

COMMITMENT OF THE ACS GROUP WITH THE FIGHT AGAINST CLIMATE CHANGE

“We invariably aim to create value for the whole of society in our activities, initiatives, and investments, taking into account the different stakeholders and focusing on the long term. That is why we are aligned with the UN Sustainable Development Goals, focusing heavily on the fight against climate change, which will distinguish the future 2021- 25 Strategic Sustainability Plan currently in the works.”

*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 (NOx, SOx, substances that affect the Ozone Layer), noise emissions and other possible disturbances resulting from the activity, such as light pollution.

Governance

The Board of Directors of the ACS Group, as the highest governance body, is responsible for overseeing the overall climate change strategy. Through its functions, it approves the development of the policies required to meet the climate challenges of the business, leaving the Group companies responsible for developing their own management mechanisms depending on the type of activity and geographic area.

In addition, the ACS Group's Audit Committee is responsible for monitoring aspects related to climate change, as it has been given the function of supervising internal regulations, which includes the Sustainability Policy and the Environmental Policy, as well as managing financial and non-financial risks. The Committee's responsibilities include the ongoing review of the implementation and development of the Group's Environmental Policy, of the action plans, procedures and improvement programmes implemented by the Environmental Department of each one of the Group's divisions, with a special focus on climate change issues

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.

To meet the challenges of the climate crisis, the ACS Group has given these issues more importance in the Group's governance and management model. In addition to the basic principles of action included in the Group's Environmental Policy, the approval of the Group's Sustainability Policy defines the fight against climate change as one of the basic principles of action and the future 2021-2025 Strategic Sustainability Plan, which will be approved in 2021, will be the backbone of the Group's climate strategy. All aimed at anticipating and managing the risks arising from climate change, as well as identifying new opportunities with the development of new sustainable environmentally-friendly solutions.

The ACS Group also has a risk management system that integrates financial and non-financial risks, including the risks associated with climate change. In this regard, the analyses arising from the risks to which the company is exposed are considered in both the company's decision-making and in the design of the ACS Group's strategy. For this reason, ACS has a strategy that allows it to operate in such a way as to ensure the resilience of its activity in the short, medium and long terms.

Management of risks and opportunities related to climate change

Risk management

In order to respond to the need for global and standardised risk management, the Corporate Unit has established a model which includes the identification, assessment, classification, valuation, management and follow-up of risks at the Group and operating division levels.

The ACS Group's Risk Management System identifies the risks arising from climate change and assesses different risk scenarios by categorising two types of risks:

- Physical risks, which are expected to give rise to more frequent extreme weather events or natural disasters.
- Transition risks, which are related to regulatory changes and market changes aimed at adapting and mitigating climate change.

The physical risks involve adapting to climate change in the infrastructure design and execution phases to ensure their resilience or reduced productivity in the event of adverse weather conditions. On the other hand, transition risks have a direct impact on the energy use model and prices for fossil fuels and raw materials.

Likewise, according to the risk map prepared by the Group, specific risks related to climate change have been identified based on their potential relevance for the company's activity, depending on the type of activity, action areas, policies and management approaches. These risks, together with the management and mitigation measures, are covered in section Appendix I and Appendix II of this document.

Identified opportunities

In regard to the opportunities identified, the ACS Group has consolidated experience in the development of environmentally friendly products and services, adapted to the impacts of climate change and contributing to the transition to a low-carbon economy. In 2020, through Hochtief, the Green Building and Green Infrastructure projects managed totalled approximately 8,300 million euros in 2020 (compared to 8,000 million euros 2019), while, in Dragados, turnover of sustainable certification construction projects exceeded 15% in 2020.

Since 2000, a total 852 projects have been registered and certified according to different efficient-construction certifications. By type of certification, in Turner's constructions, the LEED standard predominates, while CIMIC uses the Australian Green Star Methodology of the GBCA (Green Building Council of Australia) and LEED. The main certifications used by HOCHTIEF Europe are DGNB, LEED and BREEAM. Likewise, since 2013, 4 projects have been certified in terms of efficient infrastructure (CEEQUAL, ISCA and Greenroads).

In 2017, Dragados began to obtain certification for different construction projects certified under LEED and BREEAM, and over the last two years, the objective has been extended to infrastructure projects. The number of projects, both construction and civil works, with some type of sustainable certification is growing year after year. During 2020, the Dragados Group had a total of 30 projects under construction with LEED, BREEAM, WELL, ENVISION or CEEQUAL certification, with a budget of approximately 5,000 million euros. In 2020, more than 15% of the turnover of the Dragados Group corresponded to construction projects with sustainable certification, including a new logistics warehouse, a 5-star hotel and two 11-storey housing towers. The evolution of the turnover of Dragados, S.A. in sustainable construction projects in Spain and the UK is increasing each year, confirming the trend of these types of projects, including the design in some cases.

Construction of sustainable buildings classified as *Green Building* allows emissions to be reduced, during the project execution phase (which is carried out with sustainable materials, works contracts at regional level, etc.), as well as over the life cycle of the project. According to a study conducted by the US Department

of Energy¹, buildings with LEED certification consume 25% less energy and 11% less water than conventional buildings, while Australia's *Green Building Council* indicates in a study² that *Green Star* certified buildings reduce greenhouse gas emissions by 62% and water consumption by 51%.

The ACS Group also has a consolidated position in the area of renewable energy and, in 2020, the Group's portfolio of energy projects in development totalled more than 24,668 MW, with 11,730 MW corresponding to photovoltaic plants and 11,964 MW to wind farms. These figures make the Group one of the most dynamic agents in the sector, and growth prospects in this area are positive, as investment in green energy projects is expected to increase to support the decarbonisation process of the global economy.

The ACS Group also participates in the development of innovative applications in the field of transport, energy storage and mobility, as well as in the use of more efficient construction materials and processes within the framework of the fight against climate change.

Monitoring indicators and objectives

To effectively monitor the commitment taken on by the ACS Group in relation to climate change, Greenhouse Gas (GHG) emissions are monitored at all of the Group's levels. In fact, it is increasingly common among the Group companies to have their own carbon footprints certified by an independent external party. It is important to note that in 2020, the impact of COVID-19 led to a sharp reduction in all of the scopes of GHG emissions as a result of the decline in activity. The evolution of the calculation of the scope 1, 2 and 3 emissions in the last four years of the ACS Group is included below:

¹ Source: 'Re-Assessing GreenBuilding Performance,' September 2011

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

CO ₂ emissions by areas of activity (TCO ₂ eq)*				
	2017	2018	2019	2020
TOTAL ACS GROUP	5,933,726	6,368,019	5,993,456	4,804,804
Scope 1	2,436,364	3,073,384	3,001,287	2,683,671
Scope 2	371,274	265,501	277,291	183,375
Scope 3	3,126,088	3,029,134	2,714,878	1,937,759
Emissions intensity (total emissions/sales)	179	182	158.6	139.7
Infrastructure: total emissions	5,817,105	6,217,424	5,823,231	4,684,354
Scope 1	2,374,760	2,976,395	2,891,051	2,584,051
Scope 2	339,916	232,939	235,137	174,914
Scope 3	3,102,429	3,008,090	2,697,043	1,925,389
Emissions intensity (total emissions/sales)	226.5	224.9	195.2	171.5
Industrial Services: total emissions	92,842	124,777	152,132	105,807
Scope 1	47,766	80,574	95,814	86,767
Scope 2	24,807	27,249	41,477	8,444
Scope 3	20,269	16,954	14,841	10,595
Emissions intensity (total emissions/sales)	15.4	20.9	23.7	19.1
Services: total emissions	23,779	25,819	18,093	14,644
Scope 1	13,838	16,416	14,423	12,853
Scope 2	6,551	5,313	676	17
Scope 3	3,390	4,090	2,994	1,775
Emissions intensity (total emissions/sales)	16.4	17.9	11.7	9.6

*For the calculation of Scope 1 emissions, the conversion factors provided by Defra (Department for Environment, Food & Rural Affairs) for the different types of fuels reported in the report have been taken as a general reference. For Scope 2 the conversion factors provided by the International Energy Agency for the different geographical areas are taken as a general reference. In Scope 3 the conversion of employee travel is calculated using Defra's conversion factors for each type of transport as a reference. In Industrial Services the increase in 2018 is due to the fact that Scope 1 emissions include 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. In Infrastructure, the scope has been increased, including in 2018-2020 data from Dragados USA and Dragados Canada. The reduction in Scope 2 emissions in Services since 2018 is due to the purchase of renewable electricity with guaranteed origin. Scope 2 emissions reductions in Infrastructure and Industrial Services are due to the promotion of the use of renewable-sourced electricity. Scope 3 emissions include those calculated from employee travel. In 2020, HOCHTIEF also includes the calculated emissions from the Supply Chain (Cement, Wood, Waste and Steel). Also, in 2020, the reduction in Scope 3 emissions is due to less employee travel due to the pandemic.

The objectives set by the Group in relation to climate change are the ones established in 20-20 Plan, which includes a commitment to reduce the intensity of Scope 1 and Scope 2 emissions below the levels obtained in 2015 and that, as of the date of the plan, the ACS Group has achieved. In this regard, the Group, aware of the importance of the climate problem, is working on defining more ambitious targets as part of its new strategic sustainability plan.

Likewise, and notwithstanding the new overall objectives that the Group is defining, on an individual level, the different Group companies have defined quantitative objectives. One example is Turner, which in 2019 committed to reducing its GHG emissions by 50% by 2030.

In 2020, ACS Group companies carried out initiatives to reduce GHG emissions, with an estimated emission savings of 14,887.5 of tonnes of CO₂ in initiatives such as electricity supplies with a guarantee of renewable origin or vehicle replacement and substitution. For example, if in the previous year Clece replaced its fleet with Eco vehicles, making it possible for it to obtain recognition of an Ecological Fleet, and in 2020, SEMI continued along this line and introduced 15 LPG/microhybrid vehicles and 95% of its fleet complied with EURO6 regulations, which has regulated the emissions of pollutant gases in new vehicles since 2015.

The ACS Group has also committed to minimising emissions other than Greenhouse Effect Gases (GHG) emissions, taking into account other pollutant gases (NO_x, SO_x or ozone-depleting substances), noise emissions and other possible disturbances arising from the activity such as light pollution.

COMMITMENTS	Objective 2020	Indicators evolution						
		Indicator	Base year 2015	2016	2017	2018	2019	2020
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	78
		Scope 2 emissions/millions of euros billings	8.2	7.7	11.4	7.6	7.4	5.3

APPENDIX I: Risk management in climate change issues

Material topic	Risks	Detection, prevention, management and mitigation measures	Associated management indicators	Applicable Policies ACS Group
<p>The climate: global concern</p>	<p>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, strict efficiency and emission reduction measures), technological changes or new market preferences.</p> <p>In this regard, it is important to highlight that stakeholders, such as the investment community, are increasingly demanding information on managing the risks and opportunities associated with climate change, due to their potential impact on the income statement and the resilience of the Group's Strategy.</p> <p>Likewise, to ensure adequate control, supervision and monitoring of these aspects, the risks associated with them were integrated into the Group's risk management system in 2020. The main risks associated with this material issue that forms part of the group's risk management system are:</p> <ul style="list-style-type: none"> • Climate change and energy efficiency. 	<ul style="list-style-type: none"> • The Environmental Plan and the Group's 20-20 plan define the 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 through the Audit Committee, which is responsible for monitoring the ACS Group's sustainability policy. • The company is working to establish objectives related to the variable remuneration of the Senior Management in regard to climate change performance that will apply in 2021. • 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 the transition to a low carbon economy. 	<ul style="list-style-type: none"> • Consumption of renewable energies: 64,246,390 kwh • Reduction in total emissions 2019-2020: 19.8% • Reduction in total emissions /turnover: 11.9% • Development of business opportunities such as renewable projects and Green Building <p>In 2020, the Group continued to develop its reporting model to be able to report information relating to risks and opportunities related to climate change in accordance with the recommendations of Task Force on Climate-Related Financial Dissolution (TCFD), as well as to be able to establish quantitative reduction objectives in the short-medium term.</p>	<ul style="list-style-type: none"> • Environmental policy • Sustainability Policy • Risk Control Policy.

<p>Resilient and socially-responsible infrastructure</p>	<p>The increasingly frequent extreme weather events, the scarcity of natural resources, the social state and context of the territory condition the Group's activities. Likewise, stakeholders are increasingly demanding the management of these aspects by companies such as ACS.</p> <p>ACS must therefore work on designing and executing resilient, sustainable and environmentally-friendly infrastructure through projects that involve sustainable management of resources for clients.</p> <p>Likewise, to ensure adequate control, supervision and monitoring of these aspects, the risks associated with them were integrated into the Group's risk management system in 2020. The main risks associated with this material issue that forms part of the group's risk management system are:</p> <ul style="list-style-type: none"> • Climate change and energy efficiency. • Efficient use of resources and circular economy. • Relations with clients 	<ul style="list-style-type: none"> • 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. The 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. • In the ACS Group companies, one of the fundamental pillars of the R & D area of the construction companies is the development of new projects and materials that increase the resilience of infrastructure and that make it possible to cope with the increasingly extreme weather changes resulting from climate change, in addition to the reduction of these construction materials, as well as their reuse and use. • Develop biodiversity policies and environmental studies to minimise impacts on the business areas. 	<ul style="list-style-type: none"> • Development of Green Building projects: 852 cumulative projects by Hochtief and 30 underway in 2020 by Dragados • Biodiversity: recovery work on 642 hectares 	<ul style="list-style-type: none"> • Environmental Policy. • Sustainability Policy. • Construction Materials Policy. • Risk Control Policy.
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APPENDIX II: Matrix of Physical and Transition risks and its financial potential risk

Type of risk	Associated climate risk	Potential financial risk
Transition	<p><u>Transversal (common to all businesses)</u></p> <ol style="list-style-type: none"> 1. Regulation and standards of existing projects and services. 2. Increased pricing of GHG emissions (fossil fuel taxes, policies restricting the allocation of emission quotas, carbon taxes, etc.). 3. Changes in customer preferences and behavior. 4. Exposure to litigation. 5. Increased cost of raw materials. 6. Increased investor concern about climate change and/or negative commentary on climate change. 7. Continued improvement in mandatory reporting of emissions information. 8. Uncertainty in market signals/trends. 	<p><u>Transversal (common to all businesses)</u></p> <ol style="list-style-type: none"> 1. Higher credit risk due to non-compliance with regulations and/or greater/new requirements/regulations in the project specifications leading to a possible increase in competitive pressure as well as the need to undertake investments/operational changes to comply with them and/or a decrease in revenues due to a drop in demand for certain projects/services by clients. 2. The price of carbon is conveyed to customers (mostly governments) in contract prices. Also, increased indirect (operational) costs and/or reduced demand for products and services. 3. Limited overall impact. However, it could lead to a reduction in revenues due to a drop in demand for certain projects and services due to changes in customer preferences and/or the need for investment to adapt to new customer requirements. 4. Reduced revenues due to a worsening of the group's reputation causing a lower demand for products and services. In addition, there is a potential risk of increased costs due to the payment of large penalties. 5. Sudden and unexpected changes in the costs of energy, raw materials or manufacturing products, which may not be passed on to customers. 6. More difficulty in accessing financing due to stricter risk controls and impact on financial markets. 7. Limited impact, although existing, due to existing GHG emissions and energy reporting protocols. 8. Reduction in demand for some products with transition to others (e.g., more public transportation).
	<p><u>Infrastructure/Concessions</u></p> <ol style="list-style-type: none"> 9. Activity/business areas disappearance due to political decisions. 10. Substitution of existing products and services with less emission-intensive options. 11. Unsuccessful investment in new technologies. 12. Costs associated with the transition to lower-emission technologies. 13. Land use restrictions or incentives. 	<p><u>Infrastructure/Concessions</u></p> <ol style="list-style-type: none"> 9. Income reduction in specific activities/business areas. Likewise, the need to undertake additional investments in other areas of activity to compensate for the disappearance of the affected businesses. 10. Low probability of impact given that 1) construction services are difficult to substitute and 2) the possible impact on price will be transferred to clients. 11. Possible capital losses due to unsuccessful investment in new technologies. 12. Low probability that the transition to lower carbon technologies will require significant investment. Possible price impact will be transferred to customers. 13. Land use restrictions or incentives, which may affect the company's revenues and/or day-to-day operations.
	<p><u>Services</u> No specific risks have been identified</p>	<p><u>Services</u> No specific risks have been identified</p>

Physical	<p><u>Transversal (common to all businesses)</u></p> <ul style="list-style-type: none"> · <u>Severe</u> <ol style="list-style-type: none"> 1. More severe extreme weather events (e.g. cyclones, floods). <ul style="list-style-type: none"> · <u>Chronic</u> <ol style="list-style-type: none"> 2. Increase in average temperature. 	<p><u>Transversal (common to all businesses)</u></p> <ul style="list-style-type: none"> · <u>Severe</u> <ol style="list-style-type: none"> 1. Delays in the construction process and more frequent and longer project interruptions leading to reduced revenues due to acute extreme weather events (e.g. floods causing damage - projects, utilities, etc.; droughts reducing water availability; extreme heat waves reducing productivity; increasingly severe and frequent extreme weather conditions such as storms, cold waves and heavy rains impacting infrastructure resilience). Also, higher cost of occupational risk prevention measures (e.g. equipment), which would have an impact on the client's costs. <ul style="list-style-type: none"> · <u>Chronic</u> <ol style="list-style-type: none"> 2. The increase in temperatures can reduce employee productivity and have a negative impact on costs. Also, higher cost of occupational risk prevention measures (e.g. equipment), which would have an impact on the client's costs.
	<p><u>Infrastructure/Concessions</u></p> <ul style="list-style-type: none"> · <u>Chronic</u> <ol style="list-style-type: none"> 3. Sea level rise. 4. Changes in precipitation patterns and extreme variability of weather patterns. 	<p><u>Infrastructure/Concessions</u></p> <ul style="list-style-type: none"> · <u>Chronic</u> <ol style="list-style-type: none"> 3. Sea level rise is likely to influence the costs of implementing and maintaining coastal infrastructure and/or result in the loss or reduction of areas that reduce the fields of activity. 4. Changes in precipitation patterns and extreme variability of weather patterns are likely to negatively influence the costs of implementation and maintenance of infrastructure projects, as well as delays in implementation. As well as their adaptation to extreme climates, this may entail additional costs. Reputational risk due to problems related to these extreme weather changes in infrastructures developed by the Group.