

9.2. IDENTIFICATION OF MATERIAL ASPECTS

[102-46], [102-47]

Following the principles established by GRI Standards to define the content of the 2018 Integrated Report, the ACS Group has carried out a process of updating the materiality analysis that it performed in 2015 and that was revised in subsequent years.

To update the analysis, the list of relevant subjects identified in 2015 has been reviewed, taking it as a base and updating it through an external cabinet study.

Public sources and international bodies of reference have been reviewed to identify the main trends and challenges that affect the sector. In addition, from the external perspective, the main aspects evaluated by investors were considered in terms of financial and extra-financial matters. Regarding the analysis of risks and opportunities present in the different markets,

it has been considered that the analysis carried out in 2015 continues to be valid, and has only been narrowly updated. In this year, special emphasis was put on the regulatory changes introduced regarding reporting non-financial and diversity information (Law 11/2018).

[102-44]

For the internal evaluation analysis, the latest materiality study carried out by HOCHTIEF has been taken into consideration. Likewise, results have been considered from surveys carried out in different areas of the company in terms of their perception about the relevance of the different trends identified and the identification of the main risks for the company. In addition, in these internal surveys, the relevance of the subjects has been consulted on in terms of the Group's strengths in managing each subject and the impact they may have.

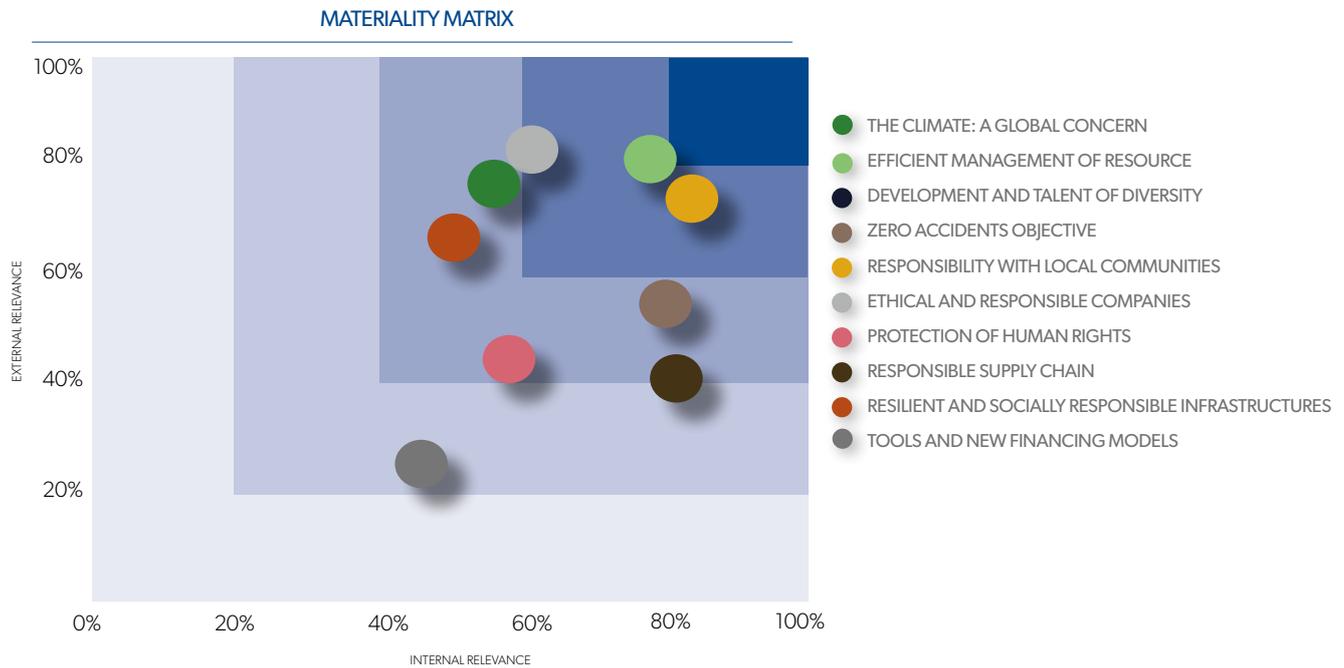


* The Materiality study conducted in 2015 was taken into account to adjust the results in order to avoid a great disruption between the materiality of 2015 and the current one.



[102-47], [103-1]

The result of weighing the topics identified both at the internal and external levels has allowed designing a materiality matrix in which the results obtained are represented as a function of their relevance, both external and internal, identifying ten relevant aspects for the ACS Group that are detailed below:



[102-47], [102-44]

The ten relevant subjects identified in the materiality matrix have been put in hierarchical order, according to their global relevance, as shown in the following table:

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

Legend:

- HIGH RELEVANCE
- MEDIUM RELEVANCE
- MODERATE RELEVANCE





In addition, the importance of the subjects was analyzed for each one of the main countries in which the Group operates, and for each one of its areas of activity, considering the importance of the following particular sub-matters. These subjects have been identified as relevant for the ACS Group, but an identification of the internal relevance has also been carried out for each one of these topics in each one of the Group's businesses: Construction, Industrial Services and Services.

The matters identified as relevant are shown below, as well as the particular sub-matters evaluated and the risks associated with those that are addressed in the integrated report, as well as the policies and management focus of the ACS Group:

[102-44], [102-46], [102-47], [103-1], [103-2]

RESPONSIBILITY WITH LOCAL COMMUNITIES

RELEVANCE
INTERNAL 100% | EXTERNAL 89%

BUSINESSES


ASSOCIATED RISKS AND OPPORTUNITIES

The company's activity may result in risks due to communities' opposition to the development of projects or due to negative perceptions of the management carried out. This may jeopardize the Group's reputation and its business license to operate. For that reason, it is important to encourage a continuous dialog with the community and provide tools that facilitate proactive and open communication and the involvement of the communities from the start of projects. If at the same time, jobs are created and the entrepreneurial and local industrial culture are promoted, efficiency will be gained and costs will be saved. By adequately managing local expectations and promoting local development, the project can become a source of pride for the community.

MANAGEMENT FOCUS

The Group promotes a proactive dialog with the community through the heads of companies and specific projects.

ACS seeks to provide value to communities through its business strategy. Its commitment revolves around an Action Plan that defines the procedures in the different businesses: responsibilities, scopes and geography of action, categories of projects, types of contribution and monitoring models

The ACS Foundation reinvests part of the Group's profits in society through sponsorships, patronages and other programs.

SUB-MATTERS CONSIDERED

- Social and environmental impact evaluations of projects.
- Proactive dialog with the community and tools for communication.
- Contribution to the well-being of the local community.
- Measures for the health and safety of communities.
- Training and transfer of knowledge to the local entrepreneurial culture.
- Economic value generated and distributed.

APPLICABLE POLICIES

- Code of Conduct.
- The ACS Group's Social Action Policy.
- Corporate Social Responsibility Policy.

 CONSTRUCTION
 INDUSTRIAL SERVICES
 SERVICES
 HIGH RELEVANCE
 MEDIUM RELEVANCE

ASSOCIATED RISKS AND OPPORTUNITIES

Inefficient management of resources may represent a considerable increase in the costs of construction and management, negatively affecting the agreements established with the client. Likewise, the improper management of natural capital, in addition to causing a direct impact on the ecosystems where it carries out its activity, can also cause damage to the Group’s reputation. On the contrary, responsible and sustainable management of resources implies cost savings for the company and an improved perception and legitimacy for the company.

MANAGEMENT FOCUS

The Environmental Policy and the Group’s 20-20 Plan defines the commitment and objectives to improve eco-efficiency and the use of resources. Each company follows policies and plans to comply with the ISO 14001 standard. For the environmental priorities of each activity, objectives and programs for improvement are established, whose supervision is the responsibility of the Environmental Management Department of the group of companies.

SUB-MATTERS CONSIDERED

- Responsible environmental management and raising awareness.
- Resources dedicated to preventing environmental risks.
- Circular economy: reduce, reuse and recycle. Use of respectful and long-lasting materials.
- Efficient management of water and energy.
- Innovation and new efficient technologies.

APPLICABLE POLICIES

- Environmental policy.
- Construction materials policy.
- Corporate Social Responsibility Policy.

ASSOCIATED RISKS AND OPPORTUNITIES

Providing a pluralistic environment, where diversity and the equality of opportunities take priority, offering competitive advantages to the companies, such as loyalty and productivity programs for employees. In addition, the increased complexity of projects and the new requirements of the sector –for example, standards and certifications of energy efficiency and sustainability in construction– require greater awareness and specialization. If these are not acquired with flexibility, they will represent a disadvantage for the company against the competitors, and therefore a detriment for the business. However, the efforts in attracting and retaining talent, and the commitment to training help ACS to remain at the cutting edge.

MANAGEMENT FOCUS

The 20-20 Plan includes the commitment to improve professional performance, by increasing the investment in training.

Within this common framework, each company manages the development of its professionals in accordance with its specific needs, complying with the Group’s Policy. They define training, and personal and professional development programs, and evaluate their impact on the participants.

SUB-MATTERS CONSIDERED

- Contribution to economic growth and job creation.
- Remuneration, type of labor contract and distribution in the staff.
- Strategies of attracting, developing and retaining talent.
- Measures of social dialog, organization, flexibility and work-life balance.
- Policies, plans and measures for diversity and equality between men, women and people with disabilities.

APPLICABLE POLICIES

- Code of Conduct.
- Human Rights Policy.
- Diversity Policy.
- Skill Development and Assessment Policy.
- Corporate Social Responsibility Policy.

ASSOCIATED RISKS AND OPPORTUNITIES

The organizations that do not respect the highest ethical standards and that do not show an integral behavior may have their reputation damaged. ACS strives for a governance model based on professional and ethical criteria, and adequate management with controlled risk. For that reason, ACS must have the necessary resources to fight corruption, fraud and bribery. It must fairly compete in the market, comply with the fiscal obligations in all jurisdictions and demonstrate good practices, such as fiscal transparency and collaboration with the corresponding tax administrations.

MANAGEMENT FOCUS

To guarantee the principles of transparency, ethics and integrity, the ACS Group has the Ethics Channel, the Code of Conduct and the Supervisory Committee that ensures compliance. The 20-20 Plan includes the commitment to these principles through the objectives that prevent and eradicate poor practices.

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

SUB-MATTERS CONSIDERED

- Compliance policies and systems.
- Mechanisms to prevent corruption and fighting against money laundering as well as channels for reporting corrupt behavior.
- Transparency in the fiscal policy, bidding processes and contributions to foundations.
- Corporate governance.

APPLICABLE POLICIES

- General risk control and management policy.
- Corporate Fiscal Policy, Internal Control over Financial Reporting System (ICFRS).
- Criminal and Anti-bribery Compliance Policy.
- Treasury Stock Policy, Rules of Conduct in Securities Markets.
- Policies and Procedures of gifts and hospitalities, and relations with public officials and equivalents.
- Corporate Social Responsibility Policy.

OBJECTIVE: ZERO ACCIDENTS

ASSOCIATED RISKS AND OPPORTUNITIES

Despite the advances in the infrastructures and services sector, the frequency indexes in the accident ratios continue to be higher than in other sectors, negatively affecting the perception of the stakeholders. This fact, along with the costs that are associated with the accident rate of the employees and low productivity, negatively affect the companies. To prevent this, having the correct management of safety and health, improving the metrics, reducing the operating costs and building a reputation are crucial.

MANAGEMENT FOCUS

The 20-20 Plan is committed to reducing the accident rate indexes in individual employees. In order to achieve this overall commitment, each company manages safety and health independently, planning and putting in practice activities and measures, such as periodic risk evaluations and the definition of prevention plans with annual objectives. The majority have a management system to comply with the action plans that is approved by upper management. The Group collaborates with specialized organizations and participates in conferences about this subject.

SUB-MATTERS CONSIDERED

- Safety and health standards, also required of the supply chain.
- Zero accidents policy, mitigation plans and reduction objectives.
- Training and raising awareness about safety and health.
- Monitoring accident rate, frequency and severity indicators.

APPLICABLE POLICIES

- Corporate Social Responsibility Policy.



ASSOCIATED RISKS AND OPPORTUNITIES

The ACS Group is facing the physical risks derived from climate change (for example, natural disasters), in addition to the risks of transition derived from regulatory changes (demanding green energy objectives, efficiency and reduction of emissions by governments), technological changes or new preferences on the markets. However, climate change presents opportunities such as the development of resilient infrastructures as well as the development of products and services that contribute to the decarbonization of the economy. In this regard, the growing importance that stakeholders like the investment community present against the management of these risks and opportunities is notable, due to their potential impact on the bottom line.

MANAGEMENT FOCUS

The Group's 20-20 Plan defines the commitment and objectives to improve eco-efficiency and the use of resources. The global responsibility of the climate change strategy falls on ACS's Board of Directors. Each company is responsible for carrying out an inventory of emissions, identifying the main focuses and developing initiatives for their reduction, such as the LIFE Footprint analysis (Roads) or the Clece Carbon Footprint Reduction Plan. The Group offers its clients construction products and services that contribute to promoting an economy that is low in carbon.

SUB-MATTERS CONSIDERED

- Policy, strategies and resources to mitigate and adapt to climate change.
- Pollution prevention and reduction measures.
- Efficient technologies and renewable resources.
- Objectives of reducing pollutant emissions.
- Carbon pricing.

APPLICABLE POLICIES

- Environmental policy.
- Construction materials policy.
- Corporate Social Responsibility Policy.



ASSOCIATED RISKS AND OPPORTUNITIES

The poor practices of a company's suppliers represent a potential risk, and in the event they materialize, they may reduce the capacity to do business. It is necessary to evaluate the counterparty risks to which it is exposed and be involved in a constant improvement of its performance. The management systems of suppliers and contractors allow mitigating the potential risks for the Group, and allow improving the work processes and conditions, thus benefiting all parties.

MANAGEMENT FOCUS

All companies of the Group have specific standards and a formal system to classify, approve and control the risk of suppliers and subcontractors, which evaluates, among other aspects, the non-financial criteria—such as environmental and social characteristics—and establishes corrective measures in the event of non-compliance.

SUB-MATTERS CONSIDERED

- Purchasing policy that includes ESG aspects.
- Preparation of procedures and codes for suppliers.
- Qualification, evaluation and approval of suppliers as a function of risk.
- Measurement systems of fulfilling the responsibility objectives.
- Correction measures in case of non-compliance.

APPLICABLE POLICIES

- Code of Conduct.
- Code of Conduct for Business Partners.
- Corporate Social Responsibility Policy.

RESILIENT AND SOCIALLY RESPONSIBLE INFRASTRUCTURES

RELEVANCE
INTERNAL 61% | EXTERNAL 80%

BUSINESSES


ASSOCIATED RISKS AND OPPORTUNITIES

The increasingly frequent extreme climate events, the scarcity of natural resources, the condition and social context of the territory are conditioning factors of the Group's activities. ACS must work on the design and execution of resilient, sustainable and environmentally respectful infrastructures. It must carry out projects that involve a sustainable management of resources for the client, responding to the growing demand. This opportunity is presented in emerging countries, with a high demand for infrastructures, as well as in developed countries, by adapting and maintaining the existing ones.

MANAGEMENT FOCUS

The ACS Group, through its different activities, provides services that contribute to create more efficient and sustainable infrastructures and cities –sustainable construction, building public transport systems, traffic management services, etc.–

ACS offers the client the use of recycled and/certified construction materials. Projects by Hochtief, Turner, CIMIC and Dragados comply with the different certifications of sustainable construction, in addition to CEEQUAL, ISCA and Greenroads in terms of efficient infrastructures.

SUB-MATTERS CONSIDERED

- Resiliency of the infrastructures to climate change.
- Sustainable projects and services that are respectful of the environment.
- Measures adopted to preserve, reduce and restore the impact on biodiversity.
- Raising awareness of the client in long-lasting and efficient construction.

APPLICABLE POLICIES

- Environmental Policy.
- Construction Materials Policy.
- Corporate Social Responsibility Policy.

PROTECTION OF HUMAN RESOURCES

RELEVANCE
INTERNAL 70% | EXTERNAL 53%

BUSINESSES


ASSOCIATED RISKS AND OPPORTUNITIES

Human rights violations may represent a risk in certain countries and it requires a robust and homogeneous application of protection policies that must extend to the supply chain. ACS must become an active agent that ensures the protection of human rights within its area of influence by establishing measures and mechanisms that allow verifying the compliance of its commitments for all of its activities. The inadequate implementation of monitoring systems may overlook human rights violations that represent a great impact on the company's reputation and jeopardize its business license to operate.

MANAGEMENT FOCUS

The 20-20 Plan includes the Group's commitment to train its employees about Human Rights, Ethics and Integrity. The Code of Conduct contains the principles of the United Nations Global Compact. The Group complies with a process of due diligence to identify, prevent, mitigate and be accountable for the negative consequences caused by human rights violations. It has developed and adapted the internal standards and management systems, including evaluations and preventative measures to comply with the regulatory aspects related to human rights.

SUB-MATTERS CONSIDERED

- Human Rights Policy.
- Procedures of due diligence in terms of human resources, prevention of risks and repair measures for possible abuses.
- Training regarding human resources.
- Denunciation of violations.

APPLICABLE POLICIES

- Human Rights Policy.
- Code of Conduct.
- Universal Human Rights Declaration, United Nations Ruggie Report.
- Corporate Social Responsibility Policy.

ASSOCIATED RISKS AND OPPORTUNITIES

The diversity of financing tools, initiatives and organizations to invest in infrastructures: multilateral entities, institutional investors, retirement funds, sovereign wealth funds and small-scale players open up a range of opportunities for the companies in the sector, which must remain aware of proposals for new projects. The failure to adapt on time to these new models or not having the necessary tools implies a possible loss of business opportunities and a risk to companies of not being recognized by the stakeholders as an innovative agent and precursor of “green” projects.

MANAGEMENT FOCUS

The Group is seeking opportunities in markets that are at a favorable time for investment, from the point of view of certainty at the administrative, financial and legal levels. For this reason, it is committed to public-private projects as a good alternative in developing infrastructures, and complies with the state plans of investment and development. In the field of sustainable financing, the affiliate ACS Servicios, Comunicaciones y Energía is notable. In 2018, it issued green bonds with a BBB rating from Standard and Poor’s and a value of 750 million euros.

SUB-MATTERS CONSIDERED

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

APPLICABLE POLICIES

- N/A.

