

COMMITMENT OF THE ACS GROUP WITH THE FIGHT AGAINST CLIMATE CHANGE

“In terms of the environment, we have managed to reduce our total emissions by over 6% in 2019, reaffirming our global objectives related to energy efficiency and the fight against climate change.”

*Florentino Pérez Rodríguez
Chairman of the ACS Group*

The ACS Group is global company committed to the economic and social progress of the countries where it has a presence, with the respect to the environment and to fight against climate change.

Climate change implies the need to change production and consumption patterns in order to mitigate the physical and transition risks arising from the same. This requires the involvement of States and enterprises, which must work together and in a harmonized manner. In this regard, the ACS Group aims to contribute to the transition to a low-carbon economy including the promotion of climate change adaptation and mitigation measures in the context of its various business activities. On the other hand, pollution control at the local level is particularly relevant to ensuring the well-being of the communities in which the Group operates. To this end, ACS is committed to minimizing emissions beyond greenhouse gas emissions, taking into account other polluting gases (NO_x, SO_x, substances that affect the Ozone Layer), noise emissions and other possible disturbances resulting from the activity, such as light pollution.

Governance

The overall responsibility for the climate change strategy in the Group rests with the ACS Board of Directors, which approves and monitors policy development to minimize the impact in this area, which each of the companies of the ACS Group will prepare and develop according to their type of activity and geographical area, but always following the basic principles defined in the Group's Environmental Policy.

Without prejudice to the responsibility of the Board of Directors, the Audit Committee ensures compliance with the transparency obligations of the Company, and in particular ensures that the information contained in the Non Financial Information Statement (NFIS) and in the Annual Corporate Governance Report is sufficient for the market and investors to understand the scope and importance of the corresponding facts and risks with regard to nonfinancial information. These obligations include the ongoing review of the implementation and development of the Group's Environmental Policy, through action plans, procedures and improvement programs implemented by the Environment Department of each of the Group's divisions, with particular regard to issues related to climate change.

Strategy

The ACS Group combines its business aims with the objective of protecting the environment and appropriately managing the expectations of its stakeholders in this area. The ACS Group has a decentralized structure and operates by means of an extensive group of companies, which share the culture and values of the ACS Group, though each operates with its own, independent management systems. this document committing the ACS Group to protecting the environment includes contributions from all the Group's companies, which implement the guidelines independently and manage their resources as efficiently as possible,

always in keeping with the principles and shared objectives defined in [Environmental Policy](#) of the Group.

This ACS Environmental Policy defines the general principles which must be adhered to, but are sufficiently flexible to accommodate the elements of policy and planning development by the companies in the various business areas, and fulfill the requirements of the most recent version of the standard ISO 14001, and other commitments by the companies to other environmental standards, such as EMAS, or standards relating to their Carbon Footprint or Water Footprint. Within this Policy, the following commitments are established:

1. To comply with the applicable legislation and standards in general, and other voluntary commitments entered into in each of the Branches, Delegations, Projects, Jobs and Services of the ACS Group.
2. To prevent contamination, by assessing the potential environmental risks at every stage of a project, job or service, with the aim of designing processes which minimize environmental impact as far as possible.
3. To continuously improve management of environmental activities, by setting and following up on environmental goals.
4. To strive for transparency in external communications, by periodically publishing information about environmental initiatives to all interest groups, catering for their demands and expectations, either in compliance with regulation or independently.
5. To enhance skills and raise awareness, through providing training and educational activities to employees, suppliers, clients and other interest groups.

In order to construct and roll out a policy in relation to these environmental commitments, the most significant environmental impacts are identified and assessed, and are compared with each company's management systems and the environmental priorities for each business. For each of these priorities, objectives and key indicators are established to monitor environmental activities; in addition, we run programs to improve the environment and implement plans of action for each company or group of companies.

Specifically, the ACS Group's activity in the sphere of energy, emission and fight against climate change is governed by the following fundamental principles:

- Considering and assessing the impacts of their activities, products and services, in terms of climate change.
- Avoiding or minimizing energy consumption and the emission of greenhouse gases as a result of their activities.
- Establishing goals to reduce greenhouse gas emissions in keeping with the latest trends and standards.
- Avoiding or minimizing pollution as a result of their activities, by emissions into the environment, noise, vibration or light pollution.
- Establishing mechanisms to manage energy usage and emissions, to objectively measure the progress of their activities and decision-making.
- Identifying opportunities to promote products and services that are eco-friendly, suited to minimize the possible impacts of climate change and contribute to a transition to a low-carbon economy.

Management of risks and opportunities related to climate change

Risk management

The ACS Group's risk control system is based on a range of strategic and operational actions to mitigate these risks and meet the objectives set by the Board of Directors.

In general, the organization and management model include the identification, assessment, classification, evaluation, management and monitoring of risks at Group level. When these risks have been identified, a risk map is prepared which is updated regularly based on the different variables involved and the types of activities in which the Group is involved, assessing them on the basis of their impact and the probability of their occurrence.

The ACS Group's Risk Management System identifies and evaluates various risk scenarios grouped into two categories: business risks and corporate risks. Business risks are those specifically affecting each of the businesses. These vary according to the characteristics of each activity, and may be financial or non-financial, and within them are the operational risks that include environmental and climate change-related risks.

For the supervision of this risk control system within the ACS Group, it is the Audit Committee that, among other functions, provides support to the Board of Directors in relation to the general monitoring of compliance with the established procedures and effective general supervision of compliance with the established risk levels for each business activity. Also within its function is the review, monitoring and evaluation of the Company's Corporate Social Responsibility Policy and its practices, being therefore responsible for the ongoing review of the implementation and development of the Group's Environmental Policy, through action plans, procedures and improvement programs implemented by the Environment Department of each of the Group's divisions, with particular regard to issues related to climate change.

During the year 2019, according to the internal materiality analysis carried out, risks related to climate change have been identified based on the relevance that they may have for the development of the company's activity, according to the type of activity, areas of action, policies and management approaches, showing in the table below these potential risks for the development of the activity related to climate change as well as the management measures adopted by the ACS Group:

Subject	Potential risks	Detection, prevention, management and mitigation measures	Associated management Indicators	Applicable ACS Group policies
Climate: global concern	<p>The ACS Group faces physical risks arising from climate change (e.g. natural disasters), as well as transitional risks arising from regulatory changes (demanding green energy objectives, efficiency and emission reduction by governments), technological changes and new market preferences.</p> <p>In this regard, it is worth emphasizing the growing importance that stakeholders such as the investment community present in managing these risks and opportunities, due to their potential impact on the balance sheet.</p>	<p>The Group's Environmental Policy and Plan 20-20 define the commitment and objectives of improving eco-efficiency and use of resources.</p> <p>The overall responsibility for the climate change strategy belongs to the Board of Directors through the Audit Committee responsible for tracking ACS Group's CSR Policy. Each company is responsible for carrying out an emissions inventory, identifying focal points and developing initiatives to reduce them. The Group offers its customers construction products and services that contribute to the development of a low carbon economy.</p>	<p>Renewable energy consumption: 58,399 MWh</p> <p>Total emissions decrease: -6.1%</p> <p>Total emissions decrease/revenues: -12.8%.</p> <p>Development of business opportunities such as renewable and Green Building projects.</p> <p>During 2019, the ACS Group has begun the adaptation to report on risk and opportunity information in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) as well as to establish quantitative reduction targets for future reports.</p>	<p>Environmental Policy. Corporate Social Responsibility Policy.</p>
Resilient and socially responsible infrastructure	<p>The increasing occurrence of extreme climate events, the scarcity of natural resources, the state and the social context of the territory are conditioning factors for the Group's activities. ACS must work on the design and implementation of resilient, sustainable and environmentally friendly infrastructure. It must develop projects that involve sustainable management of resources for the customer, responding to the growing demand.</p>	<p>The ACS Group, through its various activities, provides services that contribute to creating more efficient and sustainable infrastructures and cities – sustainable building, construction of public transportation systems, traffic management services, etc.</p> <p>ACS offers customers the use of recycled and/or certified construction materials. Hochtief, Turner, CIMIC and Dragados' projects comply with different sustainable building certifications, as well as CEEQUAL, ISCA and Greenroads in terms of efficient infrastructure.</p> <p>Additionally, in ACS Group companies, one of the fundamental pillars of the R&D area of construction companies is the development of new projects using materials that help with the resilience of infrastructure and that allow coping with the increase in extreme weather changes resulting from change climate, as well as the reduction of these construction materials, along with their reuse and exploitation.</p>	<p>Development of Green Building projects: 815 projects completed at Hochtief and 21 ongoing projects for Dragados in 2019.</p> <p>Innovation projects aimed at improving the resilience of the infrastructure and materials used</p>	<p>Environmental Policy Corporate Social Responsibility Policy Construction Materials Policy.</p>

In addition, during 2019, the Group has begun the adaptation to report information on risks related to climate change in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), including transitional and physical risks related to the climate change. Given the geographical diversity and the activities of the ACS Group, this risk identification is being carried out at the company level, so that with the information collected, a consolidated and detailed risk identification can be established for future reports, following the recommendations of the TCFD.

Identified opportunities

As for opportunities, the ACS Group has consolidated experience in the promotion of environmentally friendly products and services, adapted to the potential impacts of climate change and contributing to the transition to a low-carbon economy. Thus, during 2019, through Hochtief, the projects managed in Green Building and Green Infrastructure reached approximately 8,000 million euro in 2019 (compared to 8,200 million in 2018). While at Dragados, sales of sustainable certified construction projects have risen from 13% in 2018 to 15% in 2019. The construction of Green Building buildings helps to reduce emissions, both in the implementation phase of the project (which is carried out with sustainable materials, works contracts at the regional level, etc.) and during its subsequent operation, since, according to a study by the U.S. Department of Energy¹, LEED-certified buildings consume 25% less energy and 11% less water than conventional buildings. The Green Building Council of Australia indicated in a study² that Green Star-certified buildings decrease greenhouse gas emissions by 62% and water consumption by 51%.

Moreover, the ACS Group has a consolidated position in the area of renewable energy. In 2019, the Group had a portfolio of energy promotion projects of over 6,200 MW, of which 3,200 MW correspond to photovoltaic plants and 3,000 MW to wind farms. In addition, the ACS Group is developing energy efficiency services and other related services that allow reducing emissions for both the Group and customers, as well as the development of innovation projects focused on emission reduction.

Likewise, the ACS Group participates in the development of innovative applications in the field of renewable energies, energy transport and storage and mobility, as well as more climate-efficient materials and construction processes, supported by the accelerated technological evolution that we are undergoing. living and in the Group's commitment in the fight against climate change. Currently the Group in more than 80 R & D & i projects related to mobility, sustainable energy and "Smart Cities".

¹ Source: "Re-assessing GreenBuilding Performance," September 2011.

² Source: "The Value of Green Star," 2013.

Monitoring indicators and objectives

For the effective monitoring of the ACS Group's commitment in the fight against climate change, the measurement of CO2 emissions is carried out at all levels of the Group:

CO2 emissions by areas of activity (TCO2eq)				
	2016	2017	2018	2019
ACS GROUP TOTAL	7,019,256	5,933,726	6,368,019	5,982,501
Scope 1	2,104,164	2,436,364	3,073,384	3,002,654
Scope 2	242,506	371,274	265,501	279,435
Scope 3	4,672,586	3,126,088	3,029,134	2,700,413
Emissions intensity	240	179	182	158
Infrastructure: total emissions	6,910,850	5,817,105	6,217,424	5,815,314
Scope 1	2,045,914	2,374,760	2,976,395	2,892,764
Scope 2	219,263	339,916	232,939	236,521
Scope 3	4,645,673	3,102,429	3,008,090	2,686,028
Emissions intensity	313.6	226.5	224.9	194.9
Industrial services: total emissions	85,583	92,842	124,777	149,095
Scope 1	44,326	47,766	80,574	95,467
Scope 2	16,430	24,807	27,249	42,238
Scope 3	24,827	20,269	16,954	11,391
Emissions intensity	14.8	15.4	20.9	23.2
Services: total emissions	20,737	23,779	25,819	18,093
Scope 1	13,924	13,838	16,416	14,423
Scope 2	6,813	6,551	5,313	676
Scope 3	nd	3,390	4,090	2,994
Emissions intensity	14.7	16.4	17.9	11.7

- (1) 2017 Data Scope 2 recalculated according to the 2018/2019 criteria
- (2) Scope 3 emissions include those calculated by employee travel. Also, HOCHTIEF and CIMIC include the emissions calculated for the supply chain (cement, wood, waste and steel). In 2017-2019, Scope 3 emissions included Clece's travel data.
- (3) In Infrastructure, the scope has increased, including in 2018-2019 the data from Dragados USA and Dragados Canada..
- (4) In Industrial Services, the increase in 2018 is due to the fact that Scope 1 emissions included for the first time data from Cobra companies in Colombia, and Scope 2 includes for the first time the electricity consumption of Cobra's division in Peru.
- (5) The reduction of Scope 2 emissions in Clece is due to the purchase of guaranteed renewable energy sources.

The conversion factors provided by Defra (Department for Environment, Food & Rural Affairs) for the different types of fuels included in the report have been taken as a general reference for the calculation of Scope 1 emissions. For Scope 2, the conversion factors provided by the International Energy Agency for the different geographical areas are taken as a general factors for each type of transport as a reference.

During 2019, the Group has begun the adaptation to establish quantitative reduction targets for future reports. Currently, the reduction targets are those set out in the Plan 20-20 which define the reduction in intensity of Scope 1 and Scope 2 emissions below those obtained in 2015, objective which is currently in progress. In the following strategic plan, the Group is working on

the definition of consolidated quantitative reduction targets in this area. However, at the individual level, different companies in the Group already have defined quantitative targets. For example, this year Turner has set the target of reducing its greenhouse gas emissions in operations by 50% by 2030, and Clece, which has set a 20% green fleet target and a 100% target for 2020 to purchase renewable energy with a guarantee of origin.

COMMITMENTS	Objective 2020	Indicators evolution					
		Indicator	Base year 2015	2016	2017	2018	2019
Environment							
Improve the eco-efficiency and use of resources	Rationalisation and efficient use of energy products	Scope 1 emissions/millions of euros billings	99.9	69.3	73.3	87.6	79.4
		Scope 2 emissions/millions of euros billings	8.2	7.7	11.4	7.6	7.4