveys carried out in 2018 in different areas of the company were taken into account in terms of their perception of the relevance of the different trends identified and the identification of the main risks for the company, as well as the expansion made in 2019 with the consultation of the main banks, financial institutions, investors and analysts with which the parent company of the ACS Group maintains relations. Likewise, in these internal surveys, the relevance of the issues based on the Group's strengths in the management of each issue and their potential impact.



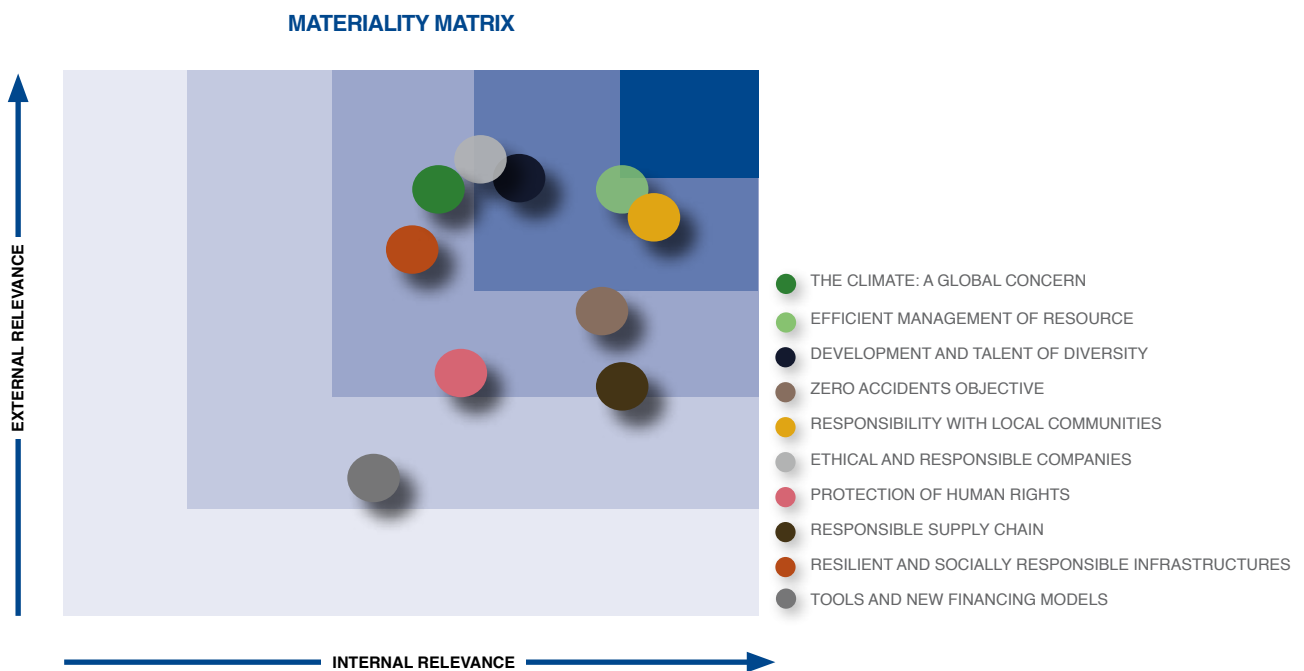
*The results of surveys carried out in 2018 to different areas of the company have been considered in terms of their perception of the relevance of the different trends identified and the identification of the main risks for the company, as well as the analysis carried out in 2019 with the consultation of the main banks, financial institutions, investors and analysts with whom the parent company of the ACS Group is related.

**The Materiality study conducted in 2015 was taken into account to adjust the results in order to avoid a great disruption between the materiality of 2015 and the current one.



[102-47], [103-1]

The results of weighting the topics identified both at an internal and external level were used to design a materiality matrix representing the results obtained in accordance with their external and internal relevance, identifying the ten relevant issues for the ACS Group, which are described below:



[102-47], [102-44]

The ten material issues identified in the materiality matrix have been ordered in a hierarchy according to their overall relevance, as shown in the following table:

RESPONSIBILITY WITH LOCAL COMMUNITIES	High
EFFICIENT MANAGEMENT OF RESOURCES	High
DEVELOPMENT AND TALENT OF DIVERSITY	High
ETHICAL AND RESPONSIBLE COMPANIES	High
THE CLIMATE: A GLOBAL CONCERN RESPONSIBLE	Medium
ZERO ACCIDENTS OBJECTIVE	Medium
RESPONSIBLE SUPPLY CHAIN	Medium
RESILIENT AND SOCIALLY RESPONSIBLE INFRASTRUCTURES	Moderate
PROTECTION OF HUMAN RIGHTS	Moderate
TOOLS AND NEW FINANCING MODELS	Moderate

- HIGH RELEVANCE
- MEDIUM RELEVANCE
- MODERATE RELEVANCE

The importance of the issues was also identified for each of the main countries in which the Group operates and for each of its business areas, identifying a series of specific sub-issues for each material topic. Although these issues were considered relevant for the ACS Group, an assessment was also made of the importance of each of these issues for each Group business; Construction, Industrial Services and Services.

The issues identified as relevant, the specific sub-issues assessed and the risks associated with the Integrated Report, as well as the management policies and approach of the ACS Group, are as follows:

[102-44], [102-47]

RESPONSIBILITY WITH LOCAL COMMUNITIES	RELEVANCE INTERNAL 100% EXTERNAL 89%	BUSINESSES 
ASSOCIATED RISKS AND OPPORTUNITIES <p>The company's activity may give rise to risks due to opposition from communities to the execution of projects or due to a negative perception of the management. This could jeopardise the Group's reputation and the social license to operate. It is therefore important to foster ongoing dialogue with the community and provide tools to facilitate proactive and open communication and involvement of communities from the start of the projects. If at the same time jobs are created and local business and industrial fabric is boosted, it will increase efficiency and reduce costs. By appropriately managing local expectations and driving local development, the project can become a source of pride for the community.</p>	SUB-ISSUES CONSIDERED <ul style="list-style-type: none"> • Social and environmental impact assessments of projects. • Proactive dialogue with the community and communication tools. • Contribution to the well-being of local communities. • Measures for community health and safety. • Training and transfer of knowledge to the local business fabric. • Economic value generated and distributed. 	
MANAGEMENT FOCUS <p>The Group encourages a proactive dialogue with the community through those responsible for the specific companies and projects.</p> <p>ACS seeks to contribute value to the communities through its business strategy, and in the current context, in which the health crisis has seriously damaged the economic and social fabric, ACS's commitment to economic and social progress in the countries in which it operates is more important than ever. This commitment is laid out in an Action Plan that defines the procedures in the different businesses: responsibilities, areas and geography of action, project categories, contribution types and monitoring models.</p>	APPLICABLE POLICIES <ul style="list-style-type: none"> • Code of Conduct. • Code of Conduct for Business Partners. • The ACS Group's Social Action Policy. • Sustainability Policy. • Human Rights Policy. • Corporate Protocol for Due Diligence in the area of Human. 	
<p>The ACS Foundation reinvests part of the Group's profits in society, through patronage, sponsorship and other programs.</p>		

EFFICIENT MANAGEMENT OF RESOURCES

RELEVANCE

BUSINESSES

INTERNAL 93% EXTERNAL 93%



ASSOCIATED RISKS AND OPPORTUNITIES

Inefficient management of resources can significantly increase construction and management costs, negatively affecting the agreements reached with the client. Similarly, the improper management of natural capital, in addition to having a direct impact on the ecosystems in which the Group carries out its activities, may harm its reputation. On the other hand, responsible and sustainable management of resources reduces costs for the company and improves the company's perception and legitimacy.

MANAGEMENT APPROACH

The Group's 20-20 plan defines its commitment and objectives for the improvement of eco-efficiency and use of resources. Each company develops policies and plans to comply with ISO 14001. The environmental priorities of each activity include improvement objectives and programmes, the supervision of which is the responsibility of the management of the Environment of the group of companies.

SUB-ISSUES CONSIDERED

- Responsible environmental management and awareness.
- Resources devoted to environmental risk prevention.
- Circular economy: reduction, reuse and recycling. Use of efficient, environmentally-friendly and long-lasting materials.
- Efficient water and energy management.
- Innovation and new efficient technologies.

APPLICABLE POLICIES

- Environmental policy.
- Construction Materials Policy.
- Sustainability Policy.

DEVELOPING TALENT AND DIVERSITY

RELEVANCE

BUSINESSES

INTERNAL 75% EXTERNAL 97%



ASSOCIATED RISKS AND OPPORTUNITIES

Having a pluralistic environment, where diversity and equal opportunities take precedence, offers competitive advantages for companies, such as loyalty and productivity for employees. Furthermore, the increasing complexity of projects and the new requirements of the sector - for example, energy efficiency and sustainability standards and certifications in construction - require greater knowledge and specialisation. If these are not acquired quickly, the company will be at a disadvantage in regard to its competitors, to the detriment of the business. Nevertheless, efforts at attracting and retaining talent, and the commitment to training, help ACS stay at the forefront.

MANAGEMENT APPROACH

The 20-20 Plan includes a commitment to improving professional performance by increasing investment in training. Within this common framework, each company manages the development of its professionals in accordance with its specific needs, taking into account the Group's policy. They define training and professional and personal development programs, and assess their impact on participants. The change in people management models, as a result of the impact of the COVID-19 pandemic, led to the need to adapt in-person training plans to new online training courses.

SUB-ISSUES CONSIDERED

- Contribution to economic development and job creation.
- Remuneration, type of employment contract and distribution in the workforce.
- Strategies for attracting, developing and retaining talent.
- Measures for social dialogue, organisation, flexibility and work-life balance.
- Policies, plans and measures for diversity and equality between men, women and persons with disabilities.

APPLICABLE POLICIES

- Code of Conduct.
- Human Rights Policy.
- Diversity Policy.
- Talent Development and Assessment Policy.
- Sustainability Policy.

ETHICAL AND RESPONSIBLE COMPANIES

RELEVANCE
INTERNAL 71% | EXTERNAL 100%

BUSINESSES



ASSOCIATED RISKS AND OPPORTUNITIES

Organisations that do not comply with the highest ethical standards and that do not conduct themselves with integrity may harm their reputations. A governance model based on professional and ethical criteria, adequate and controlled risk management, is expected. ACS must therefore have the means necessary to fight corruption, fraud and bribery. It must compete fairly in the market, comply with tax obligations in all jurisdictions and demonstrate good practices such as tax transparency and collaboration with the corresponding tax authorities.

MANAGEMENT APPROACH

To guarantee the principles of transparency, ethics and integrity, the ACS Group has the Ethics Channel, the Code of Conduct and the Monitoring Committee to ensure compliance, as well as the Compliance Committee. The 20-20 Plan includes the commitment to these principles through objectives that prevent and eradicate improper practices.

ACS has developed and adapted its regulatory bodies and compliance management systems to obtain certification under UNE 19601 and UNE-ISO 37001.

SUB-ISSUES CONSIDERED

- Compliance policies and systems.
- Mechanisms to prevent corruption and fight against money laundering, such as complaints channels.
- Transparency in tax policy, tendering processes and contributions to foundations.
- Corporate Governance.

APPLICABLE POLICIES

- Corporate Tax Policy, Internal Financial Reporting Control System (IFRCS).
- Enforcement and anti-bribery policy.
- Treasury stock, Rules of Conduct in the Stock Exchange.
- Sustainability Policy.
- Code of Conduct.
- Code of Conduct for Business Partners.
- Human Rights Policy.
- Corporate Protocol for Due Diligence in the area of Human Rights.

OBJECTIVE: ZERO ACCIDENTS

RELEVANCE
INTERNAL 90% | EXTERNAL 66%

BUSINESSES



ASSOCIATED RISKS AND OPPORTUNITIES

Despite the progress made in the infrastructure and services sector, the frequency indices in accident rate ratios remain higher than in the other sectors, negatively affecting the perception of the stakeholders. This fact, together with the costs associated with the employee accident rate and low productivity, negatively affects the companies. To avoid this, have proper management of health and safety is vital, improving metrics, reducing operational costs and improving reputation.

MANAGEMENT APPROACH

The 20-20 Plan is committed to reducing the accident rate among employees.

To achieve this global commitment, each company independently manages health and safety, planning and implementing activities and measures such as periodic risk assessments and the definition of prevention plans with annual objectives. Most companies have a management system to comply with the action plans approved by senior management. The Group collaborates with specialised organisations and participates in congresses on this matter.

The health crisis arising from COVID-19 made health and safety issues even more important. As a result of the impact of the pandemic, many measures and actions were required to be able to carry out the different activities of the Group without putting the health and safety of employees and stakeholders at risk.

SUB-ISSUES CONSIDERED

- Health and safety standards, also required for the supply chain.
- Zero-accident policies: mitigation plans and reduction targets.
- Safety and health training and awareness.
- Monitoring of accident rates, frequency and severity indicators.

APPLICABLE POLICIES

- Sustainability Policy.
- Code of Conduct.
- Code of Conduct for Business Partners.

THE CLIMATE: GLOBAL CONCERN

RELEVANCE

INTERNAL 77% EXTERNAL 92%

BUSINESSES



ASSOCIATED RISKS AND OPPORTUNITIES

The ACS Group faces physical risks arising from climate change (for example, natural disasters), as well as transition risks arising from regulatory changes (stringent green energy targets, efficiency and reduction of emissions by governments), technological changes or new market preferences. However, climate change also offers opportunities, such as developing resilient infrastructure or developing products and services that contribute to the decarbonisation of the economy. In this regard, it is important to highlight that stakeholders such as the investment community are giving growing importance to managing these risks and opportunities, due to their potential impact on the income statement.

MANAGEMENT APPROACH

The Group's 20-20 plan defines its commitment and objectives for the improvement of eco-efficiency and use of resources. The ACS Board of Directors has overall responsibility for the climate change strategy.

Each company is responsible for keeping an inventory of emissions, identifying main sources and developing initiatives to reduce them. The Group offers its customers construction products and services that help to promote a low carbon economy.

SUB-ISSUES CONSIDERED

- Climate change mitigation and adaptation policies, strategies and resources.
- Pollution prevention and reduction measures.
- Efficient technologies and renewable resources.
- Targets for reduction of pollutant emissions.
- Carbon pricing.

APPLICABLE POLICIES

- Environmental policy.
- Construction Materials Policy.
- Sustainability Policy.

RESPONSIBLE SUPPLY CHAIN

RELEVANCE

INTERNAL 96% EXTERNAL 49%

BUSINESSES



ASSOCIATED RISKS AND OPPORTUNITIES

Poor practices by a company's suppliers pose a potential risk that, if it were to materialise, could hinder its ability to do business. It is necessary to assess the counterparty risks to which it is exposed and to constantly improve its performance. Supplier and contractor management systems allow the Group to mitigate the potential risks by improving the processes and working conditions, thus benefiting all parties.

MANAGEMENT APPROACH

All of the Group's companies have specific rules and a formal system for classifying, approving and controlling the risk of suppliers and subcontractors, which considers, among other aspects, non-financial - environmental and social - criteria, and that establishes corrective measures in the event of non-compliance.

Likewise, collaboration between all of the agents in the supply chain, adopting responsible practices, has proved decisive during the pandemic.

SUB-ISSUES CONSIDERED

- Procurement policy that considers ESG aspects.
- Preparation of procedures and codes for suppliers.
- Classification, assessment and approval of suppliers based on risk.
- Systems for measuring achievement of the responsible objectives.
- Corrective measures in the event of non-compliance.

APPLICABLE POLICIES

- Code of Conduct for Business Partners.
- Sustainability Policy.
- Human Rights Policy.
- Corporate Protocol for Due Diligence in the area of Human Rights.

RESILIENT AND SOCIALLY-RESPONSIBLE INFRASTRUCTURE

RELEVANCE

BUSINESSES

INTERNAL 62% EXTERNAL 80%



ASSOCIATED RISKS AND OPPORTUNITIES

The increasingly frequent extreme weather events, the scarcity of natural resources, the social state and context of the territory are conditioning factors for the Group's activities. ACS must work on designing and implementing resilient, sustainable and environmentally-friendly infrastructure. It must develop projects that involve sustainable management of resources for the client, responding to a growing demand. This opportunity is presented in emerging countries, with high demand for infrastructure, and in developed countries, with the adaptation and maintenance of existing infrastructure.

MANAGEMENT FOCUS

The ACS Group, through its different activities, provides services that help create more efficient and sustainable infrastructure and cities - sustainable construction, construction of public transport systems, traffic management services, etc.

ACS offers customers the use of recycled and/or certified construction materials. Projects of Hochtief, Turner, CIMIC and Dragados comply with different sustainable construction certification requirements, as well as CEEQUAL, ISCA and Greenroads, in terms of efficient infrastructure. The Group also develops different innovation projects to develop new, more resilient and efficient materials.

SUB-ISSUES CONSIDERED

- Resilience of infrastructure to climate change.
- Sustainable and environmentally-friendly projects and services.
- Measures adopted to preserve, reduce and restore the impact on biodiversity.
- Making customers aware of long-lasting and efficient construction.

APPLICABLE POLICIES

- Environmental policy.
- Construction Materials Policy.
- Sustainability Policy.

PROTECTION OF HUMAN RIGHTS

RELEVANCE

BUSINESSES

INTERNAL 68% EXTERNAL 53%



ASSOCIATED RISKS AND OPPORTUNITIES

If systemic violations of human rights occur in certain countries, then protection policies must be applied in a robust and uniform manner, and they must be applied across the entire supply chain. ACS must become an active agent that protects human rights within its sphere of influence, implementing measures and mechanisms to verify compliance with its commitments in all of its activities. Inadequate implementation of monitoring systems can overlook human rights violations that have a significant impact on the company's reputation and that jeopardise its corporate license to operate.

MANAGEMENT FOCUS

The 20-20 Plan includes the Group's commitment to train its employees in regard to human rights, ethics or integrity.

The Code of Conduct includes the principles of the United Nations Global Compact. The Group is complying with a due diligence process to identify, prevent, mitigate and report the adverse consequences on human rights. It has developed and adapted internal regulations and management systems, including evaluations and preventive measures to comply with the regulatory aspects in regard to human rights.

SUB-ISSUES CONSIDERED

- Human Rights Policy.
- Due diligence procedures in regard to human rights, risk prevention and measures to counteract possible abuse.
- Human rights training.
- Reports of cases of violations.

APPLICABLE POLICIES

- Human Rights Policy.
- Corporate Protocol for Due Diligence in the area of Human Rights.
- Code of Conduct.
- Universal Declaration of Human Rights, United Nations Ruggie Report.
- Sustainability Policy.

ASSOCIATED RISKS AND OPPORTUNITIES

The wide variety of financing tools, initiatives and organisations for investment in infrastructure: multilateral entities, institutional investors, pension funds, sovereign funds and smaller agents, opens up a range of opportunities for companies in the sector, which must remain attentive to the proposals for new projects. Failure to promptly adapt to these new models or to have the necessary tools leads to a potential loss of business opportunities and a risk for companies if they are not recognised by stakeholders as innovative agents and pioneers of 'green' projects.

MANAGEMENT FOCUS

The Group looks for opportunities in markets that are in conditions that are favourable for investment, from the point of view of security at the administrative, financial and legal levels. To do this, it engages in public-private projects - as a good alternative in infrastructure development - and follows state investment and development plans.

SUB-ISSUES CONSIDERED

- Public-private alliances.
- Search for local partners.
- Sustainable financing.
- Financial solvency and robustness.
- Public subsidies received.

APPLICABLE POLICIES

- n/a.

